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## THE SITUATION OF THE AGRICULTURAL MARKETS

### REPORT 1981

(report from the Commission to the Council)

This report was drafted in autumn 1981 and a summary appeared in "The Agricultural Situation in the Community - 1981 Report" published in conjunction with the Fourteenth General Report on the Activities of the European Communities. Despite the retrospective nature of the report, the departments concerned have as far as possible updated the key figures relating to the Ten.

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## Market for Agricultural Products

### Introduction

Examination of the markets for agricultural products is separated into two distinct sections. The first focuses attention on those sectors which represent about two thirds of agricultural output and on which more than 75% of the total agriculture budget is spent: cereals, sugar, fruit and vegetables, wine, milk products, beef and veal and pigmeat. This review by sector includes reference to the pattern of production and consumption and to the development of the internal market in terms of prices and support measures taken in the Community as well as the evolution of Community trade in world markets.

The second part draws the major strands of these analyses together and sets out the outlook for agricultural markets indicating those sectors where problems exist or are likely to arise. For a longer term perspective to 1988 the memorandum concerning Guidelines for European Agriculture published by the Commission in October 1981 should be consulted.

Further details concerning the market situation of all agricultural products are provided in "The Situation of the Agricultural Markets - 1981 Report". Statistical information on all sectors is contained in the second part of the present report.

Situation on the principal agricultural markets

Crop products

Cereals

COMMUNITY

1. The total area of cereals under cultivation in the Community in 1980 was 28.4 million ha or 27.7% of the utilized agricultural area (UAA). There was considerable variation concerning land use for cereals according to the Member State concerned. About 70% of the arable area was utilized for cereals in Germany, Luxembourg and Denmark while only about 7% in Ireland and 11% in the Netherlands.

Production and Consumption

2. Total production in the Community for 1980/81 was at record levels for cereals at 124 million tonnes (excluding rice), 5.3% more than for the previous year. Preliminary indications for 1981/82 are that production levels will be slightly lower than for 1980/81 at around 121 million tonnes (excluding rice), owing principally to gales at the beginning of the summer which caused some damage. It is anticipated that, owing to an increase in yield, maize production will increase by 5% to more than 18 million tonnes; in contrast, wheat production will decrease by 2% to 49 million tonnes, while barley production should fall by 3% to 40 million tonnes.

3. Total consumption of cereals utilized in the Community during 1979/80 amounted to 120.3 million tonnes (anticipated to fall by about 2% in 1980/81). 60.6% of all cereals were utilized in animal feed, 34.4% wheat for human consumption and industrial use, while the remainder was used for seed (roughly the same proportions as in 1978/79). Within these three

categories, the percentage varies substantially from one Member State to another and from year to year, according to the cereal concerned. Total balance sheets for 1979/80 show that self supply of cereals was around 98%, while it is expected to be about 105% for 1980/81.

4. The use of cereals in animal feed has been significantly affected in recent years by the growth of cereal substitutes such as manioc and a variety of food industry by-products. In 1980, imports of cereal substitutes amounted to the equivalent of 14 million tonnes of cereals. Imports of manioc have increased from 2.3 million tonnes in 1974 to 5.5 million tonnes in 1979. Even if such imports can be stabilized at these levels through such measures as self restraint arrangements, imports of other similar products are likely to increase over the medium term owing to the ease of substitution. As an example, corn gluten feed imports have risen from 0.7 million tonnes in 1974 to 2 million tonnes in 1980 and can be expected to increase still further in line with the development of the production of alcohol from maize in the United States.

Use of home grown cereals has been given some support by the operation of the silo system which encourages the use of more Community wheat in animal feed. The trend of decreasing utilization of home grown cereals for animal feed, however, is continuing (42% in 1979/80 compared to around 50% in 1975/76). This is accounted for by farmers tending to sell more of their cereals (or producing less oats, normally used for animal feed) and to purchase compound feedingstuffs made from imported cereal substitutes.

5. Cereals used for industrial purposes have stabilised during 1979/80. There has been, however, a noticeable increase in the use of maize and wheat in the production of starch and glucose as well as in breweries (3% in 1979/80). The use of barley has decreased by about 3% principally because of reduced utilisation in Germany, France and the Benelux.

## Main market features

The 1980/81 marketing year opened with stock levels at about 12.8 million tonnes, slightly lower than in 1979/80, consisting of 6.4 million tonnes of common wheat, 0.4 million tonnes of durum wheat and 2.2 million tonnes of maize in public intervention stocks (the remainder is stored on farms). The figure for 1981/82 was lower at around 12 million tonnes.

Despite considerable export levels during the 1980/81 year, internal market prices remained at around intervention price levels owing to large quantities of wheat and barley being available (in the case of common wheat the reference price was 17% above the intervention price level). The notable exception to this general trend was in Italy where the prices of common wheat and coarse grains maintained a level equivalent to the threshold price.

As far as intra Community trade during 1980/81 is concerned, France remained the principal supplier of cereals to other Member States. Its exports of common wheat, barley and maize decreased from a total of 9.4 million tonnes in 1979/80 to 7.6 million tonnes in 1980/81.

In the context of decisions made when fixing the prices for the 1981/82 marketing year, the Council agreed to establish a reference price for the average quality of bread making wheat as well as strengthening the definition for minimum quality. The effect of these decisions should be to encourage the use of more common wheat in animal feed.

Furthermore the Council agreed in principle to the application of co-responsibility measures in the cereals sector but decided that any adjustments of the intervention and reference prices would not apply during the current campaign but would be postponed until the 1982/83 year.

## World markets

World production of cereals (excluding rice) in 1980 amounted to 1.170 million tonnes (1) of which the quantity produced in the Community was 10.6%. The equivalent percentages of other major exporting countries of cereals were: US 23%, Canada 3%, Australia 1% and Argentina 2%.

At the beginning of the 1980/81 marketing year world stocks of common wheat were about 100 million tonnes with coarse grains at about 74 million tonnes. These stocks levels tended to decrease during the year owing principally to strong demand from importing countries such as China and USSR. As a result, market prices for cereals were sustained in spite of the need of the United States to open up new markets owing to the limitation on sales of grain to the USSR. High production levels for wheat in the US and the Community were offset by poor production levels in Argentina and Australia: production of coarse grains (in particular maize) was also much lower in the US owing to drought. Towards the end of the marketing year, a fall in prices caused by investors looking for better revenues on capital with high interest rates than in agricultural products was checked by the removal of the embargo on sales of grain to the USSR. Signs of significant crop failures once again in the USSR have caused market prices to rise further even though cereal production in the Northern Hemisphere has been abundant (in particular maize in the US).

In 1979/80, the Community imported 17.9 million tonnes of cereals (8.3% less than in 1978/79), confirming the trend of diminishing imports noted in 1977/78. Of the overall total in 1979/80, 11.4 million tonnes were maize (over 85% of which was imported from the US), 3.8 million tonnes of common wheat (over 90% from Northern America including 0.2 million tonnes under inward processing and about 1.0 million tonnes of barley (80% from Canada and 18% from Australia). Total imports during 1980/81 are expected to be about 17 million tonnes of which only about 11 million tonnes of maize and 3.5 million tonnes of common wheat.

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(1) FAO.



Total exports of cereals and cereal products in 1979/80 from the Community rose by 14% to 17.4 million tonnes: within this total, common wheat and flour accounted for 10.8 million tonnes. In 1980/81, the figure for common wheat and flour rose to around 14 million tonnes (13 million tonnes as commercial sales, of which over 5 million tonnes were of flour, and the remainder as food aid). During both these campaign years, sales have been made to the Community's traditional clients such as West and North Africa, as well as several European countries (particularly Poland). In addition during 1980/81, further sales were made to China and Iran. Flour exports continued to go to traditional destinations, in particular Egypt, Syria and the USSR. Barley and barley products (principally malt) amounted to a total of 4.8 million tonnes in 1979/80 (5.5 - 6.0 million tonnes in 1980/81).

## Sugar

### COMMUNITY

The total area under cultivation for sugar beet in 1981 rose by 11% more than in 1980, covering 2% of the utilisable arable area in the Community. The increase was principally due to world price levels being higher than Community prices at the time of planting.

In terms of production structures, the trend towards larger units has accentuated over the past decade, the number of farms producing sugar beet decreasing from 425 000 in 1970 to 335.000 in 1977 in the Community of 9 Member States (there are currently about 30.000 producers in Greece). At the same time, the number of sugar beet processing factories has decreased from 250 in 1972/73 to 212 in 1980/81, a decrease of 15%, accompanied by an increase in total processing capacity of 27%. This improvement of production structures over the past decade illustrates that the development of production has not been hindered by the existence of a quota system, now in operation for over 6 years.

### Production and consumption

Total sugar production in the Community (including Greece) in 1980/81 was 12.3 million tonnes, about 2.6% less than in 1979/80. 8.8 million tonnes was produced within the basic quota ("A" sugar); an amount of 2.1 million tonnes was reached outside the basic quota but within the maximum amount ("B" sugar) while the remainder of the production ("C" sugar) decreased from 1.4 to 1.2 million tonnes. Owing to the increased area planted in 1981/82, it is estimated that total sugar production during this year will rise to 14.3 million tonnes. Production of isoglucose in 1980/81 was 183.900 tonnes.

Human consumption of sugar during 1980/81 in the Community (including Greece) fell slightly to 9.6 million tonnes (9.8 million tonnes in 1979/80). About 1% of total production went for industrial purposes, mostly to the chemical industry. Total consumption of isoglucose rose by 12% to 183.900 tonnes. As a result of production falling faster than consumption in the Community during 1980/81, self supply in the Community diminished from 129% in 1979/80 to 127% in 1980/81.

### Main market feature

In early 1981, the Council agreed on a new sugar policy for 1981-85 to enter into force on 1 July 1981, establishing quotas at about the same level as previously (assuming that the total for Greece is also included). The most important element of this decision was the principle that producers must bear the full cost of exporting sugar in excess of internal demand in the Community other than the equivalent of about 1.3 million tonnes imported from ACP countries (to be financed out of the EAGGF). At the same time, the intervention price for white sugar was increased by 8.5 while that for raw sugar rose by 7.5%.

During the first half of 1980/81, market prices ex factory remained close to the intervention price in surplus areas of the Community. From February 1981 onwards, internal market prices rose by between 3 to 10% under the influence of the high level of world prices. Intra Community trade (0.96 million tonnes in 1980/81) decreased by 18% in comparison to the previous year as a result of the increasing availability of sugar in each Member State.

#### WORLD MARKETS

In 1979/80, for the first time in 4 consecutive years, world consumption exceeded production by more than 5 million tonnes owing to very poor crops in major producing areas. This led to very high world price levels during the 1980/81 crop year. World production of sugar in 1980 amounted to 87.3 million tonnes (raw white sugar) of which the quantity produced in the Community (including Greece) was 16%. The proportions produced by other major sugar trading countries were: USSR 8.6%, Cuba 8.1%, India 5.4% and Australia 4%. World sugar production is expected to rise to around 93-94 million tonnes in 1981/82.

In 1981/82, the situation has been reversed owing to a record crop in the Community as well as normal production levels being recorded in India, Poland, South Africa and Thailand. In addition, Australia is continuing to increase the expansion programme it started last year. As a result, world prices have fallen significantly over the past few months. The Council of the International Sugar Agreement tried to stabilize the tumbling world market through the provisions laid down in the Agreement but not with significant effect. The Community has taken its own initiative by deciding to hold off about 2.0 million tonnes from the market until the next year. This action will reduce the expected export level from 4.4 million tonnes in 1980/81 to about 4 million tonnes in 1981/82 including 1.1 million exported as "C" sugar at the expense of Community producers.

This has had a stabilising effect on the world market price and should lead to a decrease in Community sugar production during 1982/83. In 1980/81, the Community imported 1.145 million tonnes of ACP sugar out of its total commitment of 1.3 million tonnes under the Lomé Convention.

## Fruit and Vegetables

### COMMUNITY

#### Production and Consumption

Production of fresh fruit and vegetables during 1980 in the Community (including Greece) rose by 1.1% in comparison to 1979. Apple and pear production once more slightly decreased while the production of peaches and table grapes increased by 3% and 3.4% respectively. Vegetable production remained at the same level as for 1979 at 28.5 million tonnes. Italy was the major producer of fresh fruit (49%) and vegetables (42%) in the Community. In contrast, production of processed fruit and vegetables slightly decreased by about 1.8% mostly due to a decrease in tomato based products.

Consumption of fruit in the Community (including Greece) in 1979/80 rose by 0.7% to 19.1 million tonnes (89% going for human consumption). The total internal utilisation of vegetables rose by 1.9% to 33.7 million tonnes.

Market prices fluctuated considerably over the year and were supported in several instances by temporary measures like countervailing charges on imports and, occasionally, by safeguard measures. Quantities withdrawn for apples (6.3% of total production), peaches (2.8%), cauliflowers (0.5%) and tomatoes (1.3%) were lower in 1980/81 than in 1979/80 but higher for other products such as pears (6.5%). Turning to trade, fresh fruit imports into

the Community (excluding Greece) remained at mostly the same level in 1980 as in 1979, around 4.5 million tonnes (including 3.2 million tonnes of citrus fruit and 0.43 million tonnes of apples) or more than six times the total export volume. Total imports of fresh vegetables were 1.2 million tonnes or nearly three times the total export volume. Intra Community trade for fresh fruits was 2.6 million tonnes in 1980, while the level of vegetables amounted to 2.4 million tonnes.

Intra Community trade (without Greece) for processed fruit and vegetables in 1980 remained at a similar level to 1979. Total imports from non-member countries slightly decreased (increasing for tomato concentrates and mushrooms, falling for tomato juices while exports rose particularly for tomato concentrates.

#### Wine

Production in the Community (including Greece) during 1979/80 reached the record level of 183 million hectolitres (hl), compared with 144.5 million hl in 1978/79, accounting for 48% of world production. Domestic consumption in 1979/80 totalled 162 million hl (140 million hl in 1978/79) representing an increase of 16%. 80% went for human consumption while the remainder (30 million hl) was distilled (59% with Community aids). The level of self supply for the Community (including Greece) in 1980/81 was 112%. For the same period, the level of production is likely to be around 164 million hl while domestic consumption is estimated to decrease slightly to 160 million hl.

Intra Community trade for the Community (without Greece) decreased by over 6% in 1979/80 to 5.8 million hl (6.2 million hl in 1978/79). Exports rose by 35% to 9.2 million hl over the same period. Imports during 1979/80 amounted to 37.1% less than exports, being 9.4% less in 1978/79 and 46% more in 1977/78.

## Livestock products

### Milk and milk products

#### COMMUNITY

The long-term trend of an overall herd of approximately 25 million dairy cows in the Community remains valid in spite of a fall in numbers by 1.8% or 450.000 head in 1980. In addition, the number of farmers holding dairy cows continues to diminish, now standing at about 1.8 million or 25% less than in 1973.

#### Production and consumption

Milk production in 1980 increased by 2% owing to the rise, as in previous years, in the average annual yield per dairy cow to 4100 kg per animal. In 1981, however, production is likely to be about only 0.5% higher than in 1980 owing, inter alia, to the reduction in cow numbers as well as a slowing down in yield growth which has taken place.

High interest rates are affecting new investment by dairy farmers and feed costs have been considerably increased through the effect of the high dollar value on concentrate prices.

An increasing proportion of milk production from dairy cows (about 91%, amounting to 96 million tonnes in 1980) continues to be sold by farmers to dairies for processing into milk and milk products. However, as in 1979, the increase was not used for greater production of the intervention products of butter and skimmed milk powder. The world market for dairy produce continued to expand in 1980 and, as a result, Community production of cheese (up by 3.6%), whole milk powder (up by over 25%), casein (up 26%) and condensed milk (up 6%) expanded to meet this demand.

Consumption of fresh milk in the Community rose by 1.2% in 1980 encouraged by improved sales of fresh milk products such as yoghurt and cream; sales fell, however, in two of the Community's major consuming countries (the

United Kingdom and the Netherlands). The consumption of cheese also increased by 2% (3% in 1979). Butter and skimmed milk powder, however, continue to pose difficult problems for disposal. Consumption of butter decreased by 30 000 tonnes in 1980 to 1.64 million tonnes.

While part of the decrease could be accounted for by the fact that no Christmas butter sales took place in 1980/81, there are still substantial subsidies given for sales of butter to baker and ice cream manufacturers (about 152 000 tonnes in 1980) and general consumer subsidies applied in the UK, Denmark, Ireland and Luxembourg. The position is more unfavourable for skimmed milk powder where only about 15% of the powder manufactured could be sold in the Community at the fixed price: 60% was sold as feed while the remainder was exported. Consumption of both whole milk powder and condensed milk has not altered in the Community over the past few years; the disposal of increased production, therefore, has to be found through expanding export markets.

#### Main market features

In the context of the price decisions of 31 March 1981, the Council increased the target price for milk by 9% for the 1981/82 marketing year; intervention prices for butter and skimmed milk powder were altered accordingly. At the same time, the Council also agreed to increase the flat rate co-responsibility levy on milk production from 2 to 2.5% of the target price, noting that if additional costs arise as a result of the quantity of milk deliveries by more than 1% in 1981 compared with 1980, the Council would take measures to offset these additional costs by appropriate decisions.

During the marketing year 1980/81, the principal effort in the milk sector has been to continue to find markets for the necessary volume of milk production at the cheapest unit cost both internally and externally. Through higher export levels of most dairy products as well as the continuance of internal disposal programmes, the public intervention stock level for butter has fallen to a minimal amount while that for skimmed milk powder has slightly increased. On 9 October 1981, public intervention

stock levels for butter and skimmed milk powder were at 10 800 tonnes and 345 500 tonnes respectively. This result has been achieved even though the unit rate of aid for several products (e.g. for skimmed milk powder) has been held down at low levels and the export refunds substantially decreased for the major milk products during 1980 and the first half of 1981.

#### WORLD MARKETS

World milk production increased in 1980 by about the same level as in 1979 (by less than 1%). This low rate of increase was due to lower production levels in the USSR (-3%) and other Eastern European countries (-1.8%). In contrast, production increased in the U.S. by 4%, Canada by 5% and by 6% in both New Zealand and Spain. World milk production in 1981 is likely to expand at a slower rate owing to even lower production levels in Eastern European countries as well as slower rates of increases in the European Community and New Zealand.

The world market for all major dairy products has constantly expanded since 1975. Over the past 6 years, the total volume in the world dairy trade has increased by more than 2 million tonnes intensifying in its rise particularly since 1978. The principal reason for this expansion has been increased consumption in oil-producing countries, individual developing countries as well as a particularly strong increase in demand from Eastern European countries, notably the USSR. In 1980, total world exports of butter and skimmed milk powder increased by 18% and 5% respectively compared with 1979 (excluding food aid actions). Commercial butter exports, excluding those to the USSR, increased by 11% or 62 000 t. Total trade in condensed milk and cheese increased by 18% and 12% respectively; total exports of whole milk powder rose by a spectacular 43% or 240 000 t more than in 1979 owing to the increased demand for raw materials for the expanding recombining industry mostly situated in oil-producing countries.



The expansion in world markets has been assisted by improved international cooperation on price policies, notably in the GATT, together with the introduction of policy measures in several countries to slow down the growth in surplus production. Community exporters, alongside other major exporters, have taken advantage of these expanding markets.

The European Community exported larger quantities in 1980 than in 1979 for all milk products with the exception of skimmed milk powder in spite of increased world prices for all the major products. World market shares for the Community decreased for skimmed and whole milk powder while they increased for cheese and butter (the total amount of butter and butteroil exported reached a record level in 1980 of just under 600 000 tonnes including food aid). At the same time, imports of milk products continued in 1980, the Community importing about 14% of the total world cheese market or 96 000 tonnes (78 000 tonnes in 1979) and 11% of the total butter market amounting to 103 000 tonnes (118 000 tonnes in 1979) almost all from New Zealand. Further detailed information on particular developments in milk production in certain countries is given in the situation of the Agricultural Markets - 1981 report.

## Beef and Veal

### COMMUNITY

Beef production takes place on more than half of the farms in the Community, contributing about 16% to final agricultural production in the Community. It is mostly concentrated in the Member States with a large grass production, and coming either from herds producing milk or from specialised beef herds. The trend towards larger units since 1973 has continued, the number of producers decreasing at a rate of 4.1% per annum. The beef herd slightly decreased in 1980, owing principally to a higher level of slaughtering of adult animals, offset to a certain degree by a small increase in the number of veal calves.

### Production and consumption

After the cyclical reduction in beef production during 1976 and 1977, total beef production rose by 3.4% in 1980 (compared to 6.2% in 1979) reaching 7.2 million tonnes (including Greece). Within this figure, adult beef production rose by 4.1% while veal production decreased by 1.5%.

As a normal indicator, beef consumption goes up roughly in line with the rate of economic growth. In consequence, consumption of beef and veal in the Community has slightly diminished by 0.8% during 1980 to 25.7 kg per head (22.7 kg per head for beef and 3 kg per head for veal). As a result of rising production and diminishing consumption, self supply in the Community for beef and veal in 1980 was 102%.

### Main market features

During the past three years, market prices of adult beef animals have remained relatively stable at around 130 ECU/100 kg live weight. In 1980, the average producer price level in the Community has been at about 82.7% of the guide price. In the circumstances, the Commission introduced private storage for about 40 000 tonnes in October 1980 of hindquarters, extending this to whole and half carcasses of veal in November 1980. In addition, a series of measures to support the internal beef market has been continued including measures to stimulate consumption (e.g. cheap sales from intervention to social welfare categories) as well as premiums for suckler cows, veal calves (in Italy) and clean cattle (in the UK). As a result, producer prices in September 1981 were back to around 85% of the guide price.

Furthermore, in the context of the price decisions for the 1981/82 marketing year, the Council decided to introduce a Community scale for adult beef animals in order to establish the guide price in terms of dead weight as opposed to live weight. The guide price for adult beef animals

was also raised by 9% in two stages (6% from 6 April 1981 and an additional 3% from 7 December 1981). Public intervention stock levels are expected to be at a lower level at the end of 1981 (around 250 000 tonnes) compared to 31 December 1980 (350 000 tonnes). Intra Community trade shows no sign of increasing, stabilizing at around 1.4 million tonnes in 1980.

## WORLD MARKETS

The Community produces around 15% of the total world production of beef, ranking alongside the USSR as the second largest producer in the world, but well behind the United States.

Beef exports from the Community, as expected, continued their upward climb during 1980 reaching an overall total of 642 000 tonnes. The principal destinations were Mediterranean countries (more than 20%), Eastern European countries (rising to 36%) and to the Middle East (17%). During 1980, the Community's share of the world market rose from around 15% to 25%. It is expected that the export level reached in 1980 will be maintained during 1981.

Imports from non-member countries mostly entering the Community under special conditions negotiated bilaterally or multilaterally in GATT continued during 1980 at a slightly lower level than in the previous year at 356 000 tonnes (including 59 000 tonnes live animals).

Principal suppliers were Uruguay and Argentina (about 42% of total imports) and Eastern European countries (more than 20% total imports), Hungary and Poland in particular accounting for nearly half the total imports of live animals.

## Pigmeat

## COMMUNITY

Specialization in this sector has continued with an increase in the number of pig places per unit. From 1977 to 1979, the number of farms totalling

more than 200 places increased by more than 11% while those with less than 50 places decreased by 14% over a similar period. It is particularly striking that pigmeat while taking up only 1.2% of the agricultural budget, accounts for more than 12% of the Community's agricultural output.

#### Production and consumption

Production of pigmeat in the Community is concentrated in regions surrounding the North Sea and the Channel as well as in North Italy. In 1980, pigmeat production increased by 2.1% over 1979 rising to 10.1 million tonnes for the Community of 10. Consumption rose by 2% to 9.9 million tonnes. As a result, self supply in the Community reached 101%, the highest being in Denmark with 368%. Consumption is likely to decrease by about 1% in 1981.

#### Main market features

Market price levels on representative markets fluctuated to a considerable extent during 1980/81. Following a rise in price from October 1980 to March 1981 in accordance with the normal seasonal activity, prices fell and required support through private storage between 25 May and 11 July 1981 (about 43 000 tonnes). Seasonal demand then lifted market price levels from August 1981 onwards, reaching record levels during the autumn of 1981. The basic price, upon which the Community market for pigmeat relies to ensure a reasonable revenue to producers, was increased by 11% by the Council in the context of the price decisions in April 1981, effective from 1 November 1981.

Intra Community trade in 1980 continued to expand reaching 2.24 million tonnes or 4% more than in 1979 compared with an increase of 10.1% between 1978 and 1979.

#### WORLD MARKETS

The Community is the world's second largest producer of pigmeat after China. In 1980, the Community exported 251 000 tonnes (3.3% more than in

1979) while importing 240 100 tonnes resulting in a positive trade balance. Exports of live pigs and fresh meat went mainly to certain East European countries (e.g. Poland, Hungary and Rumania), while processed pigmeat was mostly exported to the US and Japan. Major suppliers of pigmeat and pig products in 1980 to the Community included the US, China, Sweden and Canada.

## 1. CEREALS

### 1. Introduction

#### (a) General situation:

The 1980/81 cereals marketing year was characterized by an abundant harvest, particularly of wheat. The already substantial stocks at the beginning of the marketing year thus increased and were at an even higher level at the end of the year.

Management of the market therefore continued to be difficult, particularly at the beginning of the marketing year when outlets were limited by the embargo on exports to the Soviet Union. However, world demand enabled exports to far exceed those of the previous marketing year.

The difficulties already encountered on the internal market during the 1979/80 marketing year as a result of high interest rates increasing storage costs became even more acute.

There was thus massive intervention during the 1980/81 marketing year, but large quantities were also resold, particularly for export.

Even if some of the difficulties remain in this sector, e.g. those caused by high interest rates, the 1981/82 marketing year looks like being less difficult than the preceding one. Not only will quantities be less abundant, world prices are also quite firm, having risen considerably during the first months of the year.

#### (b) Cereals in Community agriculture:

The total area of cereals in 1980 was 28.4 million ha, or 27.7% of the utilized agricultural area (UAA). Their importance in the land-use of individual Member States varied considerably, being lowest in Ireland and the Netherlands (7% and 11% of UAA respectively) where fodder crops and permanent grasslands are more important. Cereals are of greatest

significance in Germany and Denmark (43% and 63% of UAA respectively) where they account for about 70% of the arable land; they also account for a high proportion of the arable land in Luxembourg (70%). In the remaining Member States cereals occupy 50 to 60% of the arable land and 15 to 30% of the UAA.

Cereals' share in final production is a less useful measure of their economic importance since in many cases a large proportion of production is used for livestock feeding on the farm where it is produced. This means that the final production of such cereals is in the form of livestock products. Thus in Germany, where cereals account for 43% of the UAA, they represented only 10% of the value of final production in 1980 because over 40% of the total quantity produced was used for animal feeding on the farm where it was grown. In the United Kingdom, by way of contrast, cereals accounted for only 20% of the UAA but 16.5% of the value of final agricultural production because only 15% of the crop was fed to livestock on the farm where it was grown. In the Community as a whole, where about 26% of the crop was fed to livestock on the farm where it was grown, the contribution of cereals to the final production of agriculture was 12.6% in 1980.

(c) The Community in world cereals production :

World production of cereals (excluding rice) in 1980 amounted to 1 170 million t (according to FAO statistics) of which the Community produced 10.6% (10.0% in 1979). The proportions produced by the other major exporters of cereals were: United States 23%; Canada 3%; Australia 1%; Argentina 2% (see Table M. 1.7).

2. Production

Community cereals production in 1980/81 was spared a harsh winter and, after the fears of drought in the spring, the heavy rain in June and July produced high yields; final production - 124 million t for all cereals except rice - was 3% up on the 1979/80 record of 120 million t and 5.3% up on 1979/80.

The total area sown with cereals for 1981 was somewhat down on 1980, slightly greater preference being given to common wheat over maize and the other feed grains. The growing conditions were good during the winter and spring, but the bad weather in the early summer caused some damage; the preliminary estimates indicate production of the order of 121 million t (all cereals except rice), i.e. slightly less than in 1980/81.

(a) Common wheat:

The common wheat crop was sown in good conditions in autumn 1980 and the area was about the same as that harvested in 1980. The mild winter was followed by bad weather in the summer, and yields are expected to be about 2% down on 1980. The harvest is forecast at about 49 million t (-2%). The quality of the wheat is not thought to be excellent and although this can be partly explained by the wet weather, there is also believed to be a growing tendency among producers to switch from high-quality varieties to higher yielding but poorer quality varieties of bread-making wheat. On the other hand, the production of varieties which are only suitable for animal feeding seems to have stabilized.

(b) Durum wheat:

The area of durum wheat increased slightly in both France and Greece in 1981 and remained stable in Italy, totalling 2.1 million ha (+1%). Most of the Community's durum wheat production is in Italy, where the area has been very stable for a number of years, contrasting with the declining area of common wheat. Durum wheat now occupies over 50% of the total wheat area. Yields are also expected to be lower in 1981 and Community production is expected to be 4.3 million t (-7%).

(c) Rye:

The areas of rye decreased by almost 10% in 1981, and yields are expected to be slightly lower than in 1980. As a result, production has fallen by about 14% to 2.5 million t.



(d) Barley:

The total area sown with barley in 1981 (9.8 million ha) is more or less the same as in 1980. The switch to winter barley has continued in all Member States, though it is especially pronounced in France and Germany.

	1975	1976	1977	1978	1979	1980	1981
Germany	39 %	46 %	49 %	53 %	55 %	59 %	63 %
France	20 %	31 %	42 %	51 %	38 %	55 %	57 %

This change has had the effect of improving average yields because of the higher yields of winter barley but it has sometimes had an adverse effect on quality since some of the winter varieties of six-row barley which have a lower specific weight and generally lower feeding value and are less suitable for brewing.

Yields in 1981 are expected to have fallen by 3%.

There is reported to be sufficient production of malting barley - more than sufficient in the United Kingdom - despite the wet weather in June and July. Total Community production of barley is forecast at about 40 million t, some 3% less than in 1980.

(e) Oats:

The area of oats continues to decline (-4.5% in 1980 and -5.1% per year on average between 1973 and 1979). Production in 1981 was 4.5% down at 7.1 million t.

(f) Maize:

The area of maize in the Community was particularly high in 1979 because it replaced part of the French winter grain area affected by frost damage. Community production was a record 17.3 million t. In 1980 and 1981 the maize crops were nearer normal (2.7 million ha), with areas increasing in Italy and decreasing in France, but in 1981 yields

are expected to be substantially higher, especially in Italy.  
Production in 1981 is expected to be over 18 million t (+5%).

### 3. Consumption

In 1979/80 the total volume of cereals used in the Community amounted to 120.3 million t, i.e. the same as in 1978/79. About 36% consisted of wheat, 30% of barley and 24% by maize. The utilization of all cereals was made up as follows in 1979/80:

human consumption and industrial use: 34.3% (34.2% in 1978/79); animal feed: 60.6% (60.9% in 1978/79); seed and losses, 5.0% (5.0% in 1978/79). The proportions vary substantially from cereal to cereal, from one Member State to another and from year to year; the following table gives the breakdown by cereals for 1979/80 :

#### Cereal consumption in 1979/80 - breakdown by cereal

	Human consumption	Animal consumption	Industrial use	Seed and losses	Total
	%	%	%	%	%
Durum wheat	91.2	-	-	8.8	
Common wheat	61.2	31.7	0.9	6.2	100.0
Rye and meslin	42.8	49.6	1.8	5.9	100.0
Barley	0.3	78.6	15.1	6.1	100.0
Oats and spring cereal	3.8	90.9	0.0	5.3	100.0
Maize	3.5	78.5	16.7	1.3	100.0

Net human consumption increased by 0.4% between 1978/79 and 1979/80. Allowing for population growth, per capita consumption increased by only 0.1%. Trends for individual cereals differ, however. Per capita consumption of durum wheat fell by 3.8% (-2.4% on average over the period from 1972/73 to 1978/79), while per capita consumption of common wheat increased by 1% (+0.4% on average for the period 1972/73 to 1978/79).

Net human consumption of cereals in 1979/80 - breakdown by cereal

		Net overall		Net per capita consumption	
		human consumption	Kg per capita	% change	
		('000 t)		1978/79 to	
				1979/80	
Wheat - common	17 843	66.0	1.0		
- durum	2 936	10.9	3.8		
Rye	1 049	3.9	0.4		
Barley	50	0.2	28.7		
Oats	166	0.6	6.5		
Maize	713	2.6	1.4		

(b) Animal consumption:

The importance of cereals in animal feeding reached a peak in 1972/73 and 1973/74 when they accounted for more than 26% of total energy requirements (expressed in feed units). This represented over 62% of the energy supplied by concentrate feeds (i.e. excluding bulky fodder, root crops and grazing etc.). This proportion had fallen to 55.8% by 1977/78, the year in which the part taken by manioc passed from 1.6% to 3.7% and that of oilcakes from 12.3% to 14.4%. The total quantity of cereals fed to livestock fell from a peak of 72.3 million t in 1973/74 to 67.1 million t in 1976/77, since when it has only partly recovered, to reach 78 million t in 1978/79 and 1979/80.

This decline is principally due to the substitution of cereals by products such as manioc, oilcakes and a variety of industrial by-products which may be imported into the Community with little or no import charge. The most important substitute for cereals is manioc, imports of which rose from 2.3 million t in 1974 to 6 million t in 1978 to decline again in 1980 to 4.8 million t. Supply difficulties in 1979 and 1980 have temporarily stabilized imports of manioc at around 5.5 million t and whilst it is possible that further expansion can be controlled by a voluntary restraint agreement, there is likely to be strong growth in the imports of other products. A good example is maize gluten feed, imports of which have risen from 0.7 million t in 1974 to 2 million t in 1980 and are expected to rise in line with maize

alcohol ("gasohol") and isoglucose production in the United States, since it is a by-product of this process.

The following table compares the consumption of different cereals on the farms where they are grown with the animal feed use of cereals which pass through the market (usually purchased as compound feedingstuffs).

Animal feed use of cereals in 1979/80, on the farm where grown and through the market - breakdown by cereal

: Cereals :	Used on farms	Marketed	Total	
	1 000 t	1 000 t	1 000 t	%
: Wheat :	4 997	7 397	12 394	17.0
: Rye :	1 025	419	1 444	2.0
: Barley :	15 016	13 108	28 124	38.6
: Oats etc.:	5 638	1 698	7 336	10.1
: Maize :	4 093	18 785	22 878	31.4
: Other :	68	639	707	1.0
: Total :	30 837	42 046	72 883	100.0
:	42.3%	57.7%	100.0%	:

Up to 1975/76, the animal feed use of cereals on the farms where they were grown accounted for around 50% of the total feed use. Since then, however, this proportion has fallen to under 45%. In part, this shift is due to a re-assessment of maize used directly on the farm in Italy, but it may also be due to a greater tendency for farmers to sell cereals and to purchase compound feedstuffs. A growing proportion of rye production, for example, is being sold by farmers and less is being used on the farm. Production of oats, a cereal which is largely used on the farm where grown, is also declining rapidly.

(c) Industrial use:

The use of cereals for processing and industrial purposes stabilized in 1979/80. There were, however, substantial differences from one cereal to another.

As noted in the past, the industrial use of maize and wheat is still on the increase (up almost 3% in 1979/80). These two cereals, which account for 46% and 3% respectively of industrial use of cereals, are used mainly for the production of starch and glucose. A large quantity of maize is also used in the distilling industry in the United Kingdom (750 000 t in 1979/80) and an increasing amount is used in brewing (+29% in 1979/80), mainly in France, the Netherlands and the BLEU. The industrial use of barley, on the other hand, declined by about 3% in 1979/80, mainly as a result of its reduced use in brewing in Germany, France and the BLEU.

(d) Self-sufficiency:

The final balance sheets for 1979/80 shows that, following a slight decrease in production, the degree of self-sufficiency fell slightly to 97.9%. The decline in production was accompanied by an increase in domestic consumption of 0.2 million t. Whilst human consumption and industrial use remained almost stationary, use for animal feed did increase, but not so much as the previous year. This trend can probably be explained by the increase in consumption of wheat and maize for animal feed at the expense of competing products.

The preliminary estimates of domestic use in 1980/81 are between 118 and 119 million t, i.e. 2% less than in 1979/80. Production, on the other hand, increased by 5% to 124 million t, so that the degree of self-sufficiency is estimated at about 105%.

Summary of the cereal balance sheet in 1979/80

(million t)

	:Common : wheat	: Durum : wheat	: Rye	: Barley	: Oats : etc.	: Maize	: Other :cereals	: Total
:Stock change(1):	1.5	+0.1	0.2	-0.2	+0.2	+0.3	0.0	+2.1
:Net external :balance (2)	-7.0	0.3	-0.3	-3.7	+0.1	+9.8	+0.3	+0.5
:Domestic use :less production:	-5.5	+0.4	-0.1	-3.9	+0.3	+11.1	+0.3	+2.6
:Self- :sufficiency (%)	114.2	90.5	102.7	111.1	95.7	61.9	55.7	97.8

(1) + = stock reduction; - = stock increase

(2) + = net imports; - = net exports

The result is thus net exports totalling about 5 million t.

(e) Stocks:

The estimation of stocks in the different Member States is undoubtedly of very variable accuracy as between both Member States and stock positions. According to the best available estimates, the total stocks of cereals in the Community at the beginning of the 1980/81 marketing year amounted to 12.8 million t of which 0.9 million t were held on farms. Of the 11.9 million t of stocks in other positions (including intervention stocks), common wheat accounted for 6.4 million t, durum wheat for 0.4 million t, barley for 2.2 million t and maize for 2.2 million t.

By 1 August 1981 the off-farm stocks are expected to have fallen to about 12 million t, including around 6.8 million t of common wheat (14% of production), 0.6 million t of durum wheat (12% of production), 1.8 million t of barley (4% of normal production) and about 2.4 million t of maize (12% of normal production but only 8% of consumption).

#### 4. Trade

##### (a) Between Member States:

Trade between Member States of the Community falls into two distinct categories: trade in cereals of Community origin and trade in or transshipment of cereals produced in non-member countries.

Briefly, the latter consist of import into one Member State via another Member State, generally for sound economic reasons such as vessel size and port charges, but occasionally in order to benefit from anomalies arising from the mechanisms of the common agricultural policy and in particular its monetary compensatory amounts system. The majority of this trade consists of imports of grain ultimately destined for Germany and the United Kingdom via the large Benelux ports. The cereal most commonly involved is maize, exports of which from the Benelux countries to other Member States amounted to 1.9 million t in 1979/80. There has also been a significant trade of this kind in common wheat (1.1 million t from the Benelux countries in 1979/80).

The major Community supplier of cereals to other Member States is France. French deliveries in 1979/80 totalled 10.6 million t (including cereal products) as compared with 10.4 million t in 1978/79. Deliveries of French wheat in 1979/80 were 3.8 million t and in 1980/81 declined to 3.5 million t, mainly because of reduced deliveries to Belgium, Italy, the United Kingdom and Ireland.

Deliveries of barley decreased slightly in 1980/81, from 2.3 to 2.0 million t, the main customers being Belgium, Germany and Italy. However a significant part of the consignments to Belgium, which in 1980/81 totalled 0.9 million t of barley and 0.6 million t of wheat, are believed to have been for subsequent export to non-member countries via Belgian ports. French deliveries of maize to other Member States fell from 3.3 million t in 1979/80 to 2.1 million t in 1980/81 following the decline in French products in 1980, the principal customers were the Benelux countries, Germany, the United Kingdom and

Ireland. Intra-Community trade in cereal products is also of increasing importance, including such products as wheat flour and semolina, barley malt and maize grits.

(b) With third countries:

Imports of cereals from non-member countries (reduced by the estimated level of transshipments) amounted to 17.9 million t in 1979/80 (8.3% less than in 1978/79) of which 11.4 million t were maize (14.3% more than in 1978/79). In 1980/81 the preliminary estimates indicate imports of about 16 to 17 million t of cereals, including only 11 million t of maize. In 1979/80 over 85% of the maize imports came from the United States, with the remainder coming mainly from Argentina. Imports of barley and malt in 1979/80 amounted to 1.0 million t. The barley came mainly from Canada (80%) and Australia (18%). Imports of barley in 1980/81 are estimated at around 600 000 t and again consisted mainly of imports of Canadian barley into Italy.

Imports of common wheat rose from 3.5 million t in 1978/79 to 3.8 million t in 1979/80 and then dropped back again to 3.5 million t in 1980/81. This total includes temporary imports under inward processing arrangements for subsequent re-export in the form of flour: 0.2 million t (wheat equivalent) in 1979/80 and about 0.5 million t in 1980/81. Durum wheat imports rose from 0.9 million t in 1978/79 to 1.1 million t in 1979/80. Over 90% of imports in 1979/80 came from North America and most of the remainder from Argentina. It is expected that durum wheat imports in 1980/81 will be slightly up, to well over 1 million t.

Total exports of cereals and cereal products in 1979/80 rose by 14% to 17.4 million t. Within this total, common wheat and flour accounted for 10.8 million t. Exports of wheat and wheat flour in 1980/81 are estimated at about 14 million t, broken down as follows: 13 million t



of commercial sales, of which 5 million t in the form of flour, and almost 1 million t as food aid, of which half was in the form of flour. The estimated total of commercial flour exports includes around 0.5 million t exported under inward processing arrangements (+), a practice of considerable significance among millers who are favourably located (i.e. in ports) because of the substantial economies resulting either from the purchase of cheap wheat from non-member countries or from the waiving of import levies on imported wheat when the operation is done on an equivalence basis (i.e. export of flour of Community origin set against import of wheat from non-member countries). Commercial exports of wheat in 1979/80 went to the Community's regular clients in West and North Africa as well as to countries in Europe, particularly Poland. In 1980/81 the pattern was similar, though a larger percentage of exports went to Asia (e.g. China and Iran). Flour exports continued to go to a wide variety of destinations, with Egypt, the Soviet Union and Syria among the most important.

There were again large exports of barley in 1979/80 and 1980/81. Total exports of barley and barley products (mainly malt) amounted to 4.8 million t in 1979/80, of which 1.7 million t was in the form of barley products. The quantities exported in 1980/81 are believed to have been substantially higher (between 5.5 and 6.0 million t, including 1.7 million t in the form of products, though the principal destinations of the barley were once again other European countries, the Soviet Union, the Mediterranean area and the Middle East. In both years France was the dominant supplier (including French barley exported through the Belgian ports) though the United Kingdom and Denmark were also important.

## 5. Prices

### (a) Common prices:

The reference price for common wheat of bread-making quality has for several years been fixed for the minimum quality by way of derogation

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(+) Inward processing traffic: importation into the Community of products from non-member countries for processing and subsequent re-exportation; such operations are exempt from import levies and charges.

from the Regulation on the common organization of the market. When fixing the prices for the 1981/82 marketing year, however, the Council defined an average bread-making quality as provided for in the basic Regulation and fixed the reference price for that quality.

Nonetheless, at the same time it fixed a reduction to be applied in the event of intervention in respect of the minimum quality. There are thus two prices designed to support the market in bread wheat:

- the actual reference price (192.72 ECU/t) which serves as a basis for deriving the target price and thus the threshold price;
- a derived price ( $192.72 - 7.88 = 184.84$  ECU/t) at which level any intervention measures for minimum-quality bread wheat must take place.

The latter price may be compared with the reference price fixed for 1980/81 (+5.5%). Such a comparison reveals a slight improvement in the competitive position of common wheat in animal feed in relation to the intervention price for coarse grains (+6% in 1981/82) and the threshold price for maize (+8.2% in 1981/82). The definition of the minimum quality has also been tightened up by the addition of a minimum protein content (10.5%) and a stricter requirement as regards the degree of amylasic activity (Hagberg falling time), i.e. 150 instead of 160.

As for durum wheat, its intervention price was increased by 5.6%, which has not improved its competitive position compared with common wheat in the areas where it is grown.

(b) Internal market prices:

The 1980/81 marketing year, like the previous one, was characterized by surpluses of barley and wheat. These surpluses depressed prices to the intervention price level or, in the case of common wheat, to the reference price level (the reference price was 17% above the intervention price). The most notable exception to these general observations was the situation in Italy, where the prices of common wheat and feed grains were around or about the threshold prices; the price of durum wheat, however, remained nearer to the intervention price.

Average difference between market price and intervention price in

1980/81

(%)

	Common wheat		Durum		Barley	Rye	Maize
	Bread-making quality	Other	wheat				
Germany	12.7	9.3	x	0.0	5.2	x	
France	9.8	x	x	0.1	x		13.5
Italy	23.5	x	-1.3	x	x		20.2
Netherlands	12.9	x	x	5.8	5.6		x
Belgium	15.2	x	x	2.0	x		x
United Kingdom	9.9	7.1	x	-3.4	x		x
Denmark	x	x	x	4.3	6.2		x
Greece	..	..	..	..	..		..

Consideration of the common wheat market is complicated by the existence of two support price levels, the intervention price and the reference price (which only applies to wheat of "bread-making quality"). The criteria used to define "bread-making quality" and which are applied to the reference price are such that the price of most kinds of wheat in the Community, even those which are not of "bread-making quality", tend towards the reference price. However, the absence of support buying after October 1980 allowed market prices to fall to levels as much as 5% below the reference price for bread-making wheat and thereby encouraged the use of wheat in animal feeding.

(c) World prices:

At the beginning of the 1980/81 marketing year world stocks of common wheat, although high (100 million t), showed a slight decline; world stocks of feed grains were at roughly the same level as a year before; however, the downward trend of stocks was confirmed during the marketing year.

Production of common wheat in the United States, where the system of setting aside land has not been applied, has reached record levels, while the feed grain harvest, which was hit by drought - maize suffering the most - is markedly down.

The excellent harvests in the United States and the Community make up for the setbacks suffered by Argentina and Australia, while the Soviet Union, where bad weather hampered harvesting, and China, can be regarded as the two determining importers.

The aggressive attitude of the United States, which sought to open new outlets during the embargo, coinciding with reduced availabilities of coarse grains, the strong demand from importing countries including China and the Soviet Union, the increase in domestic consumption and the prospect of extensive world trade were the principal factors keeping world cereal prices up until the spring.

Despite frequent fluctuations world cereal prices, and particularly common wheat prices, nonetheless showed an upward trend, and were higher than in 1979/80, until the first quarter of 1981. Following the change of administration in the United States, American interest rates reached record levels and investors preferred to put their capital into securities and abandoned their contracts for various products including cereals, which is tending to make prices drop.

The fall in world prices is not offset by the rise in the dollar and was curbed only slightly by the announcement in May that the embargo against the Soviet Union was being lifted; the world market, mainly under the influence of the good harvest prospects in the northern hemisphere, continued its downward movement until July.

The end of the marketing year saw the continued rise in the dollar (1) and the confirmation of poor harvests in the Soviet Union and China pushing forward prices for wheat up, while the prospect of an abundant maize harvest in the USA exerted downward pressure on the maize market.

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(1) Steady, pronounced fall of the dollar since the beginning of September.

Highest and lowest monthly average prices in 1980/81 -

CIF Antwerp/Rotterdam

Type	Highest		Lowest	
	ECU/t	Month	ECU/t	Month
<u>Common wheat</u> :	:	:	:	:
Soft Red Winter II	189.91	February 1981	143.37	August 1980
Dark Northern	:	:	:	:
Spring II/14%	214.19	February 1981	152.14	August 1980
<u>Barley</u> :	:	:	:	:
Canada Feed I	157.97	November 1980	125.18	August 1980
<u>Maize</u> :	:	:	:	September
Yellow Corn III	155.30	May 1981	121.69	1980
<u>Durum wheat</u> :	:	:	:	:
US Hard Amber	:	:	:	:
Durum III	264.90	February 1981	202.02	April 1980

(d) Consumer prices:

Bread prices increased by an average of about 16% between 1979 and 1980, rather more than in previous years. There were, however, great differences from one Member State to another:

- Belgium, Netherlands, Germany: from 4 to 7%
- Denmark, France, United Kingdom: from 11 to 17%
- Italy, Ireland, Greece: from 21 to 34%.

It is very unlikely that these increases were caused by the price of wheat, as the price of bread is determined primarily by distribution and manufacturing costs and by government price controls and/or consumer subsidies. Moreover, these increases are very much smaller or even negative when expressed in relation to the general index of consumer prices.

6. Short-term outlook

Community cereals production in 1981/82 is estimated at about 120 million t, i.e. slightly down on 1980/81. The Community is nonetheless expected to show a net surplus of all cereals, mainly as a result of continued imports of certain substitutes such as manioc, gluten feed and sweet potatoes.

Cereal imports, which consist mainly of maize and quality wheat, are unlikely to diminish significantly; the exportable surplus of all cereals will, however, be smaller than in the preceding marketing year. The cereal most affected is common wheat and, assuming no change in stock levels, exports are likely to total 12 to 13 million t - against 14 million t - of which some 6.5 to 7 million t in the form of commercial exports as grain. Barley exports are expected to be down to 2 to 3 million t, against 4 million t in 1980/81.

the outlook for the world market is uncertain; the great unknown quantities are the dollar exchange rate and Soviet demand. Wheat availabilities are high, even if the Community surplus is less, but the export prospects are good, so much so that the price level could be maintained, while the good maize harvest in the United States is beginning to put pressure on the market in feed grain.

#### 7. Economic aspects of the measures taken

##### (a) Levies and refunds:

###### (1) Import levies:

Import levies varied considerably, influenced by the great fluctuations in world prices during 1980/81:

- common wheat:

40 to 100 ECU/t, i.e. 23 to 20% of the cif price (net of tax)

- barley:

18 to 20 ECU/t, i.e. 14 to 62% of the cif price (net of tax)

- maize:

50 to 75 ECU/t, i.e. 48 to 68% of the cif price (net of tax).

###### (2) Export levies:

Export levies have not been applied in the cereals sector since the end of 1975.

###### (3) Export refunds (1980/81):

Export refunds for common wheat and barley were mainly fixed by standing invitations to tender from the open market. Following the

US partial embargo against the Soviet Union from January 1980 to April 1981 and in view of the need to control the quantities going to East European countries and the problems liable to arise from excessive deliveries of wheat by the Community to South America, several invitations to tender were initiated at the beginning of the marketing year for particular destinations.

For wheat, one tender covered the East European countries excluding the Soviet Union, a second most remaining destinations except the countries bordering on the Community which qualified for fixed refunds and a third - for 300 000 t - covered Zone IV (South America).

The principle of separate tenders for East European countries was also applied for barley. A tender was opened for these destinations, the Soviet Union again not being included in the list of countries covered; a second tender was opened for other destinations, except the countries bordering on the Community (fixed refunds) and Zone VII (South East Asia), a destination with no traditional trade pattern. A tender for the export of 300 000 t of barley to the Soviet Union was also opened in December 1980.

Lastly, a tender for the export of 300 000 t of rye to some East European countries and Zone 11 b) (Scandinavia) was opened with virtually no results (acceptance of 7 000 t).

As far as fixed refunds are concerned, licences were issued as usual at the beginning of the marketing year for the black African countries. Licences were also issued for the major basic cereals (apart from maize, of which there is a Community deficit) for countries bordering on the Community (notably Switzerland, Austria, Liechtenstein, the Iberian Peninsula and Scandinavia) which see the logistic advantage of importing from the Community rather than its competitors. Export refunds were also fixed in the normal way for wheat flour, rye flour and durum wheat semolina.

The tenders ran from July 1980 to the end of June 1981, with the following results:

- common wheat : 7.2 million t
- barley: 3.4 million t.

Refunds for malt continued to be fixed as in the previous year by a special system which involves a weekly calculation based on the import levy for barley.

The period of validity of normal export licences was two months from the end of the month of issue except where licences were issued under the refund tendering procedure, in which it was increased to three months from the end of the month of issue.

(b) International agreements and food aid:

A new Food Aid Convention - which constitutes one of the two elements of the International Wheat Agreement of 1971 - replaced the 1971 Convention and entered into force on 1 July 1980. The commitment of the Community and Member States under the new Convention is for the annual supply of 1 650 000 t instead of the previous 1 287 000 t. In addition to this amount, 927 663 t (i.e. about 56%) was to be supplied by the Community as such and the remainder by the Member States, broken down by agreement among them. By 30 June 1981 the Community had put in hand 38% of the 1980/81 programme (the first under the new Convention) and executed 99% of the previous programmes.

The corresponding figures for Member States' aid were 19% for the 1980/81 programme and 97% for the previous programmes.

(c) Intervention:

The intervention agencies experienced an exceptional level of activity during the 1980/81 marketing year. The quantities accepted totalled 4.7 million t, which overburdened storage capacity and analysis facilities in some Member States. Stocks therefore had to be transferred to regions under less pressure, and a very active export programme was implemented. Of the 3.9 million t of cereals sold during the marketing year, 3.4 million t were for export. Stocks thus rose from 2.7 million t on 1 August 1980 to 3.5 million t on 1 August 1981.



Details of changes in intervention stocks during 1980/81 were as follows :

Intervention stock changes in 1980/81 (provisional estimates)

(1 000 t)

	Common wheat	Durum wheat	Rye	Barley
Stocks on 1.8.1980	2 040	129	358	181
Purchases	3 128	55	229	1 325
Sales	2 606	0	295	1 013
Net change	522	55	- 66	- 312
Stocks on 1.8.1981	2 562	184	292	493

All the common wheat is bread-making wheat offered during the first three months of the marketing year under the special intervention measures in the form of buying-in at the reference price.

(d) End-of-season carryover payments:

Payments were made on private stocks of bread wheat in order to prevent recourse to special intervention measures for this product at the end of the marketing year. Carryover payments were also granted for maize stored in the surplus production regions and for rye stocks at mills. These carryover payments, which are designed to compensate for the price adjustment at the end of the marketing year, were for the first time calculated on the basis of the differences in intervention prices, not target prices as had been the case hitherto. This innovation tends to increase the amount of the payments and thus, by bringing them more into line with market reality, make them more effective.

(e) Uniformity of prices:

Monetary compensatory amounts: In common with other sectors, cereals suffer from some disunity caused by monetary differences.

Accession compensatory amounts: Since the accession of Greece on 1 January 1981, accession compensatory amounts have been applicable to common wheat, durum wheat and rye and products processed from these cereals. These amounts are equal to the difference between the intervention prices applied in Greece and those applied in the other nine Member States. They were reduced with effect from 1 August 1981 as the first of five steps to align prices. The amounts fixed were as follows (figures in ECU/t):

	<u>From 1.1 to 31.7.1981</u>	<u>From 1.8.1981 to 31.7.1982</u>
Common wheat:	12.18	10.28
Durum wheat:	27.45	23.20
Rye:	7.45	6.16

(f) Production refunds:

Production refunds are paid to cereal and potato starch manufacturers in order to enable them to compete with starch manufactured from other raw materials. The refunds fixed for the 1981/82 marketing year are the same as for the preceding marketing year, i.e. 17.23 ECU/t for maize starch, 24.67 ECU/t for wheat, 21.22 ECU/t for broken rice and 27.74 ECU/t for potato starch.

(g) Durum wheat aid:

This direct income aid to certain producers of durum wheat is aimed at those areas of the Community where producers are dependent on this cereal for a significant part of their income.

For 1981/82 the aid is fixed at 85.18 ECU/ha in Italy and France, and in Greece at 57.23 ECU/ha for the regions receiving national aid in 1980 and 17.04 ECU/ha for the regions precluded from national aid.

As a result of accession, some Greek regions have thus been added to the Italian and French regions already receiving the aid in 1980/81.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section on cereals was 1 669 281 million EUA in 1980; it is estimated at 2 051 million EUA for 1981 and 2 359 million EUA for 1982, i.e. 15%, 16% and 17% respectively of total Guarantee Section expenditure. The 1 669 281 million EUA for 1981 breaks down into 1 370 000 million EUA for export refunds and 299.25 million EUA for intervention measures.

## 2. RICE

### 1. Introduction

In 1980 the area under rice in the Community of Ten represented about 0.2% of its total UAA and 0.14% of the total area under rice in the world.

Rice is grown only in France, Italy and Greece. Some 89.9% of Community production comes from Italy; in 1980 this represented only 0.2% of world rice production (407 million t)(1).

### 2. Production

In 1980 the area sown with rice in the Community was 200 763 ha, a drop of 3.8% compared with the previous year. In France the area was only 6 700 ha compared with 6 893 ha in 1979, a drop of 2.89%. In Greece the area under rice dropped by 3% from 18 300 ha in 1979 to 17 751 ha in 1980. In Italy the area under rice in 1980 totalled 176 310 ha, a reduction of 1.8% from 1979, giving a reduction of per year from "1975".

In 1980 rice production in the Community of Ten, at 1 056 million t, was 14.3% down on the 1 234 million t produced in 1979 (1). This drop is due partly to the reduction in area and partly to a lower average yield of 52.3 q/ha compared with 60.2 q/ha in 1979 (1).

Production in France was 27 000 t (1), a drop of 1% and Italy 950 000 t, a drop of 14.2% (1). Production in Greece at 79 631 t was 17.9% lower than the 96 983 t produced in 1979.

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(1) Quantities expressed in terms of paddy rice.

In this document the word "rice" means "husked rice" unless otherwise stated.

### 3. Internal consumption

In 1979/80 1 008 000 t of rice were used in the Community, 3.7% less than in the previous year (1 047 million t). There was no appreciable difference in industrial uses or in the use of seed but the use made of rice in feedingstuffs was well down (-25%) and human consumption dropped slightly by 3.7% from 0.930 million t in 1978/79 to 0.896 million t in 1979/80.

The degree of self-sufficiency, which in 1978/79 was greatly improved on 1977/78 because of the good 1978 harvest, reached 98% in 1979/80 owing to increased production accompanied by an unchanged level of internal consumption.

### 4. Trade

In 1979/80 imports from non-member countries, including the quantities imported under inward processing arrangements, amounted to 0.585 million t compared with 0.672 million t in 1978/79, a drop of 12%. The quantity imported under inward processing arrangements in 1979/80 may be put at roughly 100 000 t. This reduction in imports is largely due to a good rice harvest in Italy.

Rice exports in 1979/80, including the quantities exported under inward processing arrangements amounted to 0.647 million t compared with 0.498 million t in 1978/79, an increase of 30%. This increase in the volume of exports is due partly to the good harvest in Italy and partly to increased competitiveness of Community rice in a world market characterized by high prices.

The Community's share of world trade in 1978/79 was 4.7% of imports and 5.2% of exports. The main sources of whole rice remain the United States, Thailand, South America and Surinam and of broken rice South America, Burma and Thailand.

Exports were again concentrated on Italy's immediate neighbours: Switzerland, Austria, Portugal and Mediterranean countries. There were also some special sales to more remote destinations.

Intra-Community trade dropped by 19% from 0.585 million t in 1978/79 to 0.474 million t in 1979/80, approximately 50% of this being Italian rice exported to the other Member States. Italian exports to the rest of the EEC reached the record figure of some 235 000 t in the 1979/80 marketing year.

## 5. Prices

### (a) Common prices

Prices for the 1981/82 marketing year have been fixed as follows:

- the intervention price for paddy rice has gone up by 11% from 1980/81 to 259.42 ECU/t;
- the target price for husked rice (round-grain and long-grain) has been set at 450.50 ECU/t, an increase of 10.37% on 1980/81;
- the threshold price for husked rice (long-grain and round-grain) is 443.71 ECU/t, an increase of 10.63% on the threshold price in 1980/81.

### (b) Market prices

During the 1980/81 marketing year market prices in the main producing area (Vercelli) were very high:

- for round-grain rice, 30% above the intervention price;
- for long-grain rice, 35% above the intervention price.

In 1979/80 market prices for round-grain and long-grain rice were 14% and 15% respectively above the intervention price. The increases are due inter alia to strong demand on the Italian market because of high exports.

(c) World prices

In 1980/81 world market prices were well up on 1979/80, by 38.9% for round-grain rice and 41.9% for long-grain rice. The increases in 1979/80 were 25.8% and 23.5% respectively.

Round-grain prices were often higher than long-grain since surpluses of the former were much less plentiful on the world market.

Since world trade accounts for only a small percentage of world production (about 3% in 1980/81) the slightest variation in harvest, supply or demand may result in abrupt and substantial changes in prices.

(d) Consumer prices

These are not available for all Member States. The following were recorded in 1980:

Germany	:	1.75 DM/kg,	or + 2.3%	compared with 1979
Belgium	:	52.75 BFR/kg,	or + 1.0%	compared with 1979
France	:	5.83 FF/kg,	or =	compared with 1979
Italy	:	1162 LIT/kg,	or + 3.4%	compared with 1979
Netherlands	:	2.46 HFL/kg,	or + 2.5%	compared with 1979.

From 1976 to 1980 price movements were as follows:

Germany	:	+ 10.76%
Belgium	:	+ 5.02%
France	:	+ 23.00%
Italy	:	+ 86.22%
Netherlands	:	- 4.65%

The sharp increases in France and especially in Italy bring prices in these two producing countries to levels close to those in other Member States.

#### 6. Short- and long-term outlook

For the fourth consecutive year areas sown with rice have dropped in the Community of ten as a whole and in all three producing countries (France, Greece, Italy). The reasons are partly economic, other crops being more attractive, and partly, particularly in France and Greece, structural and environmental. Higher yields have largely compensated for the drop in areas sown and Community production has not been very much affected. In 1980 and 1981 the harvests were not, however, up to the high level of 1979.

Unless suitable action is taken rice production in the Community could continue to fall. In Italy and Greece in particular, interest in maize as a substitute crop appears to be growing in view of the more rapid increase in maize prices.

Milled rice production appears to be unaffected by the reduction in surface area as improved rice quality is giving a better milling yield.

The shortage of round-grain rice on the world market resulted in high prices in 1980/81 for this type, sometimes even higher than for long-grain, and the effect has been an increase in the area under round-grain rice in Italy. This type accounted for only 20% of total Italian production in 1977/78 but for roughly 35% in 1980/81. Demand on the domestic market and to a lesser extent on the Community market is now met by home production rather than by imports.

Surplus quantities of long-grain rice have been disposed of as food aid or sold to non-member countries. Approximately 0.600 million t was exported, a very large proportion of which went to Mediterranean countries. The slight drop in production in 1980 and 1981 will probably mean a corresponding drop in exports.



The latest information available on exports of rice from Italy to the other Member States in 1980/81 indicates a record figure of 240 000 t.

The second half of the 1980/81 marketing year, however, saw the beginning of a sharp upward trend in market prices, which could result in a slackening in Italian exports to the rest of the Community.

These high prices appear to be persisting at the outset of the 1981/82 marketing year despite a downward trend on the world market, where large stocks are available.

This will induce the Community industry to buy supplies on the world market rather than the Community market and will probably leave higher quantities of rice on the Community market to be exported from the middle of the 1981/82 marketing year onwards.

## 7. Economic aspects of the measures taken

### (a) Levies and refunds

The increase in world market prices in 1980/81 resulted in a sharp drop in import levies compared with 1979/80.

For the last three marketing years levies were as follows:

	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
Round-grain husked rice	135.88	92.81	30.66
Long-grain husked rice	174.59	128.22	30.89
Round-grain milled rice	197.09	198.45	59.93
Long-grain milled rice	336.05	285.46	169.57
Broken rice	66.38	41.94	8.04

In the second half of 1980/81 levies dropped to zero (except for long-grain milled rice) because of the rise in world market prices, and remained at zero until the end of the marketing year.

Since there was no surplus of round-grain rice, no refund was fixed for it in 1980/81.

For long-grain husked rice refunds of 68 ECU/t at the beginning, 27 ECU/t in the middle and 6 ECU/t at the end of the marketing year were fixed for the traditional exports to Austria, Liechtenstein and Switzerland. The corresponding refunds on milled rice were 85 ECU/t, 37.75 ECU/t and 7.50 ECU/t.

For long-grain milled rice refunds were lower than in the previous marketing year. They varied from 20 ECU/t to 110 ECU/t during the period mid-October 1980 to mid-April 1981 and applied to exports to Zone I only. No refunds were fixed for other non-member countries during the marketing year. Community exports thus went only to Mediterranean countries apart from some rice re-exported to more distant destinations under inward processing arrangements.

(b) Food aid

In 1980/81 65 167 t of rice were exported as food aid, including 38 151 t as national aid. This represents a decline (-27%) compared with 1979/80, when 89 665 t were supplied, 39 002 t of which was national aid.

(c) Quantities offered for intervention

There has been no intervention purchasing of rice since 1972/73.

(d) Monetary compensatory amounts

No monetary compensatory amount has so far been set for rice.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section on rice amounted to 58.7 Million EUA in 1980; the provisional figure for 1981 is 32 million EUA and the estimate for 1982 is 65 million EUA, i.e. 0.5%, 0.3% and 0.5% respectively of the Guarantee Section's total expenditure. The total of 65 million EUA breaks down into 51 million EUA for refunds and 14 million EUA for intervention.

### 3. SUGAR AND ISOGLUCOSE

#### 1. Introduction

With regard to Community legislation, the 1980/81 marketing year was one of transition, since the basic Regulations governing sugar and isoglucose were due to expire on 30 June 1980. It was therefore time to define the Community's sugar policy for the future. The proposal which the Commission put forward in this respect was discussed from January to April 1980 without the Council reaching any overall agreement, with the result that it was decided to extend the validity of the existing rules for a single year, i.e. 1980/81.

Meanwhile the Commission transmitted a new proposal on the organization of the markets in sugar and isoglucose to the Council, which adopted the new basic Regulation on the common organization of the market in sugar (Regulation (EEC) No 1785/81 (2)) which came into effect on 1 July 1981.

This Regulation, which defines the Community's sugar policy for a further five years, provides for the continuation of the quota system and establishes the principle that producers should be fully responsible for the costs of disposing of any sugar produced in excess of Community consumption.

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(1) OJ No L 177, 1.7.1981, p. 4.

Greece's membership of the Community, from 1 January 1981, did not give rise to major problems in the sugar sector, since its sugar industry is fairly small compared with that of the nine other Member States as a whole.

#### Sugar and Community agriculture

In 1981 the area under sugarbeet increased considerably (+11%) compared with the previous marketing year, mainly because in the winter of 1980/81, when beet growers decided on the sowing of their crops, world sugar prices were very high and exceeded the Community price by about 25%.

The data supplied by the 1975 Structure Survey, which are confirmed by the provisional results of the most recent survey (1977), showed that in all the Member States the total number of farms growing sugarbeet was down compared with the results of the 1970/71 Structure Survey, the fall being sharpest in the case of holdings with small-scale sugarbeet crops. However, the number of farms with relatively large areas under sugarbeet was on the increase. The 1979/71 survey showed that there were still 425 000 sugarbeet farms in the Community of Nine, but the figure had fallen to 365 000 in 1975 and 335 000 in 1977 and has continued to fall since then. There are at present about 30 000 sugarbeet growers in Greece.

On the whole, the far-reaching structural changes in sugarbeet growing over the last ten years signify an improvement in production conditions and indicate that the current system of production quotas has not hampered the necessary restructuring process.

### Restructuring of the processing industry

In 1972/73 there were 128 sugar manufacturers in the Community of Ten, mostly concentrated in France, Germany and Italy. The number of factories processing beet in 1972/73 was 250.

The latest data available for 1980/81 indicate substantial changes in the structure of this sector.

The number of sugar manufacturers has fallen to 102 (-20%) and the number of processing plants in operation has fallen to 212 (-15%).

It should be stressed that this change has been accompanied by improvements in the equipment of the factories still operating and the daily input of sugarbeet in the Community of ten as a whole has risen from 879 000 t in 1972/73 to 1 121 000 t in 1980/81, an increase of some 27%.

## 2. Production

In 1979/80, with little or no change in the area under sugarbeet, Community sugar production (EUR 9) had again exceeded the two previous years'

production levels and totalled a record 12 289 000 t. The results for the year under review (1980/81) are again good, with sugar production totalling 12 036 000 t (EUR 9: white sugar equivalent), to which should be added Greece's production of 174 000 t of white sugar.

These good results were partly attributable to the weather conditions in autumn 1980, which are generally favourable to the growing of sugarbeet.

Account being taken of the production level achieved in 1980/81, some 8.8 million t of sugar were produced within the basic quota ("A" sugar); the quantities in excess of the basic quota but within the maximum quota ("B" sugar) amounted to some 2.1 million t, whilst production of "C" sugar totalled some 1.2 million t, a decrease compared with the previous year.

Given the trend in world market prices, the "C" sugar produced during the marketing year brought most Community producers better prices than the "B" sugar, since "C" sugar, unlike "B" sugar, is not subject to an export levy. Moreover, producers of sugar in excess of the quotas were able, by means of transactions on the future markets, to obtain high prices during the last months of 1980.

### 3. Consumption

#### Human consumption

In 1980/81 the use of sugar for human consumption was about 2% down on the previous year, at 9.2 million t for the Community of Nine, to which should be added Greece's consumption of 290 000 t.

In the Community of ten per capita consumption of sugar was 35.6 kg, as against 36.3 kg in 1979/80. It should be noted, however, that the consumption of isoglucose again rose.

#### Production/consumption of isoglucose in the Community

('000 t dry matter)

<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
82.6	102.8	139.1	164.1	183.9

#### Non-food sector and degree of self-sufficiency

In 1980/81, 10 000 t of white sugar were used under the denaturing premium system for feeding bees. Some 90 000 t were used by the chemical industry, compared with 120 000 t in the previous year. The production refund was 3.45 ECU/100 kg of white sugar used.

Following the drop in production (12 260 million t) and the fall in consumption, the Community of Ten's degree of self-sufficiency was slightly

down in 1980/81, at 127%. The surplus thus created was further increased by the importation of preferential sugar from the ACP countries, amounting to 1 148 million t white sugar equivalent.

The quantities of sugar as such available for export during the marketing year thus totalled 4 551 million t, including 1 191 million t of "C" sugar, the full cost of exporting the latter being borne by Community producers. With regard to sugar exported on Community responsibility, Community producers also bore - in the form of a production levy - the cost of the refunds granted on export of their production surpluses.

#### 4. Trade

##### Between Member States

The United Kingdom and Italy regularly buy sugar as such from the other Member States.

Sugar in the form of processed products finds its main outlet in the Federal Republic of Germany, which imports it from the other Member States.

In 1980/81 the total volume of intra-Community trade again decreased as a result of a rise in stocks throughout the Community. Some 147 000 t of Community white sugar were shipped to Greece.



With non-member countries

As usual, imports of preferential sugar went mainly to the United Kingdom in this marketing year. Small quantities of such sugar were also imported by France and Ireland.

In 1980/81 contracts were awarded by tender in respect of most of the sugar exported on Community responsibility. Awards were thus made for 3 097 000 t of sugar (white sugar equivalent). In addition, 55 000 t of sugar were committed under the "periodic" system, 55 000 t for Poland, 6 000 t as food aid and 147 000 t for Greece. After including net exports of sugar in the form of processed products and exports of "C" sugar, the total volume of exports in 1980/81 amounted to 4.7 million t of white sugar equivalent.

Community prices

1980/81

For the 1980/81 marketing year the Council decided to increase the intervention price for white sugar by 5.3% overall, but differentiated between the various components of this price.

Since Community sugar production is in surplus, the increase in sugarbeet prices was restricted to 4%, while the increase in the industrial processing margin was more substantial, at 11.6%, to take account of the

steep rise in oil prices, which seriously affects processing costs. It was also decided to increase by 24% the monthly reimbursement of storage costs to take account of the rise in interest rates/

1981/82

At its meeting on 30 and 31 March 1981 the Council decided on an average rise in common agricultural prices of 11% for the Community as a whole.

The increase in the sugar sector was smaller: the intervention price for white sugar was increased by 8.5% (only 7.5% in the case of raw sugar). On the other hand, largely on the basis of an annual interest rate of 13%, storage costs were raised by 26.1%.

Prices on the internal market

In 1980/81 ex-refinery market prices net of tax applied by the sugar industry were, until February 1981, again close to the intervention price in the Community areas with surpluses.

From then until the end of the sugar marketing year, these prices increased by 3 to 10%, as a result of the influence of high sugar prices on the world market.

The trend in prices expressed in national currencies was largely influenced by the various adjustments to the exchange rates applied in the context of the common agricultural policy.

#### Prices on the world market

In 1979/80, for the first time after four consecutive surplus years, world consumption exceeded production by more than 5 million t, largely because of the very poor harvest in several of the main producer countries. As a result, prices on the world market increased considerably and remained high almost throughout the 1980/81 marketing year.

However, there has been a complete reversal of the situation for 1981/82 and it is expected that there will be a production surplus of about 3-4 million t, as against shortfalls in production of 5 and 2 million t in 1979/80 and 1980/81 respectively. This was mainly due to the Community's exceptional harvest and the fact that the harvests in India, Poland, South Africa, Thailand and, to a certain extent, Cuba and the Soviet Union, reverted to normal levels. Moreover, the forecasts are that Australia will continue the expansion programme which it began last year.

Since 1978/79, world consumption has remained more or less unchanged, at about 90.91 million t. If these production forecasts prove to be correct, the overall demand for imported sugar will be smaller than previously.

World market prices, which one year ago were at a five-year high (40 cts/lb) as a result of the statistical surplus referred to above, were at the lower end of the I.S.A. price range (13 cts/lb) at the beginning of autumn 1981.

Faced with this price situation, the I.S.A. (International Sugar Agreement) Council had to implement all the measures provided for in the Agreement in order to halt the fall in prices. However, the measures concerned did not have a major impact on world supply and demand in the short term, and the present imbalance could persist until next year.

In 1980/81, the annual average price of white sugar on the Paris exchange was 53.6 ECU/100 kg for short-term deliveries, which was 66.7% higher than in the previous year.

#### 6. Short-term outlook

Given the increase in the total area under sugarbeet, which in 1981 covered some 2.0 million ha in the Community of Ten, and in view of weather conditions, production in 1981/82 is currently estimated at 14.3 million t of white sugar.

The Community of Ten's total consumption can be estimated at 9.6 million t. If imports of preferential sugar and the customary trade with non-member countries in the form of processed products are also taken into account, the total quantity of sugar available for export will probably be 5.9 million t, including 2.8 million t of "C" sugar, whose export costs are fully borne by Community producers.

Present estimates suggest that in 1981/82 the world's sugar production will be between 93 and 94 million t (raw sugar equivalent) and that consumption will be about 91-92 million t.

The prospects for the world sugar market and for world sugar prices for the rest of 1981 and for 1982 are not favourable, mainly because of the increase in world production.

In view of the present situation as regards world sugar market prices, which is unsatisfactory for all exporting countries, the Commission and the Community's sugar producers felt that a joint action was needed if world sugar prices were to be restored to a satisfactory level.

The outcome of talks between the Commission and the producers was that it was agreed that 2 million t of white sugar should be withdrawn and put into storage throughout the 1981/82 marketing year. This would reduce the volume of Community sugar exports to the rest of the world to about 4 million t, as against an actual figure of 4.43 million t in 1980/81, that is, a decrease of about 10%.

The Community's intention, in taking this step, is that its action will be supplemented by the joint efforts of other sugar exporters operating on the free world market, thus leading to renewed stability between supply and demand with a favourable impact on prices.

## 7. Economic aspects of the measures taken

### Levies and refunds

In view of the trend in world market prices - the latter overtook Community prices in April 1980 - all exports of sugar have been subject to export levies, which, it should be remembered, rank as the Community's own resources.

This situation persisted almost throughout the 1980/81 marketing year, until May 1981, when an export refund had to be reintroduced.

The highest export levy was fixed at the beginning of November 1980 (24.65 ECU/100 kg).

### Intervention and food aid

In 1980/81 no sugar was offered to the intervention agencies. During the year the customary shipments of food aid included 6 086 t of white sugar.

## 8. Budgetary expenditure

In recent years, expenditure in the sugar sector has fluctuated considerably on account of changes in world market prices and in Community stocks.

Expenditure by the EAGGF Guarantee Section was 940 million EUA in 1979 and 575 million EUA in 1980, and is estimated at 700 million EUA in 1981.

A considerable proportion of the expenditure required under the sugar market organization was, however, covered by revenue from the sugar levies, namely the production levy, which must be paid on sugar in excess of the basic quota but within the maximum quota, and the levy to cover storage costs, which is collected on all sugar produced within the quotas. The latter levy has yielded enough to cover reimbursements of storage costs for the relevant years taken as a whole.

As from 1981/82 the cost of disposing of sugar produced by the Community which is surplus to its consumption is to be fully borne by the producers.

After deduction of the revenue from the two levies in the sugar sector, net Community expenditure totalled 475 million EUA in 1979, 105 million EUA in 1980 and some 131 million EUA in 1981.

A last point is that the net amount of the abovementioned expenditure essentially consists of expenditure resulting from the obligation to export a quantity of Community sugar corresponding to the 1.3 million t of imported preferential sugar.



#### 4. OLIVE OIL

##### 1. Introduction

Establishing Community olive oil statistics for the most recent marketing years presents the same difficulties as previously. The information available gives the following picture.

Of the oil produced in the Community 0.20% comes from France, 30% from Greece and 70% from Italy. In 1980 the value of this production represented in Greece 11.0% and in Italy 5.8% of the value of all production and olive oil production represented 1.4% of the value of final agricultural production in the Community. Until 1975 70% of the Community's requirements were met by Community production but over the last five years this percentage has been steadily increasing and with the accession of Greece is now 95%.

According to available information 2.7 million ha are planted with olives in the Community (2.2 million in Italy and 0.5 million in Greece). This accounts for roughly 27% of the total world area under olives and 2.5% of Community UAA. These areas remain more or less constant. The total number of wild and cultivated olive trees is according to certain estimates roughly 307 million (185 million in Italy, 117 million in Greece and 5 million in France).

Roughly one million families engage in olive cultivation in Italy, 300 000 in Greece and 40 000 in France.

In normal years Community production is 47% of world production but since olive trees bear in alternate years production can vary very sharply from one year to another.

##### 2. Production

Since 1978/79 production aid to growers belonging to a producers' organization has been based on the actual quantity of oil produced. Other growers receive aid at a fixed rate according to the number and production potential of the trees they cultivate.

There are at present four producers' organizations in Italy and four in France. In France nearly all growers belong to an organization, in Italy roughly 90% and in Greece 70%.

On the basis of applications for aid, production in the 1979/80 marketing year was 600 000 t in Italy and 1 570 t in France but the Italian applications are now being re-examined by the Italian authorities. The quantities covered by aid applications for 1980/81 are not yet known but estimates put them at over 600 000 t in Italy and over 300 000 t in Greece.

The applications for aid in France cover a production in 1980/81 of 1 850 t.

### 3. Consumption and marketing

A consumption aid system was introduced on 1 April 1979 and, after some initial difficulties, particularly in Italy, it is now in force throughout the Community. Only three countries, however, at the moment operate packaging establishments approved for the purposes of the scheme (Italy, France and the United Kingdom). The scheme applies in Greece from 1 November 1981

The following statistical picture emerges after three years of operating the scheme:

- for 1978/79 (1 April to 31 October 1979) aid applications were made in respect of 124 340 t (98% of them in Italy);
- for 1979/80 applications were made in respect of 193 267 t, almost all of them in Italy;
- for 1980/81, the figures now available for the first eight months of the year show applications to have been made in respect of a total of 155 301 t.

The outcome of the three years of operation of the scheme is that retail prices for olive oil have increased much less than wholesale prices (see Table M.4.4. annexed).

#### 4. Trade

The Community is the world's largest net olive oil importer. From 1974/75 onwards imports, which had reached a peak of 251 000 t in 1972/73, dropped very substantially on account of the difficulties described in paragraph 3.

Imports in 1979/80 were 156 000 t. Import licences issued for 1980/81 up to 15 October 1981 covered 71 500 t.

Intra-Community trade is very limited and so far has virtually been restricted to the three countries that both produce and consume olive oil (France, Italy and Greece), other Member States' share being negligible.

Exports to non-member countries, which normally follow traditional trade patterns, are shown by the licences issued to 31 October 1980 to have been roughly 5 000 t in 1979/80. Export licences issued for 1980/81 up to 15 October covered 30 000 t.

#### 5. Prices

##### (a) Common prices

The new organization of the market in olive oil came into force on 1 January 1979.

For the 1980/81 marketing year the mechanism established was as follows:

	<u>ECU/100 kg</u>
Producer target price	247.97
Production aid	55.81
Intervention price	180.12
Market representative price	145.00
Threshold price	142.79

The consumption aid is equal to the difference between the producer target price minus the production aid and the market representative price. For the 1980/81 marketing year it was 47.16 ECU/100 kg.

For 1981/82 the prices fixed by the Council are as follows:

	<u>ECU/100 kg</u>	<u>% increase compared with</u> <u>1980/81</u>
Producer target price	272.77	10.00
Production aid	60.00	7.50
Intervention price	196.33	9.00
Market representative price	145.00	0.00
Threshold price	144.09	0.10

For the 1981/82 marketing year, the consumption aid is 67.77 ECU/100 kg.

(b) Market prices

In 1979/80 prices fluctuated around the intervention price and this led to intervention purchasing of 42 890 t of oil as follows:

- 20 320 t of edible virgin oil,
- 9 590 t of lampante virgin oil,
- 12 980 t of olive-residue oil.

In 1980/81 the Italian harvest was exceptional in both volume and quality, and prices, particularly for edible virgin oil, often dropped below the intervention price. This resulted in the very large quantity of 63 520 t of oil being taken into intervention in Italy, as follows:

- 42 360 t of extra virgin oil,
- 12 360 t of fine virgin oil,
- 1 570 t of ordinary virgin oil,
- 590 t of lampante virgin oil,
- 6 640 t of olive-residue oil.

The same situation arose in Greece and in 1980/81 91 124 t of oil, 70% of which was edible oil, were bought in.

(c) Olive oil held by the Italian and Greek intervention agencies

After purchases and sales in both Italy and Greece approximately 130 000 t of olive oil was in storage on 31 October 1981.

6. Economic aspects of the measures taken

(a) Import levies

Since June 1976 the levy has been fixed by tender with account taken of both the world and the Community markets. No particular difficulties arose in this connection in 1980/81.

(b) Refunds

During the 1977/78 and 1978/79 marketing years cash refunds were kept at such low levels as to be scarcely operational. Nonetheless traditional exports continued since traders used the EXIM procedure or were able to get olive oil supplies from the intervention agency. From 1979/80 traders encountered considerable difficulties in using EXIM procedure because of the prices charged by the two main exporting countries, Spain and Tunisia. The Commission therefore decided to introduce an operational refund by stages.

The refund is now 19.50 ECU/100 kg. It is based on the difference between Community exporters' supply costs and those of other exporters operating on the world market.

7. Budgetary expenditure

Expenditure in the olive oil sector consists of intervention purchasing, aid paid to olive oil producers, consumption aid paid to packaging plants and export refunds.

EAGGF Guarantee Section expenditure on olive oil was 317.9 million EUA in 1980. For 1981 appropriations of 453 million EUA for olive oil have been entered in Supplementary and Amending Budget No 2. Expenditure in 1982 is estimated at 684 million EUA.

Two factors explain the size of the figure compared to expenditure in previous years: a catching-up operation in respect of production aid payments in Italy and the accession of Greece, which is a major producer.

Expenditure on olive oil accounted for 2.81% of total Guarantee Section expenditure in 1980 and 3.9% in 1981. For 1982 the estimate is 4.8%.

## 5. OILSEEDS AND PROTEIN SEEDS

### I. Colza, rape and sunflower seeds

#### 1. Introduction

In 1980, the share of oilseeds in the value of final agricultural production was 0.6% and these crops accounted for 1.0% of the Community's UAA. World production of colza rose from 10.1 million t in the previous year to 11.4 million t in 1980; Community production also rose, from 1.2 million t in 1979 to 2.0 million t in 1980. The Community's share of world production thus increased from 11.9% to 17.5%.

World production of sunflower seed fell from 15.5 million t in 1979 to 13.1 million t in 1980, mainly because of the drought in the United States. Community production of sunflower seed was 305 000 t in 1980, representing 2.3% of world production.

The Community's own oilseed production meets only a very small part of its oil and oilcake needs. The degree of self-sufficiency in 1979 was 20% for oil, including olive oil, and 6% for oilcake.

#### 2. Production

In 1980, the Community area under colza was 733 000 ha compared with 522 000 ha in 1979. However, trends in the four main producing countries differed. There was an increase of 24% in area in the United Kingdom (from 74 100 ha to 91 800 ha), and of 7% in Germany (from 127 000 to 138 000 ha). Denmark and France showed the sharpest increase in area, 58% and 57.6% respectively (from 64 500 to 101 900 ha in Denmark, and from 249 000 to 392 400 ha in France). Total production in 1980 was 2.0 million t compared with 1.2 million t in 1979. In the Community of Nine the area under sunflower, which was produced only in France and Italy in 1980, rose by 25% from 107 100 ha in 1979 to

133 800 ha in 1980. Production also rose by 38% from 221 800 t to 305 300 t. In Greece, production of both these oilseeds was very low in 1980, but about 5 000 t of sunflower seed are expected to be produced in 1981.

### 3. Consumption

The demand for colza, rape and sunflower seed depends on the demand for colza and sunflower oils and oilcake; the latter is in turn determined by the overall demand for oil and oilcake and by the relationship between the prices of colza and sunflower oils and oilcake and the prices of alternative types. This being the case, two sets of consumption data will be given, one for oils and the other for colza and sunflower cake, while seeds will be dealt with separately.

#### (i) Oil

Judging from market information and the information supplied by the Community's crushing mills, consumption of colza oil rose by 12% (from 490 000 t in 1979 to 547 000 t in 1980). This increase was helped by the rise in the production of colza seed in the Community in 1980 as compared with 1979.

The figures supplied by Community crushing mills show that consumption of sunflower oil rose from 516 000 t in 1979 to 546 000 t in 1980.

#### (ii) Oilcake

Judging from information supplied by the Community crushing mills, consumption of colza cake rose by 12% from 1979 to 1980 from 1.213 million t to 1.36 million t), while production in the Community also increased (from 1 million t to 1.1 million t, a rise of 9%).

Information supplied by the same source indicates that consumption of sunflower cake went up from 1.1 million t to 1.4 million t, an increase of 27% compared with 1979; Community production rose by 17% from 725 000 t to 851 000 t. The market situation for oils and oilcakes is not reflected in the statistics annexed to this Report, as some of the official figures were not available.

(iii) Seeds

The increase in Community colza production from 1.2 million t in 1979 to 2 million t in 1980 (up 67%) led to certain difficulties, during the first half of the marketing year, as regards marketing and crushing of the crop. Nevertheless, following the implementation of certain measures (see 7(c)), crushing of the entire Community colza crop was effected. The Community's low degree of self-sufficiency in sunflower seed means that there has never been any difficulty in selling the crop.

4. Trade

Imports of colza seed fell from 625 000 t in 1979/80 to 307 000 t in 1980/81, reflecting the increase in Community colza production. Imports of sunflower seed, on the other hand, rose from 1.1 million t in 1979/80 to 1.3 million t in 1980/81.

Exports of colza and sunflower seed remained at a relatively low level, (23 000 t of colza seed and 1 000 t of sunflower seed in 1980).

Trade of colza within the Community consists mainly of French and Danish exports to Germany.



## 5. Prices

### (a) Common prices

For the 1980/81 marketing year the target price for colza seed was 38.69 ECU/100 kg and for sunflower seed 42.63 ECU/100 kg. An increase of 10.3% was decided on for 1981/82. In view of the Community's wish to encourage the cultivation of sunflower seed, a rise of 12% was adopted. The target price for colza seed was therefore fixed at 42.56 ECU/100 kg, and for sunflower seed at 47.75 ECU/100 kg.

### (b) Market prices

#### 1) World market

During 1980/81 world market prices, especially for soya, rose as a result of the drought in the United States and the increase in Soviet imports. It is expected that 1981/82 will bring lower prices, following a bumper world harvest.

#### 2) Community market

Prices obtained by producers were generally between the intervention price and the target price. The sunflower crop is sold each year at prices well in excess of the intervention price and even close to the target price.

## 6. Outlook

The Community colza crop for the present marketing year (1981/82) is estimated at 1.9 million t, down by 5% on last year, in spite of an increase in areas sown from 731 000 ha in 1980 to about 885 000 t in 1981. The yield for 1981 seems quite normal, in comparison with the 1980 record yield. As regards selling the crop, it is probable that the adjustment of the current aid for colza will be used in order to ensure the crushing of all the quantity produced.

The Community sunflower crop for 1981/82 is estimated at 505 000 t, compared with 305 000 t in 1980/81. This reflects a substantial increase in France, and a slighter smaller increase in Italy.

7. Economic aspects of the measures taken

(a) Aid and refunds

Current aid for colza seed in the 1980/81 marketing year fluctuated between 16.171 ECU/100 kg and 20.262 ECU/100 kg with an average of about 18.2 ECU/100 kg. The export refund during the same period varied between 14 and 17 ECU/100 kg.

The sunflower seed crop was sold without difficulty. Aid varied between 12.220 and 21.511 ECU/100 kg, averaging around 16.9 ECU/100 kg. No export refund was fixed for this product.

(b) Intervention

During the 1980/81 marketing year, 88 063 t were offered for intervention. This amount was sold during the same marketing year.

(c) Change in rules

On 11 November 1980 the Council adopted Regulation (EEC) No 2917/80 amending Regulation (EEC) No 115/67/EEC, by which it introduced a system of adjusting the world market price, which had the effect of altering, under certain conditions, the amount of current aid for colza seed, chiefly so as to allow the crushing of Community colza seed harvested in 1980.

(d) Greek accession

Following the accession of Greece and for a transitional period, the following two measures have applied in Greece since 1 January 1981:

1. Import control system

- Council Regulation (EEC) No 39/81 of 1 January 1981 authorizing the Hellenic Republic to apply a temporary system for control of imports of oilseeds and vegetable oils.
- Commission Regulation (EEC) No 54/81 of 1 January 1981 laying down detailed rules for application of the import control system in Greece on oilseeds and vegetable oils and fats.

2. Suspension of customs duties

- Commission Regulation (EEC) No 55/81 of 1 January 1981 authorizing the Hellenic Republic to suspend the customs duties applicable on import of certain oilseeds and oleaginous fruits.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure on colza and sunflower seeds amounted to 353 million ECU in 1980. The appropriations for 1981 allocated in draft Amending Budget No 2 are 475 million ECU. The appropriations allocated in the 1982 draft Budget are 497 million ECU.

11. Soya beans

From 1974 to 1978 the area under soya in the Community, almost all of it in France, was about 4 000 ha, while in 1979 it was 17 000 ha with production reaching 25 000 t. In 1980, however, the area under soya was around 10 000 ha and only 15 000 t were produced. This situation seems to have arisen because of poor yields and the consequent decline in producers' interest in this crop.

The soya crop still accounts for only a very small proportion of Community UAA, of world production (83 million t of soya in 1980) and of Community consumption (18.8 million t of seed equivalent).

The guide price for the 1981/82 marketing year was set at 46.26 ECU/100 kg, a 10% increase compared with the 42.05 ECU/100 kg for 1980/81.

In 1980 the Council adopted Regulation (EEC) No 1724/80 laying down general rules concerning special measures for soya beans harvested in 1980. This Regulation provides for aid, based on a minimum price paid to the producer, to be paid to first purchasers of soya. The Council prolonged this system for beans harvested in 1981.

### III. Flax seed (1)

The cultivation of flax (2) covers only about 65 000 ha, which is a very low proportion of the Community UAA and the world areas under flax seed (5.4 million ha with 2.2 million t in 1980 according to the FAO).

This crop makes only a modest contribution to meeting the Community's large requirements, since imports amounted in 1980 to 257 000 t of flax seed (200 000 t of which came from Canada), 50 000 t of oil (39 000 t from Argentina) and 618 000 t of oilcake (452 000 t from Argentina and 105 000 t from the United States).

Despite this deficit the cultivation of seed flax is not expanding within the Community. In fact there are difficulties in maintaining even the existing areas because of the unsatisfactory income (yields are relatively low) and insufficient guarantees compared to competing crops. In 1980 only 4 955 ha (7 900 t) were sown compared to 5 600 ha in 1979.

France, Italy and the United Kingdom are practically the only Member States which produce flax seed. Since the production of seed from textile flax is estimated at 56 100 t, Community production of flax seed was 64 000 t in 1980 compared to 61 400 t in 1979.

For the 1981/82 marketing year, the guide price was fixed at 46.40 ECU/100 kg compared to 42.18 ECU/100 kg for 1980/81 (+10%). Aid during the latter marketing year was 14.010 ECU/100 kg.

EAGGF Guarantee Section expenditure for seed flax is included in the figure for fibre flax (2).

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(1) See Table M.7.4.

(2) See also under 7: fibre flax and hemp.

#### IV. Castor seed

The share of castor seed in the value of final agricultural production and UAA in the Community, as well as in world production, (1.5 million ha and 850 000 t in 1980 according to the FAO) is tiny. In the Community this crop is still at an experimental stage (only about 10 ha in 1981) since some technical problems have proved more difficult to solve than expected. Yields are very satisfactory but the frequent rain during the harvest period (end of October/November) has complicated the development of suitable harvesting equipment. For 1982 contracts are planned for about 250 ha. In 1980 imports amounted to 33 800 t of seed (13 600 t from Paraguay and 6 400 t from China) and 57 000 t of oil. The accession of Greece has not changed the situation in this sector.

The aid system set up in 1978/79 involves the fixing of a guide price, which is 59.81 ECU/100 kg for 1981/82 compared to 54.34 ECU/100 kg for 1980/81 (+10%), and the granting of aid equal to the difference between that price and the world market price provided that the producer has received at least the minimum price, which was fixed at 56.96 ECU/100 kg compared to 51.78 ECU/100 kg for 1980/81.

For 1980/81 the average aid was 20.965 ECU/100 kg.

An additional aid measure (launching aid) of 12.90 ECU/100 kg was introduced for the 1979/80, 1980/81 and 1981/82 marketing years.

## 6. DRIED FODDER; PEAS AND FIELD BEANS

### a. Dried fodder

#### 1. Introduction

The common organization of the market in dried fodder covers the following products: dehydrated fodder, the main sun-dried legumes, and protein concentrates obtained from lucerne and grass juice. By a Regulation of 30 June 1981 the Council decided that the common organization of the market could continue to apply to dehydrated potatoes for the 1981/82 marketing year. By a Regulation of 15 January 1980 the Council also extended the scope of the common market organization to include by-products obtained in the manufacture of protein concentrates from green fodder.

The common organization of the market in dried fodder (see below under 6) has been operating since 1 April 1978. It replaces and strengthens the common organization of the market which had operated in respect of dehydrated fodder alone since 1 May 1974.

#### 2. Production

Production of dehydrated fodder, dehydrated potatoes excepted, in the Community in 1980 was 1 609 021 t, 2.3% down on 1979. France remains the principal producer with 928 000 t, more than half (58%) of Community production.

Compared to conventional dehydrated fodders (mainly lucerne and grass) dehydrated potatoes are much less important. In 1980/81 Community production was 55 586 t, 0.8% up on the previous year (54 748 t). The main producer is Germany, at around 39 000 t.

For sun-dried fodder the common organization of the market has been in operation since 1 July 1978. Community production eligible for aid is estimated at 96 000 t in 1980/81 (62 000 t in France and 34 000 t in Italy). This is about 15% down on 1979/80.

### 3. Quantities available

Availabilities of dehydrated fodder in 1980/81 totalled 2 043 437 t, remaining at much the same level as in 1979/80 (2 043 177 t), the drop in production being offset by an increase in imports.

### 4. Trade

Mainly as a result of the expanding production in certain non-member countries, the Community imported more lucerne meal than in previous years. Thus, 444 000 t were imported in 1980, as against 385 000 t in 1979 and 229 000 t in 1978.

In 1980, as in previous years, the United States and Hungary were the largest exporters of dehydrated fodder to the Community, with 282 000 t and 112 000 t respectively (as against 190 000 t and 125 000 t respectively in 1979).

Imports from non-member countries went mainly to Germany (273 000 t) and Italy 65 000 t).



In 1980 intra-Community trade in dehydrated fodder amounted to approximately 330 000 t and followed the usual pattern: Denmark exported 43 000 t to Germany and France exported some 250 000 t to Germany and the Benelux countries.

Community exports of dehydrated fodder to non-member countries have never been on a large scale. In 1980 they amounted to 10 049 t.

#### 5. Prices

During the first five months of 1980/81, average world market prices fell by about 10 ECU/t, dropping to 109 ECU/t in August 1980. From then onwards prices recovered sharply and reached 136 ECU/t by the end of the marketing year.

Since the guide price was set at 148.08 ECU/t, the additional aid for the products in question followed an upward trend until August 1980, when it reached its maximum level (20 ECU/t). From then onwards it dropped sharply and reached zero in March 1981.

World prices recovered from April 1981 onwards and by September they had reached 137 ECU/t.

#### 6. Economic aspects of the measures taken

For 1981/82 the Council fixed the guide price for dried fodder at 148.08 ECU/t and the flat-rate aid at 7.03 ECU/t, i.e. at levels higher by 10.0% and 8% respectively than in 1980/81.

For Greece, in view of the criteria laid down in the Act of Accession, the guide price for dried fodder was set at 140.93 ECU/t and the flat-rate aid at 2.68 ECU/t. At the same time the Council maintained

the percentages to be applied to the difference between the guide price and the world market price, for the purpose of calculating the additional aid, at 80% for dehydrated fodder and protein concentrates and at 45% for sun-dried fodder.

#### 7. Outlook

Community production of dried fodder, which has remained fairly stable in recent years, fell slightly last year.

Drying costs account for a considerable part of the production cost of dehydrated fodders, which are thus particularly sensitive to any increase in energy prices. Recent and foreseeable increases in the price of fuel oil are a cause of concern for the sector's future. In some Member States, however, a lot of research has been carried out recently into ways of reducing fuel consumption by driers, and some results have already been achieved. Over the next few years Community production of dehydrated fodder seems likely to drop by between 6 and 8%.

#### 8. Budgetary expenditure

EAGGF Guarantee Section expenditure on dried fodder was 33.5 million ECU in 1980. The appropriations set aside for 1981 in draft Amending Budget No 2 total 41 million ECU. The appropriations set aside in the draft 1982 Budget total 48 million ECU.

## 9. Accession of Greece

At present only a very little dehydrated fodder is produced in Greece: 2 500 t. There is a possibility that production of sun-dried fodder will develop in the future.

### b. Peas and field beans used in animal feed (1)

Since the Community's demand for feed proteins greatly exceeds production, the Council on 22 May 1978 adopted special measures designed to expand the production of peas and field beans used in feed. These measures have been applicable since 1 July 1978.

The products in question are in direct competition with oilcakes imported from non-member countries at zero rates of duty. A system was therefore introduced whereby aid is granted to feed manufacturers who use Community-grown peas and field beans if the price of soya cake is lower than the activating price. The aid varies with the fluctuations in the price of soya cake. It is granted only if the feed manufacturer has paid the producer not less than the minimum price fixed by the Council. This enables producers to obtain a fair return.

In 1980/81, aid for the processing of peas and field beans was paid in respect of 230 000 t of peas and 102 000 t of field beans. This represented a 49% increase in the case of peas and a 12% decrease in the case of field beans as compared with 1979/80 (154 000 t and 116 000 t).

The substantial increase in the production of peas reflects a considerable increase in the areas sown and the quantities produced in France. Production of field beans, on the other hand, decreased in the Netherlands and, to a lesser degree, in Italy.

For the 1980/81 marketing year the activating price for aid for peas and field beans was fixed at 37.59 ECU per 100 kg of soya cake, while the minimum purchase price was set at 22.66 ECU/100 kg. The aid varied between 9.910 and 5.917 ECU/100 kg. The gradual reduction in the aid during the year reflects the increase in world market prices for soya.

For the 1981/82 marketing year, the activating price for the aid was fixed at 41.83 ECU/100 kg and the minimum price at 24.47 ECU/100 kg; these prices represent increases of 11.3% and 8% respectively as compared with 1980/81.

Expenditure on this sector by the EAGGF Guarantee Section in 1980 totalled 27 million ECU. The appropriations set aside for 1981 in draft Amending Budget No 2 total 33 million ECU. The appropriations under the draft 1982 Budget amount to 46 million ECU.

## 7. COTTON, FIBRE FLAX AND HEMP

### a. Cotton

#### 1. Introduction

Although cotton is not included in Annex II to the Treaty, Protocol No 4 on cotton which is part of the Treaty of Accession of Greece recognizes the specifically agricultural character of this production.

At Community level cotton is of limited importance both with regard to the areas planted (130 000 - 145 000 ha in recent years, or 1.5% of the UAA) and with regard to the number of producers (50 000). Nevertheless, for Greece, which is effectively the only producer Member State, cotton is of very great economic and social importance. The yield of unginced cotton and fibres is very high in Greece (in 1979/80, 743 kg/ha compared to a world average of 446 kg and 613 kg in the United States) and the fibres produced (118 000 t in 1980) are of excellent quality. At present about 75% of the harvest is mechanized but the small size of the cotton fields (2.8 ha on average) does not facilitate mechanization of the use of machinery.

The Community share of world cotton production is only 1%.

#### 2. Production

Under the Greek national aid system it has not been possible to maintain the area under cotton. It sank from 183 000 ha in 1977 to 168 000 ha in 1978, 142 000 ha in 1979 and 141 000 ha in 1980. For 1981 the area under cotton is estimated at 128 500 ha. The area under cotton in Italy is only about 3 000 ha. Community production in 1980 was 358 000 t of unginced cotton and 118 000 t of cotton fibres compared to 323 000 and 107 000 t in 1979. Production of cotton seed was 195 000 t in 1980 compared to 175 000 t in 1979.

#### 3. Trade

Since unginced cotton is difficult to transport over long distances both for technical (preservation is difficult) and economic reasons (it is more profitable to gin the cotton on the spot), there is no international trade in this product.

Since the Community has a spinning capacity which is far greater than its production of fibres, it imports large quantities.

In 1980 the Community of Nine imported 790 000 t of cotton fibres (raw cotton plus linters) compared to 741 000 t in 1979. The United States (141 000 t), the Soviet Union (137 000 t), Turkey (65 000 t), Guatemala, the Sudan and Egypt are the main suppliers (58% of total supplies). Community exports of cotton fibres are very limited.

Trade between Greece and non-member countries is limited.

#### 4. Prices

Because there is no trade in this product there are no world prices for unginmed cotton.

As regards the world price for fibre, the "A" index published by Liverpool Cotton Services and by "Cotton Outlook" is considered one of the most representative of the world spot market for a specific usual grade (strict middling up to 1 August 1981 and middling after that date, with a length of 27 mm).

During the 1980/81 marketing year the world price for cotton reached record levels. In September 1980 it even passed the level of 100 US ct/lb compared to an average of 86 ct/lb in 1979/80, 76 ct/lb in 1978/79 and 65 ct/lb in 1977/78.

#### 5. Aid system and budgetary expenditure

The aid system involves the granting of aid for the Community quantity of unginmed cotton, equal to the difference between a guide price fixed every year by the Council and the world market price recorded regularly by the Commission. The aid is granted to ginning undertakings provided that they have paid the producer at least the minimum price fixed by the Council for the marketing year in question. The full aid is granted only for a limited quantity. Any excess production results in a reduction in aid for all producers, so that this maximum quantity provides a barrier to any excessive development of Community production.

In any case, production finds a natural limit in the fact that fertile irrigated land in an area with a subtropical climate is not very abundant in the Community.

For the 1981/82 marketing year, the Council fixed the guide price at 76.00 ECU/100 kg, the minimum price at 72.20 ECU/100 kg and the quantity of unginned cotton which will receive the full aid at 430 000 t. On this basis, the Commission fixed the aid applicable from 1 September 1981 at about 25 ECU/100 kg. Since then it has been adjusted in line with world price movements. Assuming that the world price recorded at the start of September 1981 (about 51 ECU/100 kg) can be taken as a probable average for 1981/82, expenditure by the Guarantee Section of the EAGGF on cotton is estimated at about 95-100 million ECU for the marketing year.

## b. Fibre flax and hemp

### 1. Introduction

The area under flax and hemp is less than 1% of Community UAA, but these crops are of considerable importance for the regions in which they are concentrated.

For some years the Community area under fibre flax has fluctuated around 60 000 ha. Fibre flax is grown on about 10 000 farms in the Netherlands, Belgium and northwest France. Flax straw is processed there into fibres in about 250 retting and scutching concerns. Their number is decreasing but they are growing in size and they produce a high and relatively stable quantity of raw materials which the Community lacks: natural textile fibres, oilseeds and wood particles. The Community accounts for only 4% of the total world area under fibre flax (1.5 million ha) but for 12% of world production of flax fibre (695 000 t), as a result of yields which are well above average.

Paper hemp is grown only in a very small area in France. The raw material supplied by 1 500 to 2 000 producers is used in manufacturing special types of paper. Italy produces a very small quantity of textile hemp. The accession of Greece has had no effect on either the flax or the hemp sector.

### 2. Production

In 1980 the Community area under fibre flax remained slightly below the 60 000 ha level: it was 58 000 ha against 57 400 ha in 1979 (+1%) and 60 300 ha in 1978. The relative importance of the producer Member States has hardly changed: France 80%, Belgium 13% and the Netherlands 7%. Dew retting continues to replace water retting, the higher cost of the latter (in terms of labour and energy) being insufficiently compensated by the additional return from a higher seed yield and greater suitability for the production of certified seed. This trend is a danger to future supplies of good quality certified seed, particularly in years when weather conditions hamper or delay seed stripping in the fields.



In 1980 fibre yield and quality were below average since retting did not take place in good weather conditions. Production amounted to 502 000 t of straw and 84 700 t of fibres, a slightly lower production of fibres (-3%) than in 1979 (87 200 t).

The area under paper hemp, after a steady increase in previous years, fell from 10 500 ha in 1978 to 8 800 ha in 1979 (-16%) and dropped sharply again in 1980 to only 6 900 ha (-22%).

The difficulties in selling paper have caused paper mills to conduct a very cautious buying policy and the slump in sales of hemp seed has further affected the profitability of this crop.

### 3. Consumption and stocks of fibres

Stocks of fibres held by scutching concerns, dealers and spinning undertakings at the start of the 1980/81 marketing year were estimated by the trade at 62 000 t, of which 20 200 t were held by scutching concerns and 1 600 t by dealers. These stocks were relatively high, although not so high as to cause alarm, and exceeded the figure recorded for the previous marketing year.

Demand within the Community has dropped relatively sharply because of the poor situation in the dry spinning and string and rope industries which mainly purchase low quality short fibres.

As regards trade, exports have stayed the same and there has been a considerable reduction in deliveries from non-member countries, both compared to the previous marketing year and to normal levels. This latter trend is explained by the reduction in the demand for low quality fibres. In view of this and despite a slight drop in Community supplies of fibre, stocks held by the scutching undertakings and the trade rose throughout the marketing year, increasingly depressing the market. At the end of the marketing year stocks amounted to 37 500 t held by scutching undertakings and 4 000 t held by dealers.

The slump in sales of short flax fibres affected hemp fibres, stocks of which held by the scutching undertakings at the end of the 1980/81 marketing year were double the figure for the two years previously.

In view of this situation the Commission decided in July 1981 to provide aid for the private storage of flax fibre. In July and August storage contracts were concluded covering 15 200 t of flax for periods varying from three to six months, and for 2 165 t of hemp line for a period of twelve months.

#### 4. Trade

Since its value in terms of weight and volume is too small to justify long-distance transport, there is no trade in flax straw with non-member countries.

In 1980 retting and scutching concerns in Belgium purchased 64 400 t of flax straw in France and the Netherlands to swell the Belgian crop.

The quantities of fibre flax imported in 1980 (14 000 t) represent a sharp drop (21 500 t in 1979) but the quantity exported (27 000 t) exceeds that recorded in previous years.

The Community does not produce enough low and medium quality fibre, which it imports from Eastern Europe, Egypt and China where it is produced in large quantities, but it supplies the entire world with good and superior quality fibre which is not produced elsewhere.

Imports of hemp fibre fell to 6 300 t compared to 8 600 t in 1979 and exports were only about 10 000 t.

#### 5. Prices

In 1980/81 prices of flax straw (-12%), the estimated return for producers (-10%) and the average selling prices of flax fibres (-20% for water-retted flax and -10% for dew-retted flax) dropped considerably compared to the previous marketing year.

The contract price for hemp straw agreed between producers and users rose from 420 FF/t (75.44 ECU/t) in 1979 to 435 FF/t (75.40 ECU/t) in 1980.

#### 6. Outlook

In 1981 the area under fibre flax in each of the Member States dropped considerably (13-19%) and the Community area was only 49 600 ha compared to 58 000 ha in 1980 (-14%).

Quality and yield were very uneven in the case of both straw and fibre, since weather conditions during the period of the harvest and dew retting varied considerably from one region to another. The harvest was so variable that by mid-October it was impossible to have any idea of the quality or the extent of production for the entire Community because a large proportion of the French harvest (about 15 000 ha) had not yet been brought in. Therefore it would be too risky at the time of writing to make any market forecasts for the 1981/82 marketing year.

The drop in the areas under hemp, which began in 1979 after the steady expansion of the crop in previous years, continued in 1981. Only 5 800 ha were sown compared to 6 900 ha in 1979 (-16%) since the slump in sales of hemp line and hemp seed was not fully compensated for by the rise in the price of straw (475 FF/t compared to 435 FF, i.e. up 9.2%).

#### 7. Projections for fibre flax for 1982/83 and beyond

The generally unsatisfactory and in some cases disastrous results of the 1981 harvest are unlikely to encourage producers or scutchers to grow flax. Users of flax are also affected by the general economic crisis which has hit the textile industry too. The increase in fibre exports and the drop in imports is the only positive factor in this sector at present.

The future of the sector will be assured only if flax succeeds in capturing an increasing share in the range of textile products available to the modern consumer.

Therefore the future balance of the market will depend increasingly on the competitive and commercial power of flax compared to other fibres.

#### 8. Budgetary expenditure

The aid for fibre flax rose from 264.71 ECU/ha for 1980/81 to 296.48 ECU/ha for 1981/82 (+12%). Of this amount, 14.82 ECU are to contribute towards financing measures to encourage the use of flax fibres.

For hemp, aid is 269.26 ECU/ha compared to 240.41 for 1980/81 (+12%).

Aid for storage contracts was fixed at 2.25 ECU/100 kg per month for flax and 0.82 ECU for hemp and the total cost of this operation will be 2.0 million ECU (1.765 million for flax and 0.213 million for hemp). Expenditure by the EAGGF Guarantee Section on flax and hemp will therefore be 16.8 million ECU in 1980

## 8. SEEDS (1)

### I. Introduction

The common organization of the market in seeds covers the following products:

- |  |             |
|--|-------------|
| - dried leguminous vegetables for sowing             | CCT 07.05 A |
| - hybrid maize for sowing                            | CCT 10.05 A |
| - rice for sowing                                    | CCT 10.06 A |
| - oilseeds and oleaginous fruit for sowing           | CCT 12.01 A |
| - seeds, fruit and spores, of a kind used for sowing | CCT 12.03   |

Fodder seed must be considered not only from the standpoint of seed production, but also from the standpoint of the species' function in crop rotation. Leguminous plants used as the initial crops increase the nitrogen content of the soil in which they grow. It should also be remembered that indigenous varieties are generally more persistent (long-lived) than varieties imported from abroad.

Community production of fodder seed in 1980 was about 2.2 million quintals, approximately 25% of the world total (United States, Canada, New Zealand, EEC). The Community is self-sufficient overall, although it is a net importer of certain species.

From the 1979 harvest, rice seed has been included in the common organization of the market and receives aid of 12.1 ECU/100 kg.

### II. Production

Denmark is the main Community producer in particular of grasses, of which the Netherlands and the United Kingdom are also major producers. France and Italy are the main producers of leguminous plants.

In 1980 production of fodder seed in the Community was about 2 200 000 q (1 877 000 q in 1979), the increase being mainly in the production of leguminous plants.

Compared to 1980 (219 799 ha) the area declared for the 1981 harvest in the Community of Ten (263 860 ha) represents an increase in the leguminous plants sector while grasses have remained almost stationary or even decreased slightly as follows:

Festuca pratensis	7 172 ha in 1980 compared to 6 169 ha in 1981
Poa pratensis	9 744 ha in 1980 compared to 7 751 ha in 1981
Phleum pratense	4 128 ha in 1980 compared to 3 322 ha in 1981

A provisional estimate for the 1981 harvest indicates production at a similar figure to that in 1980, i.e. about 2 200 000 q.

Rice production rose by about 21% (315 000 q in 1981 compared to 260 000 q in 1980).

### III. Supply situation

Community supplies continued to be satisfactory. With 2.4 million q available and an estimated demand of 1 540 000 q the Community was able to cover its own requirements. In the next marketing year the situation should remain almost the same. However, trade with non-member countries will be maintained, in particular in certain species where the EEC has a deficit (*Arrhenaterum elatius*, *Vicia sativa*, *Phleum pratense*, *Festuca arundinacea*).

Stocks at 1 July 1981 totalled about 800 000 q. The largest quantities were of *Lolium multiflorum* (147 507 q) compared to 250 000 q last year and of high persistence *Lolium perenne* (98 240 q compared to 200 000 q in 1980).

The stock situation therefore seems to be improving compared to last year.

the world supply situation is generally good and no particular difficulties are expected.

### VI. Prices

The level of producer prices in the Community shows a tendency to rise compared with the same period last year. The sharpest drop was registered for *Lolium perenne* L. and *Lolium multiflorum* L. Prices on the Danish market, which is the main Community market, were as follows:

	ECU/100 kg	
	<u>September 1980</u>	<u>September 1981</u>
Lolium perenne L.	117	75
Lolium multiflorum L.	79	63
Festuca pratensis L.	145	106
Poa pratensis L.	141	118

Countervailing charges applicable to imports of hybrid maize range at the moment (October 1981) between 3.6 - 33.6 ECU/100 kg depending on the country of origin.

For the 1981/82 marketing year reference prices have been fixed as follows:

I. double hybrids and topcross hybrids	70 ECU/100 kg
II. three-cross hybrids	95 ECU/100 kg
III. single hybrids	136 ECU/100 kg

#### V. Action decided

The Council has decided on the amount of aid in the seed sector applicable in Greece for the 1980/81 and 1981/82 marketing years. The lists of varieties of *Lolium perenne* L. (high persistence, late or medium late, low persistence, medium late, medium early or early varieties) have been slightly altered.

#### VI. Outlook

The 1981 harvest seems to be about the same size as in 1980 and consequently, in view of existing stocks, prices should be faintly stable. Nevertheless there might be some drop in prices for species of which stocks are high (*L. multiflorum*, *L. perenne*, etc.).

#### VII. Budgetary expenditure

EAGGF Guarantee Section expenditure on seeds was 32.0 million ECU in 1980 and is estimated at 39.0 million ECU in 1981.

## 9. WINE

### \* I. 1979/80 Wine-growing year

#### 1. Introduction

In 1980 wine represented 4.8% by value of the Community's final agricultural production. In the 1979/80 wine-growing year the area under vines in production amounted to 2 443 000 ha, or 2.4% of the Community's UAA; in four years the area has been reduced by 73 000 ha (3%).

The International Vine and Wine Office puts world wine production in 1979/80 at 378 million hl, which is 82 million higher than the previous year's figure and much higher than average production over the last six years (323 million hl).

#### 2. Production

Production in the Community (including Greece) was 183 million hl in 1979/80 (a record), compared with 144.5 million hl in 1978/79 and 134 million hl in 1977/78. In the three years it represented 48.4%, 48.8% and 46.4% respectively of world production.

Since the area under vines in the Community represents only about 24% of the world vineyard, the average Community yield is considerably higher than the world average.

#### 3. Consumption

In 1979/80 total internal utilization accounted for 162 million hl compared with 140 million hl in 1978/79, a 16% increase; these quantities include the intervention distillation mentioned below.

##### a) Human consumption

In 1979/80 direct human consumption was 129 million hl against 127 million hl in 1978/79. These figures indicate a slight upturn in consumption (probably owing to the increase in growers' own consumption which generally occurs in years of abundant harvest) but the trend is still downwards, for the reduction in consumption in the major producing countries is not likely to be offset by the slight increases elsewhere.



b) Processing

The quantities processed in 1979/80 amounted to 32 million hl, including quantities used for making spirits of designated origin, quantities distilled under compulsory distillation measures and quantities distilled with Community aid. Quantities distilled in Greece with national aid are also included.

The quantities distilled with Community aid in 1979/80 totalled 18 million hl. In the two previous wine-growing years the quantities processed were 12 million hl and 11 million hl respectively, while the quantities distilled with Community aid were 1.7 million hl and 1 million hl.

c) Self-sufficiency

The degree of self-sufficiency of the Community of Ten in 1979/80 for all internal utilizations was 112.3% (102.6% in 1978/79).

If the quantities distilled under the various intervention measures (about 18 million hl) are deducted from the supply figure, the degree of self-sufficiency for 1979/80 becomes 126.6%, compared with 103.8% in 1978/79 and 94.6% in 1977/78.

4. Stocks

At the end of 1979/80 stocks in the Community of Ten amounted to 94.1 million hl, well up on the previous years (78.1 million hl in 1978/79 and 76.6 million hl in 1977/78).

5. Trade

In 1979/80 imports into the Community of Nine were 5.8 million hl, against 6.2 million hl in 1978/79 and 5.9 million hl in 1977/78.

In 1979/80 Community exports rose further and reached 9.2 million hl, a 35% increase over 1978/79 and 129% increase of 1977/78.

This new increase confirms the trend which has been evident since 1975/76 and is mainly due to expanded Italian exports.

In 1979/80 imports were 37/1% less than exports, while in 1978/79 they had been 9.4% less and in 1977/78 46% more.

## II. 1980/81 Wine-growing year

### 1. Production

The most recent production figures indicate a volume of 164 million hl, a reduction of 19 million hl compared with the previous year.

### 2. Consumption

Total internal utilization accounted for 160 million hl, a reduction of 2 million hl.

#### a) Human consumption

In 1980/81 direct human consumption was 125 million hl, confirming the downward trend which has been apparent for several years.

#### b) Processing

The quantities processed in 1980/81 amounted to 33.6 million hl. compared with 31.0 million hl in the previous marketing year. The quantities distilled under Community intervention measures have increased again and amount to a volume of 22.8 million hl., as against 18 million in 1979/80.

### 3. Prices

#### a) Official prices

For 1980/81 the average increase in guide prices for all types of table wine was 5.5%; this followed an average increase of 1.5% in the previous year.

#### b) Average prices for the wine-growing year

##### Red wine of type R I

French prices remained fairly stable throughout the year, with a slight weakening in the first few months. They picked up at the end of the year and finished at the previous year's level. The annual averages were generally about 4% up on the previous year's prices, except at one marketing centre.

The prices of Italian wines, however, fell very low. Annual average prices were much lower than the previous year's, with the difference varying between 12% and 31%.

Red wine of type R II

Prices at the only French centre considered remained fairly stable, but were slightly lower than the previous year.

Italian prices, which were obtained mainly from Bari, were fairly irregular. They were weak throughout the year and finished at their lowest level. Annual average prices were 7% to 20% down on the previous year.

White wine of type A I

French prices were very high throughout the year. Their annual averages were 27% to 33% up on the previous year.

Italian prices, on the other hand, were 5% to 10% down on average prices for the previous year. Prices were eroded gradually until April and then picked up slightly towards the end of the year.

In the case of Italy the falls are even more marked if the 5.5% increase in guide prices is taken into account.

German wine

During the first three months of the year the prices of red wines increased by 26% compared with the previous year.

Greek wine

Greek prices, for which there were very few quotations in view of the small quantities marketed, were generally around the activating prices for the various intervention measures.

c) Prices on the Spanish market

In 1980 the average price of Spanish white wines was around 67% of the average price of Community wines, whereas in 1979 it was still 76% and in 1978 78%.

The fall in the prices of red wines was even more marked. In 1980 the prices of Spanish wines were 80% to 85% of average Community prices, whereas they were still between 115% and 125% in 1979 and between 102% and 105% in 1978.

These prices can be related to production in the corresponding year: 48 million hl in 1980, 29 million hl in 1979 and 22 million hl in 1978.

### III. Outlook

#### a) Short-term : forecasts for the 1981/82 wine-growing year

The latest information available suggests that the 1981/82 harvest will yield some 20 million hl in less than the previous year.

Production should be around 144 million hl.

#### b) Medium term

The last two harvests were very abundant and increase the risk of bigger average surpluses. It is therefore more necessary than ever to apply the instruments set up by the 1980-86 action programme effectively, especially as regards the conversion of vineyards to other uses. This requires the parallel implementation of a market policy which is consistent with the structural action programme, and the Commission has therefore drafted a proposal for amending the market management mechanisms.

### IV. Economic Aspects

#### a) Levies and refunds

##### 1) Import levies

The import levies in the wine sector are known as "countervailing charges" and play only a very minor part since they do not apply to the 19 non-Community countries which have undertaken to observe the reference price and which are the Community's principal suppliers. The level of the countervailing charges remained unchanged throughout 1980/81, except for liqueur wines, for which the charge was reduced from 17 to 10 ECU/hl.

2) Export refunds

Export refunds remained at the level fixed at the end of 1979. The quantities qualifying for refunds rose considerably and reached 2.5 million hl in 1980 against about 500 000 hl in 1979 and 220 000 hl in 1978. They should stay at around the same level in 1981.

b) Quantities in respect of which intervention measures were taken

As in 1979/80, all the intervention measures were applied:

- at the start of the marketing year:
  - authorization to conclude long-term storage contracts for table wines, grape must and concentrated grape must,
  - distillation carried out under the "price guarantee" (reserved for holders of long-term storage contracts),
  - preventive distillation;
- so-called additional obligatory deliveries for distillation (distillation of additional quantities in connection with the obligatory distillation of by-products of wine-making);
- and, as in 1980, so-called exceptional distillation had to be started in May 1981.

The quantities of wine distilled with Community aid were of the order of 22.8 million hl, against 18.2 million hl in 1979/80.

The monthly average quantities covered by storage contracts were roughly the same as in the previous year and amounted to 28.1 million hl (27.1 million hl in 1979/80), the maximum figure being 42.1 million hl (41.7 million hl in 1979/80).

c) Stock situation

At the beginning of 1980/81, stocks held by producers and the trade in the Community of Ten amounted to 94.1 million hl (against 78.1 million hl at the beginning of 1979/80). A similar quantity can be expected at the end of the year.

d) Price unity

Monetary compensatory amounts in the wine sector were applied only to Italy and Germany in 1980/81, and only to table wines produced in those countries.

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d) Price unity

Monetary compensatory amounts in the wine sector were applied only to Italy and Germany in 1980/81, and only to table wines produced in those countries.

The representative rates for all currencies, with the exception of the German mark, were altered with effect from 6 April 1981 in the wine sector.

V. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on wine amounted to 299.5 million EUA in 1980; the provisional figure for 1981 is 618.0 million EUA and the estimate for 1982 is 416.0 million EUA. This is 2.6%, 5.3% and 3.1% respectively of total expenditure by the Guarantee Section.

The figure of 618.0 million EUA can be broken down into 30.0 million EUA on refunds and 588.0 million EUA on intervention.

VI. Impact of Greek Accession

The accession compensatory amounts apply to red table wines and represent for 1981 10% of the guide prices.

## 10. RAW TOBACCO

### 1. Introduction

In 1980, world leaf tobacco production was 6.5% lower than in the previous year, reaching 5.06 million t (4.54 million baled)(2). Virginia flue-cured accounted for about 40% of total production and of all trade. On the other hand, Community production in 1980 (178 300 t) fell by 10.4%, compared with the previous year's exceptional harvest. Raw tobacco accounted for 0.4% of the value of the Community's final agricultural production in 1980.

### 2. Production and structure

Between 1973 and 1980 Community production increased by 12%, mainly because of a considerable increase in yields per ha. The tobacco sector has undergone a far-reaching change in the structure of its production (development of co-operatives) and marketing (rationalization and concentration of undertakings) since the entry into force of the common organization of the market (1970), in the direction of better adjustment to actual market requirements.

The exceptionally favourable weather conditions in 1979 account in part for the following changes in Community production levels in 1980:

- dark air cured varieties : a decrease of 10.5%;
- light air cured varieties: a decrease of 4.4%;
- flue-cured varieties : a decrease of 14.4%;
- sun-cured varieties : a decrease of 19.2%;
- fire-cured varieties : a decrease of 6.2%.

### 3. Degree of self-sufficiency

#### Consumption

In 1980 world consumption of baled tobacco increased by 1%, amounting to 5.96 million t, despite the fall in cigarette sales in several developed countries; for the second year in succession production (baled tobacco) fell short of consumption.

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(1) It should be noted that production in the People's Republic of China fell from 1 million t in 1978 to 700 000 t in 1980.

The Community's degree of self-sufficiency is about 26%. Consumption in the Community of Nine has more or less stabilized, mainly as a result of the economic recession, the increase in taxes and the anti-smoking campaigns. Consumption has fallen sharply in France and the Federal Republic of Germany, but certain upward trends are evident in other Member States such as Italy and the Netherlands. It should be pointed out, moreover, that although at world level there has been only a slight increase, there is an average increase of over 5%, with peaks of 10-15%, in the developing and oil-producing countries. The steep rise in consumption of "light cigarettes" (low nicotine and tar content) continued in 1980 and a shift in trade to those countries exporting neutral-reaction tobacco for filling may be expected, as well as an increase in demand for light tobacco, particularly Burley.

#### 4. Trade

World exports in 1980 amounted to 1.3 million t, which is 4% less than in the previous year.

New manufacturing techniques, which reduce the tobacco per unit of consumption, should combine with increased prices (tax measures) and health considerations to bring about a drop in consumption and, consequently, in import demand, especially in the industrialized countries. It should also be stressed that the developing countries and the countries with planned economies are taking an increasing share of world trade.

In 1980 Community exports were 13.5% down compared with 1979 (37 000 t) whereas imports fell by 6.2%. Virginia flue-cured tobacco accounts for more than two thirds of total imports. Furthermore, about one third of imports enter the Community at a zero or preferential duty under the terms of the EEC policy towards the developing countries (generalized preferences, ACP). As from 1 January 1980, Zimbabwe - one of the largest tobacco-producing and exporting countries - was admitted to the ACP system. In 1980 its exports to the Community amounted to about 26 000 t.

This policy, whereby tobaccos in direct competition with those produced in the Community enter the Community of favourable terms, also means that stronger support measures are needed under the common organization of the market (premiums and export refunds).

#### 5. Prices

Prices on the world market were more or less stable compared with the previous year: on the other hand in the United States, the most representative market



at world level, Virginia flue-cured and Burley reached f.o.b. export prices of \$5.47 and \$5.67 per kg respectively, an average increase of 10%.

The prices of oriental tobaccos, which are still showing the effects of over-production in Turkey, Greece, Bulgaria and Yugoslavia, continued their downward trend; minimum export prices have been lowered and export subsidies and credit facilities have been granted. The situation shows no sign of changing in the course of the next marketing year, particularly in the case of average/large quantities.

As far as the situation within the Community is concerned, planters generally received the norm price for the 1979 crop.

## 6. Outlook

The first indications for 1981 are that world consumption of raw tobacco will increase by more than 1% whereas production in the main producer countries, where yields remain more or less stable, will not follow suit. This increase applies to all the major varieties, with the exception of fire-cured and sun-cured, which should decrease owing to the fact that their use continues to fall.

However, with particular reference to the Community position, it should be stressed that the structural difficulties affecting some varieties (particularly oriental tobacco) will continue but that there will be a decrease in cultivated areas and hence in production, owing to the disincentives introduced (application of Articles 12a and 13 of the basic Regulation).

Intervention buying of oriental tobaccos from the 1979 harvest amounted to 9 700 t, whereas the forecast for 1980 is some 6 000 t.

## 7. Economic aspects of the measures taken

In 1980 the basic Regulation was amended by inserting Article 12a which provides for an automatic reduction of the derived intervention price with a view to limiting the quantity of tobacco offered for intervention. The quantities offered which are in excess of a certain proportion (25%) of the undertaking's total production are bought in at the derived intervention price less 10%. This measure, which is of a permanent nature, entered into force as from the 1980 harvest.

When approving the prices for 1981 it was decided, under Article 13 and in the light of the crisis affecting oriental tobaccos (Xanti, Perustitza and Erzegovina) and Kentucky tobacco, to introduce specific measures in order to

reduce the intervention price and limit the quantity of tobacco qualifying for intervention. To this end the measures concerned will cover three successive harvests (1981 to 1983) and will be aimed at ensuring that the quantity of tobacco offered for intervention does not exceed 15% of the production marketed during the three reference harvests.

Concerning the impact of the application of Article 12a, it would appear that the production of oriental tobaccos has fallen by 10-15%, despite the fact that the measures were applied only recently.

During 1981 Burleyn (908 t) and Forchheimer Havanna (770 t) tobaccos were sold by tender. It should be noted that no tender was submitted for the Beneventano variety (3 434 t) in connection with this tendering procedure. Suitable measures for the disposal of this variety - in storage since the 1974 harvest - are at present being considered.

A second invitation to tender is now open, for a total of 6 752 T of oriental tobacco (the three varieties). The intervention agencies accordingly still hold in storage 46 971 T from the 1974, 1975, 1976, 1977 and 1978 harvests.

The payment of export refunds has certainly contributed to the EEC's maintenance and replacement of its traditional commercial outlets. Nevertheless, recent developments in international trade have sharply restricted export opportunities on the world market. Indeed, while the quantities of produce from the 1975 harvest which benefited from export refunds reached 22 690 t, the corresponding quantities from the 1977, 1978 and 1979 harvests declined progressively: 12 723 t, 11 332 t and 16 255 t respectively.

#### 8. Budgetary expenditure

EAGGF Guarantee Section expenditure in the raw tobacco sector was 225.4 million EUA in 1979 and 309.3 million in 1980, i.e. 2.2% and 2.7% respectively of total expenditure. This development can be attributed to seasonal variations in production, due particularly to fluctuations in unit yield. Expenditure for 1981 is expected to be 327 million EUA.

## 11. FRUIT AND VEGETABLES

### A. Fresh fruit and vegetables (1)

#### 1. Introduction

Production of fresh fruit and vegetables in 1980, including crops for processing, went up by 1.1% compared with 1979.

Within the Community of Ten, Italy is by far the largest producer, accounting for 49% of Community fruit production and nearly 42% of vegetable production. Second place goes to France, with 17% of both fruit and vegetable production, while the third most important producers are Germany for fruit (16%) and Greece for vegetables (13%), closely followed by the United Kingdom (12%).

#### 2. Production

Fruit production (1) in the Community in 1980 was 20.6 million t, an increase of 2.3% over 1979 but still close to the average figure for previous harvests. There were increases or decreases of varying amplitude in all the Member States.

The following observations may be made about the main fruit crops:

- in apple production, which accounted for 35% of fruit production, the 1980 harvest was 1.5% lower than in 1979 with a drop in all Member States except Belgium, the Netherlands and France, which recorded increases;
- in pears, (19% of fruit production) the situation was similar with a marked drop in harvests in the United Kingdom and the Netherlands and a smaller decline in France; production in Germany, Italy and Belgium is rising; the harvest for the Community as a whole was 11% higher than in 1979;
- the peach harvest in 1980, although slightly down in Italy (-4%); was up by a small amount in the Community as a whole compared with 1979 (+3%);

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(1) Harvest figures relate to the Community of Ten.

X Some figures in this section may not agree with annual totals because consumption figures are calculated by marketing year and production and trade by calendar year.

- for table grapes, which represented 10% of fruit production, the 1980 harvest was 3.4% up on 1979; Italy is by far the largest producer, accounting for 72% of Community production.

Commercial vegetable production in the Community reached 28.5 million t, much the same as in 1979. Production fell in Germany, the Netherlands, the United Kingdom, Ireland and Denmark and remained about the same in France and Greece. Belgium and Italy saw a slight increase.

### 3. Consumption

Internal consumption of fruit (1) in the Community of Ten in 1979/80 came to 19.1 million t, an increase of 0.7% over 1978/79. For citrus fruits this consumption was 7.3 million t.

Internal consumption of vegetables, at 33.7 million t, showed an increase of 1.9% compared with the previous marketing year.

#### a) Human consumption

Human consumption was the principal use made of fresh or processed fruit and accounted for 89% of all internal consumption.

Per capita annual consumption in the Community of Nine amounted to 86.0 kg (24.0 kg of citrus fruit and 62.0 kg of other fruit).

Human consumption of vegetables was 90.2% of all internal consumption. Per capita annual consumption was 104.6 kg for the Community of Nine.

#### b) Animal consumption and industrial uses

These two outlets, which include industrial uses for non-food purposes, tend to be adventitious and the quantities of fruit and vegetables which they absorb are appreciably less significant than wastage during marketing.

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(1) Including preserves and fruit juices, but excluding tropical fruits and dry or dried fruits.

c) Degree of self-sufficiency

The Community of Nine's degree of self-sufficiency is particularly high for vegetables, reaching 95.9% in 1980/81; the figure for non-citrus fruit is 79.2% and for citrus fruit 42.0%.

4. Community of Nine's trade

In 1980 the Community's total imports of fresh fruit from non-member countries amounted to 4.5 million t, a rise of 0.3% over 1979. Citrus fruits were by far the predominant import at 3.2 million t (oranges 1.8; grapefruit 0.44; small citrus fruits 0.67) since apples, which occupied second place, accounted for only 0.43 million t.

Fruit exports were just over 0.7 million t, including 0.20 million t of apples, 0.1 million t of lemons and 0.07 million t of peaches.

Imports of fresh vegetables from non-member countries totalled 1.19 million t.

Intra-Community trade in fresh fruit and vegetables was also substantial.

Although the quantity of fruit traded within the Community did not equal imports from non-member countries, it nevertheless totalled 2.6 million t. Apples (1.08 million t) were the main product, followed by table grapes (0.36 million t) and pears (0.24 million t)

Intra-Community trade in vegetables, on the other hand, totalled 2.4 million t, approximately twice the quantity imported from non-member countries. Tomatoes were the main product at 0.39 million t.

5. Prices

a) Common prices

Basic prices and buying-in prices were increased for the 1980/81 marketing year so that the resulting average withdrawal prices at which producer groups buy back their members' unsold produce were 6% higher than in the 1979/80 marketing year for all products except dessert apples, where the increase was 5.5%.

In the case of Greece, basic prices and buying-in prices were fixed by the Council with effect from 1 January 1981 for the part of the marketing year remaining, based on the difference between average producer prices in Greece and in the Community of Nine over the previous three marketing years.

The average increase for 1981/82 was 11% for all products except dessert apples (+ 9%) and tomatoes (+ 8%).

Reference prices, which determine the minimum level of entry prices for a number of products imported from non-member countries, were increased on average by 4.7% between 1979/80 and 1980/81 for cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries and plums.

In the case of lemons, oranges and mandarins, reference prices remained at the level of the previous marketing year because of the link between movements in the basic and buying-in prices, penetration premiums and the reference prices for these products (see 7(c) ).

Between 1980/81 and 1981/82 reference prices were increased by an average of 10%, except in the case of citrus fruits, where the increase in the basic and buying-in prices was reflected entirely in the penetration premiums.

The list of products covered by the reference price system was extended to include aubergines and courgettes as from the 1981 marketing year.

Under the Act of Accession of Greece, the Community fixed Community offer prices for 1981/82, to apply to imports from Greece to the other Member States of all products subject to reference prices, except aubergines and courgettes.

b) Market prices

Fruit and vegetable prices fluctuate constantly and may vary considerably from one time of the year to another, from one market to another and even from one consignment to another.

An analysis of the available data leads to the following conclusions, based on an average basic and buying-in prices for pilot products.

- Apples (Golden Delicious, quality class I, 70 mm or over)

As the average prices for the 1979/80 harvest were depressed by a slightly above-average crop, they settled around the average level recorded in 1978/79. For 1980/81 the average price remained roughly comparable to that of the previous year, but showed variations between Member States. There were increases in the Netherlands (17%), Germany (11.3%) and Belgium (13.3%) and decreases ranging from 3% to 8.8% in the other Community countries. The United Kingdom and Denmark do not have meaningful quotations for this product.

The monthly analysis made throughout the marketing year showed that in Belgium, Luxembourg and the Netherlands apple prices were nearly always very close to the basic price.

In Germany they fluctuated around the basic price, whereas in Italy and in France prices were always very high.

- Pears (various, quality class I, 60 mm or over or 70 mm or over, according to time of year)

Prices in the 1980/81 season fell in almost all Community countries. The considerable drop ranged from 15.8% in Italy to 4.7% in the United Kingdom; the Netherlands and Germany were exceptions with increases of 13.5% and 19%. Ireland and Denmark do not have meaningful quotations for this product.

The monthly analysis showed that there was a measure of stability in prices. On all Community markets, they remained above the basic price and sometimes reached the exceptional levels encountered in the previous marketing year.

- Peaches (various, quality class I, size 51/61 mm or 61/67 mm according to the time of year).

In 1980, prices were 20.2% lower than in 1979 in France and 1.5% higher in Italy; it should be said that the 1978 and 1979 prices sometimes reached twice the basic price. The seasonal pattern was normal, however, and the monthly average was above the basic price.

- Table grapes (various quality class I)

Grape prices on the Italian market were 12.1% lower than in the previous year. In France, by contrast, the average price was 8.8% up on the previous year.

French prices moved at a level above the basic price, whereas in Italy only the "Regina dei Vigneti" variety reached prices higher than the basic price in August. Prices for the "Regina" variety, on the other hand, remained more or less at the basic price level until early September, falling to the level of the buying-in price in October.

- Oranges (various, quality class I, size 67/80 mm)

Prices in 1980 were 14.6% up on the previous year.

However, the daily prices recorded throughout the year yielded quite high monthly averages, which, according to the variety in question, were sometimes 10-15 ECU above the basic price.

- Mandarins (quality class I, size 54/64 mm)

The average annual price for mandarins increased by 34.3% compared with 1979/80. The monthly prices did not fluctuate greatly and were normally 15-17 ECU above the basic price.



- Lemons (quality class I, size 53/62 mm)

The average annual price for lemons in 1980/81 was slightly higher than in the previous year, when high prices were recorded as a result of stagnating production.

Prices are still high and throughout the year the monthly averages were above the basic price.

- Cauliflowers ("with leaves" or "trimmed", according to the period, quality class I)

Average annual prices increased throughout the Community compared with 1979/80, the increase varying from 0.7% (Ireland) to 43.9% (Italy).

Throughout the year there were variations in prices from one market to another, prices sometimes being very high but sometimes close to - or even below - the basic price.

- Tomatoes ("round", quality class I, size 57/67 mm)

In 1980 prices rose in all the Community countries. The biggest increases were in Italy (102%), Germany (65.1%), the Netherlands (44.8%) and Belgium (39.7%).

The monthly analysis shows that daily prices sometimes fell below the basic price in France and Italy, particularly during the high season in August and September and above all for the elongated "San Marzano" varieties.

The changes - often rapid - in daily prices and the various coefficients applied to products other than the pilot products explain why quantities of some fruit and vegetables fell short of the withdrawal price and were withdrawn from the market by producer groups, even when the average prices of the pilot product were higher than the basic price.

c) World prices

Given the perishable nature of the products, fruit and vegetable prices form more or less independently on the principal markets. There are no real world markets for such products and consequently no world prices.

d) Consumer prices

In view of the large number of varieties, quality classes and sizes of fruit and vegetables, and in view of the wide differences in prices for an apparently identical product from one retailer to another, it is not possible to determine consumer prices for the various products.

6. Outlook

In the case of vegetables - most of which are annuals - the rapid succession of crops and the use of fixed or movable means of weather protection make for flexibility and enable growers to adapt production promptly to demand.

In view of the trends in vegetable production over the last few years and the stability observed in this sector, no major changes are to be expected for some time to come.

In the case of fruit, too, analysis of production trends over a relatively long period shows a certain stability, albeit with considerable fluctuations from one season to another, as was observed for example with the 1977/78 harvest.

7. Economic aspects of the measures taken

a) Import and export measures

i) Countervailing duties on imports

During the 1980/81 marketing year, countervailing charges were imposed on imports of the following products: cucumbers from Spain and Greece; tomatoes from Romania, Spain and Albania; peaches from Greece and Bulgaria; table grapes from Greece and Romania; certain varieties of plums from Spain, Yugoslavia and Hungary.

These measures, some of which were applied for only a short time, resulted in higher prices for imported products following a drop or even a complete halt in shipments to the Community (see also (iv) below).

ii) Export refunds

Export refunds were fixed during the 1980/81 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, table grapes, walnuts in shell, shelled almonds, shelled hazelnuts, peaches, dessert apples and tomatoes.

These refunds, which vary according to product and are generally low, were fixed only for destinations which afforded real export outlets and only if there were export difficulties to be overcome.

iii) Protective measures

Measures to restrict imports into the Community during the 1980/81 marketing year were taken only in France, where the free circulation of tomatoes from Spain and Morocco was suspended for one day on 14 May 1980.

iv) Apples from the southern hemisphere

Estimated exports from southern hemisphere countries and the price trend for Community apples were such that it was not necessary to ask suppliers in the southern hemisphere to adjust their planned exports to the Community between March and August 1981.

However, the level of prices for apples from Chile and Argentina led to the introduction of countervailing charges on imports of these products.

b) Withdrawals from the market

Intervention during 1980/81 was on a similar scale than in 1979/80 in the case of apples, peaches, tomatoes, cauliflowers and mandarins; there was increased intervention in all other products except lemons, where there were no withdrawals in either of the two marketing years.

The quantity of apples withdrawn was 429 000 t, equivalent to 6.30% of Community production. The largest withdrawals were in France (160 000 t) but the highest proportion of the harvest was reached by withdrawals in Belgium (16.4%, 52 704 t).

Withdrawals of citrus fruit took place only in Italy and accounted for 70 000 t of oranges and 38 302 t of mandarins, 4.16% and 16.37% respectively of Italian output.

Withdrawals of peaches amounted to 45 000 t (33 991 t in Italy) but this represented only 2.78% of Community production.

Withdrawals of other products were even lower: 0.46% of production in the case of cauliflowers and 1.28% in the case of tomatoes. Table grapes withdrawn amounted to 530 t, equivalent to 0.031% of Community production; the figure for pears was 6.46%.

c) Measures to promote the marketing of Community citrus fruits

Measures to promote the processing of oranges

Measures to assist the marketing of products processed from lemons

The "penetration premiums" (financial compensation to promote the marketing of Community citrus fruits) were fixed at the following levels for the 1980/81 marketing year:

11.56 ECU per 100 kg net for oranges of the Moro, Tarocco, Ovale calabrese, Belladonna, Navel and Valencia late varieties;

9.92 ECU per 100 kg net for oranges of the Sanguinello variety;

6.53 ECU per 100 kg net for oranges of the Sanguigno and Biondo Comune varieties;

9.92 ECU per 100 kg net for mandarins;

5.79 ECU per 100 kg net for clementines;

7.08 ECU per 100 kg net for lemons.

Compared with 1979/80, the financial compensation was increased by the total percentage fixed for the increase in basic and buying-in prices of the same products, i.e. 6.0%.

The premium will be paid out in Greece only from the 1981/82 marketing year, under the terms of the Act of Accession, which also sets out the detailed arrangements.

Pursuant to Council Regulation (EEC) No 2601/69 of 18 December 1969 laying down special measures to encourage the processing of certain varieties of oranges, the minimum price to be paid by processors to producers of oranges and the financial compensation payable to processors were fixed for the 1980/81 marketing year at the levels shown in the table below.

: Type of product	: Minimum price,		: Financial compensation,	
	: ECU per 100 kg net		: ECU per 100 kg net	
	: Greece(1): Other M. S.		: Greece(1) : Other M. S.	
	:-----:-----:		:-----:-----:	
:Oranges of the following	:	:	:	:
: varieties	:	:	:	:
: Biondo Comune	:	:	:	:
: Class I	: 8.96	: 10.90	: 5.37	: 7.31
: Class II	: 7.36	: 8.95	: 3.77	: 5.36
: Class III	: 5.80	: 7.05	: 2.21	: 3.46
	:-----:-----:		:-----:-----:	
: Oranges of Class III or	:	:	:	:
: mixed of the following	:	:	:	:
: varieties	:	:	:	:
: Moro and Tarocco	: 11.43	: 13.91	: 7.84	: 10.32
: Sanguinello	: 10.60	: 12.90	: 7.01	: 9.31
: Sanguigno	: 8.97	: 10.91	: 5.38	: 7.32

(1) Prices for Greece were fixed for the period from 1 January to 15 July 1981.

Finally, under the measures adopted to assist the marketing of products processed from lemons, which were applied for the first time in the 1977/78 marketing year, the minimum price to be paid to growers by processors for 1980/81 in both the Community of Nine and in Greece was fixed at 13.33 ECU per 100 kg net and the financial compensation payable to processors at 8.03 ECU per 100 kg net. This was the same level of financial compensation as in the previous marketing year.

d) Price unity

No monetary compensatory amounts were fixed for fresh fruit and vegetables.

e) Budgetary expenditure

EAGGF Guarantee Section expenditure on fresh fruit and vegetables amounted to 195.1 million EUA in 1980, is provisionally put at 234.0 million EUA for 1981 and estimated at 355 million EUA for 1982, i.e. 1.7%, 1.9% and 2.6% respectively of total EAGGF Guarantee Section expenditure. The figure of 234 million EUA can be broken down into 60.0 million EUA in refunds and 174.0 million EUA in intervention spending. It should be pointed out that the expenditure forecasts for 1981 and 1982 take account of costs relating to Greece.

B. Processed fruit and vegetables

1. Introduction

Production of processed fruit and vegetables in the Community of Nine (aggregate Greek figures not available) is shown for 1979 and 1980 in the table below:

		'000 tonnes	
: Processed products	:	1979	: 1980 (1) :
: (Community of Nine)	:		: :
-----			
: VEGETABLES	:	4.850 (2)	: 4.760 (x) :
: FRUIT	:	2.800	: 2.800 :
=====			

(1) Estimated

(2) Includes preserved tomatoes

Production of processed vegetables dropped slightly in 1980 compared with 1979. One major reason was the fall in output of tomato-based products.

Production of some sensitive products in the Community of Ten was as follows:

a) tomato concentrates: production rose from 612 500 t in 1979 (Greece 180 000 t) to 632 100 t in 1980 (Greece 240 000 t), a rise of 3.2%.

b) whole peeled tomatoes: production fell from 1 254 000 t (Greece 30 000 t) to 1 184 100 t (Greece 40 000 t), a drop of 5.6%;

c) tomato juice (CCT heading No 20.07): production declined from 62 300 t in 1979 (Greece 15 000 t) to 56 300 t in 1980 (Greece 20 000 t), a decrease of 9.6%;

d) preserved mushrooms: production remained much the same between 1979 and 1980 at 196 000 t and 197 000 t respectively (Greek production is negligible);

e) preserved peaches: production fell slightly from 289 300 t in 1979 (Greece 130 000 t), to 286 000 t in 1980 (Greece 150 000 t) a decrease of 1.1%;

f) production of orange juice in Italy was 90 000 t in 1979 and remained the same in 1980; production of lemon juice also stayed at 53 000 t in 1980.

## 2. Consumption and trade

The trade of the Community of Nine in processed fruit and vegetables is summarized in the aggregate figures in the table below.

1979

		Imports		Exports	
		-----		-----	
		Total	M EUA	Tonnes	M EUA
Total		4.350.000	2.910.000	2.670.000	1.734.00
Intra-Community exc.Greece:		2.190.000	1.469.000	2.200.000	1.407.000:
Non-member countries		2.160.000	1.441.000	470.000	330.000:
	of which Greece :	239.000		1.900	

1980

		Imports		Exports	
		-----		-----	
		Total	M EUA	Tonnes	M EUA
Total		4.275.000	3.100.000	2.610.000	1.850.00
Intra-Community exc.Greece:		2.400.000	1.750.000	2.000.000	1.400.000:
Non-member countries		1.875.600	1.350.000	612.000	450.000:
	of which Greece :	218.000		6.000	



The available quantities of tomato concentrates and peeled tomatoes in the Community of Ten remained much the same in 1980 as in 1979. The drop in production in the Community of Nine was offset by sizeable stock carryovers and the increase in production in Greece.

The quantity of tomato concentrates available for consumption was 450 000 t in 1979 and the same in 1980.

Imports from non-Community countries rose from 50 000 t in 1979 to 82 000 t in 1980. Exports to non-Community countries rose too from 110 000 t in 1979 to 140 000 t (excluding Greece).

Intra-Community trade (excluding Greece) remained roughly the same at around 100 000 t.

Imports of peeled tomatoes were fairly low in 1980 compared with 1979 at around 40 000 t. Exports, on the other hand, fell from 115 000 t in 1979 to 75 000 t in 1980. The quantity available for consumption remained the same at around 1 200 000 t. Intra-Community trade increased slightly from 285 000 t in 1979 to 290 000 t in 1980 (excluding Greece).

In the case of tomato juice, imports dropped from 20 000 t in 1979 to 15 000 t in 1980 while exports - which are at a low level - declined from 2 500 t in 1979 to 1 700 t in 1980.

Imports of preserved peaches went up slightly from 150 000 t in 1979 to 154 000 t in 1980. Exports remained very low at around 2 000 t (excluding Greece).

The quantity of preserved mushrooms available for consumption stayed comparatively constant, going up from 221 000 t in 1979 to 227 000 t in 1980. Imports rose from 31 000 t in 1979 to 35 000 t in 1980. Exports remained the same at around 4 700 t.

3. Prices

World prices for tomato-based products, in particular peeled tomatoes and concentrate, remained fairly stable in absolute terms again this year, which means - taking account of inflation - that prices fell in real terms.

For preserved mushrooms, the price situation on the world market which led to the adoption of protective measures against imports in May 1978 continued in 1980.

Generally speaking, price levels for other products in the Community did not give rise to any difficulties.

4. Outlook

Production of tomato-based products in 1981 should remain at the same level as in 1980 in view of present policy in fixing aid for products in this sector.

The new rules which came into effect on 1 July 1981 for preserved mushrooms should solve the problems which this market has faced in recent years.

5. Budgetary expenditure

EAGGF Guarantee Section expenditure on processed fruit and vegetables amounted to 291.2 million ECU in 1979, is provisionally put at 492.2 million ECU for 1980 and estimated at 491 million ECU for 1981, or 2.8%, 4.4% and 4.2% respectively of total expenditure by the Guarantee Section.

It should be noted that forecast expenditure under the 1981 Budget takes account of the accession of Greece.

C. Live plants and floricultural products

One of the features of the ornamental horticulture sector is the great variety of products: cut flowers and greenery, pot plants, bulbs and nursery products. Each of these branches has its own characteristics with regard both to production and marketing.

Furthermore, the arrival on Community markets of flowers and plants from non-member countries has further enlarged the range of products offered to the consumer.

In view of this diversity, national statistics are often unsystematic and incomplete. An idea of the statistical difficulties can be gained by considering for example that one hectare used to grow flowers and plants may produce just one or several crops during a year and that the production system (under cover or field scale) has a decisive influence on production itself.

In view of the impossibility of assessing production quantitatively, area is a good indicator of its extent and shows that since 1973 there has been a considerable drop in the total area used in the production of flowers and ornamental plants (excluding nursery products) from about 56 000 ha (1973) to 50 800 ha and, for the Ten, to 51 900 ha for 1980.

This is due to the increase in production costs and in particular to the energy problems which continue to exert pressure on the sector. To deal with the problems caused by the energy crisis Member States are taking an increasing number of measures whose aim is not only energy saving but also to seek new types of less expensive energy.

The Commission does not yet have sufficiently detailed data to assess the value of production for the past year, but the overall value of production in this sector can be estimated at about 3% of the value of Community final agricultural production.

### Prices

It should be noted that the prices recorded on the main Community markets show major fluctuations during the season and may also vary considerably from one market to another at any given period.

### Trade

Intra-Community trade for 1980 rose by 14.5%; imports from non-member countries over the same period increased by 10.5% and exports to non-member countries by 9.4%.

#### Trade by value (EUR 9)

(1 000 EUA)

Intra-Community trade	1 148 705 (+ 14.5% compared to 1979)
Imports from non member countries	238 835 (+ 10.5% compared to 1979)
Exports to non member countries	339 325 (+ 9.4% compared to 1979)

### Consumption

The level of consumption varies considerably from one Member State to another. It is impossible to quantify precisely the level of consumption in the various Member States but according to some figures it seems that the per capita consumption of live plants and floricultural products is highest in the Netherlands and in the Federal Republic of Germany and lowest in the United Kingdom.

## 12. HOPS

In 1980 the Community's 6 646 growers (compared to 7 020 in 1978 and 10 500 in 1973) produced 39 600 t of hops, 34% of world production. This contrasts with 38% in the previous year and is to be explained by lower than average yields in 1980 particularly in the Federal Republic of Germany.

Therefore despite the fact that the area under hops increased by almost 700 ha (2.7%) Community production was slightly less than in 1979.

Production of varieties rich in alpha acid and aromatic varieties was 48% and 50% respectively (in 1971 these percentages were 29% and 70%): the remaining 2% is made up of experimental varieties and others which combine the characteristics of the two types.

On the international market the trend in the demand for hops has not changed markedly over the last two years. Community brewery production continues to remain at more or less the same level although there has been an annual world increase of 3%, mainly due to the developing and state-trading countries.

As in previous years the internal Community demand for hops is again slightly down, hence the necessity and importance of promoting Community exports, which during the 1979/80 marketing year rose to the record level of 14 200 t (net exports) compared to 9 600 t in 1978/79. A growing proportion of these exports is made up of hop products (powders and extracts) and the United States is the chief destination. This is particularly remarkable in view of the fact that in 1980 the United States harvest was the highest on record (over 34 000 t). However, the changes in exchange rates and the fact that, together with Czechoslovakia, the Community is the sole exporter of aromatic hops have contributed to make Community hops competitive and the world market stable.

Although the very high prices (three times up on the previous marketing year) were recorded on the free market within the Community, the poor yields reduced the quantity available for free sales to less than 3 400 t (7 500 t in 1979 and 16 350 t in 1977). Thus over 90% of Community production was sold under multi-annual contracts.

Nevertheless, since the Community market in hops is a highly integrated part of the international market, prices on the free market were almost immediately reflected in all the main non-member producer countries. The result was a 5% increase in the world area under hops compared to 1979 and the areas sown for the 1981 harvest will almost certainly represent a 6% increase compared to 1980.

It was for this reason that the Commission stated in its annual report to the Council on the 1980 harvest that an extremely prudent policy was henceforth needed with regard to sowings if the consequences of renewed structural imbalance on the market were to be avoided.

EAGGF expenditure, in view of the present level of income in this sector, was maintained at the modest level of 5.8 million ECU in 1980 (5.6 million in 1979; 10 million in 1978).

### 13. MILK AND MILK PRODUCTS

#### 1. Production and utilization of milk

- a) Dairy cow numbers fell substantially by 1.8% or 450 000 head in 1980. However, as some build up in numbers has been apparent since 1976, this reduction served to bring numbers down to the long-term trend of approximately 25 million head. The number of farmers holding dairy cows fell by 140 000 in the period between 1977 and 1979 so that there are now 1.8 million dairy farmers in the Community, 25% less than in 1973. The economic recession continues to have an important impact on dairy farming, particularly in those Member States with high rates of inflation. The operation of the non-marketing of milk and dairy herd conversion schemes came to an end in the 1980/81 season, with a total of 1.5 million dairy cows withdrawn from production since the introduction of the schemes in July 1977. Their impact on the surplus of dairy production was limited although they did improve the structure of dairy farming.
- b) In 1980, average annual yield per dairy cow increased to 4 100 kg or by 2.5% and thus, despite lower cow numbers, milk production continued to increase. A further slackening off in yield growth has taken place in 1981 so that while production increased by 2% in 1980, production in 1981 is likely to be only 1/2% higher. High interest rates are having an effect in limiting new investment by dairy farmers and even feed costs have been pushed up substantially by the effect of the high value of the dollar on concentrate prices.
- c) A higher proportion of milk production continues to be sold by farmers to dairies for processing into milk and dairy products. 1980 was no exception, so that deliveries of milk by farmers to dairies increased by 2.7%. However, as in 1979, the increase was not used for greater production of the intervention products of butter and skimmed-milk powder. The world market for dairy produce continued to expand in 1980 and, as a result, Community production of cheese, whole-milk powder, casein and condensed milk increased substantially to fill this demand.

Owing to the favourable market situation and lower production, the level of skimmed-milk powder intervention stocks was held stable at 230 000 t during 1980, while those of butter (including private aided stocks) were lower by 133 000 t in comparison with their end 1979 level.

## 2. Production and consumption of milk products

### a) Drinking milk

In 1980, sales of fresh milk and fresh milk products in the Community increased by about 1.2%. However, the increase was not general and in two of the Community's heaviest per capita consumers of these products, the United Kingdom and the Netherlands, sales fell. Moreover, the major impetus towards growth in this sector is coming from fresh milk products (yogurt, cream, etc.) rather than from sales of plain milk. The U.H.T. process continues to increase in popularity and has facilitated the distribution of fresh milk and products in supermarkets. Only where the doorstep distribution remains in operation, mainly in the United Kingdom and Ireland, has pasteurized milk retained its market share.

During the 1970's, low fat milk and, in particular, semi-skimmed milk increased in popularity. However, over the last two years, there has been some signs that this development is slowing, perhaps, as a result of a change in consumer's views on the consumption of milk fats.

Cream consumption in 1980 expanded rapidly and sales of yogurt continued to improve significantly. Flavoured milks, chocolate milk and fresh milk products, generally, all continued to increase significantly, partly owing to the EEC School Milk Programme.

### b) Butter

Butter production stabilized in 1980 at the 2 million tons level because increases in milk production tended to be used for other dairy products (cheese and whole-milk powder). In spite of this encouraging development, the imbalance on the market grew owing to lower consumption. Total consumption fell by 30 000 t to 1.64 million t in 1980, although part of this fall can be explained by the fact that the "Christmas" butter sale was not repeated in the winter of 1980/81. Sales to bakers and ice cream manufacturers at reduced prices rose by



almost a third to 152 000 t in 1980. General consumer subsidies continued to be applied in the United Kingdom, Denmark, Ireland and Luxembourg and butter sold at reduced prices to non-profit making institutions, the armed forces and people on social security. The world market for butter and butteroil was buoyant in 1980, so much so that even at increased price levels, record export levels of just under 600 000 t were achieved, including food aid. As a result public intervention stocks were only 128 000 t at the end of 1980.

In 1981 exports of butter and butteroil have continued at high levels and butter production is expected to fall for the first time by about 2%. Intervention stocks have fallen to negligible quantities. The major part of Community stocks now rest in the hands of the dairy trade and receive a Community subsidy for storage until release during the low production months during the winter. Imports from New Zealand amounted to 95 000 t in 1980 and in 1981, 1 000 t less will be imported (i.e. 94 000 t).

c) Skimmed-milk powder

The amount of skimmed-milk powder produced is dependent in part on the use of milk for other milk products and in particular on the quantities of skimmed milk used in liquid form for animal feed or processed into cheese and casein.

In 1981 production was 2.05 million t (2.12 million t in 1979). In 1981 production is expected to be at the same level as that of 1980 owing to lower skimmed milk availabilities caused by lower butter production.

The manufacture of skimmed-milk powder far exceeds demand at market prices. Only about 15% of the powder manufactured could be sold in the Community at the fixed price. 60% was sold as feed with a 45% price reduction for calf milk replacers and the rest was exported. Special sales of powder for animal feeding at very low prices competitive with soya were not required in 1980 or in 1981. During 1981 measures have continued though at reduced levels of aid, with the result that there will be approximately 280 000 t in public stocks at the end of the year.

d) Cheese

Community cheese production and consumption increased in 1980 by 3.6% and 2% respectively. The trend to higher consumption, which has been apparent now for several years, seems to have persisted in 1981. The cause of this is a steadily improving supply situation with regard to quality, range and presentation, as well as the active marketing policy of cheese manufacturers throughout the Community.

Production over the last two years has increased particularly rapidly owing to much increased exports.

e) Whole-milk powder

Production of whole-milk powder has risen in recent years mainly on account of increased exports. In 1980, the production was over 25% higher than in 1979. Consumption within the Community however, has remained unchanged. Fluctuation in this sector will continue to be determined mainly by demand on the world market. This trend has continued in 1981 as a result of a significant expansion in export outlets.

f) Condensed milk

Despite the reduction in demand within the Community, production increased in 1980 by 6% following improved levels of export. Community consumption has not increased for several years. Thus it seems that this market, though having achieved its limit within the Community, still has the possibilities for growth in export markets.

g) Casein

In the Community the manufacture of casein and caseinates is based on heavy expenditure of public funds. Import duties for the main tariff headings are bound under GATT at a very low level. However, in 1980 Community manufacturers have succeeded in increasing their production and their share of the world market. This evolution has not continued into 1981 partly because the level of aid paid for skim milk manufactured into casein and caseinates has been reduced significantly. Therefore, some increase in aid was made at the start of the 1981/82 milk year, and another increase was made in October 1981.

### 3. World market situation

#### International developments in production and trade

##### a) Milk production and Policies

In the course of 1979 the trend in dairy cow numbers shifted in opposite directions in the USA and EEC. Changing from the previous down trend, U.S. cow numbers in 1980 increased by almost 1%. The increase continued in 1981 due to reduced culling rate and a large number of replacement heifers. In the EEC, dairy cow numbers decreased by 1.8% through 1980 and will further decrease by about 1% in 1981. In Canada the previous downward trend has also changed, and dairy cow numbers in 1980 were up by 3.4%. Cow numbers were also up in Japan by 1.4%, in Spain by 3.9% and in the USSR by 0.5%. Decreases were registered in Australia (-2.7%), Austria (-2%), Finland (-2%) and Poland (-3%). In other European milk-producing countries and in New Zealand dairy cow numbers remained relatively stable. Thus for the total of North America, Oceania, Japan, Western and Eastern Europe including the USSR (29 countries) dairy cow numbers in 1980 fell by only 181 000 head or 0.2% compared with 1979. This shows that increases in non-EEC countries have largely outweighed the decrease of 456 000 dairy cows in the EEC (9) in 1980.

As in the previous year, world milk production in 1980 increased by slightly less than 1% compared with the year before. Again, this low rate of increase was due to lower production levels in the USSR and other East Block countries, in total, their production fell by 1.8% and in the USSR specifically it fell by 3%. Other non-East Block countries increased milk production in 1980 by 2.7%. This is in comparison with a 2% increase in the EEC, a 4% increase in the USA, a 5% increase in Canada and a 6% increase in both New Zealand and Spain.

1981 world milk production seems set for a somewhat slower development than in 1980 partly because of even lower production levels in the East Block countries and also because of a slower rate of increase in other countries, notably the EEC and New Zealand.

Hence the global world picture shows that reductions in production in the East Block are just about being offset by increases in the Western world. In those latter countries policy measures to reduce production levels have in general not been very successful, even if the rates of increase have weakened in some countries, notably in the EEC.

Below some further information is given on particular developments in certain countries.

Owing to high milk production levels and rising stock levels, the United States support price level for milk (12.80 US\$ per 100 lbs. milk with 3.5% fat) was kept unchanged from that of October 1980 in the first half of 1981/82 season, as the normal price revision due on April 1981 was suspended. Even so, throughout the first half of 1981, producer prices remained 7-9% above the level of last year. The support level for 1981/82 has further been increased by 3% as from October 1981. As a result of increasing cow numbers and dairy heifer replacements, milk production in 1981 could further increase by 4%, before the eventual impact of reduced rates of price increase become reflected in production levels. Some significant sales from CCC (intervention) stocks have taken place, e.g. 60 000 t of skimmed-milk powder to Mexico sold in March 1981, and further agreement on 75 000 t for 1982. A government-to-government sale to Poland announced in April 1981 included 30 000 t of butter and a like amount of skimmed-milk powder. Finally, In August 1981 New Zealand agreed to buy 100 000 t of US butter for sale on the world market. By 1 October 1981 when only parts of these sales were executed, uncommitted CCC stocks stood at 234 000 t of butter, 374 000 t of skimmed-milk powder and 252 000 t of cheese.

Canada: As from 1 August 1981, the target return for industrial milk was increased to \$38.06 per 100 kg, an increase of 4% compared with April 1981 and up 10% compared with August 1980. Hence, Canadian producer prices for milk continue to be on the high side, a characteristic of adjustments since 1978/79. The quota/levy system is maintained but has had only limited impact in terms of reducing milk production. In fact, milk production in 1980 increased by 5% and 2.4% over the first six months of 1981. These increases are mainly reflected in higher production levels of cheese and evaporated milk. Internal consumption of butter has remained stable, and both the liquid milk markets and cheese consumption continued to increase. Increases

in production of evaporated milk continue (1980: +20%), notably in response to higher export levels.

New Zealand: Producer prices in New Zealand are increasingly rapidly reflecting mainly higher returns from exports. Thus prices increased by 20% in the dairy year 1979/80 on those of 1978/79. From 1979/80 to 1980/81 there was a further increase of 25%. It has recently (mid 1981) been announced, that the target price for 1981/82 will be set at a level 16.5% higher than in 1980/81. Nevertheless, a slight decrease in milk production could be expected in 1981 because of climatic conditions and animal health difficulties. However, cow numbers are again on the increase and a new record production is likely in the 1982/83 milk year. From 1978 to 1980 New Zealand exports rose as follows: for butter/butteroil: 22%, for cheese: 30%, for skimmed-milk powder: 27% and for whole-milk powder: 27%. For casein exports in 1980 were unchanged compared with 1978. Thus New Zealand has been actively engaged in the expansion of world trade and has in particular enlarged her part of the non-EEC butter market. In 1980, 57% of all New Zealand butter/butterfat exports went to non-EEC markets, against only 37% in 1978. Hence the diversification of New Zealand butterfat exports has progressed strongly.

Australia: The orientation of the Australian dairy policy is to differentiate individual product prices according to obtainable market prices. The guaranteed (underwriting) values for the 1981/82 milk years were fixed as follows, compared with the start of 1980/81:

Butter	:	A \$/t	1.655	(up 25.4%	since 1980/81)
Skimmed-milk powder	:	"	835	(up 18.4%	" " )
Whole-milk powder	:	"	1.110	(down 12.7%	" " )
Cheese	:	"	1.490	(up 55.0%	" " )
Casein	:	"	2.085	(up 13.1%	" " )

These prices are expected to increase the producers' returns from manufactured products in 1981/82 by 15%, compared with 1980/81. Total average producer prices, including the impact of liquid milk prices, are expected to increase by 16% in 1981/82 in comparison with the previous year.

The above "guaranteed" products are subject to a levy for the price equalization pool of varying amounts ranging from A\$675/t for casein and A\$300/t for butter/butteroil to A\$175/t for skimmed-milk powder.

The downward development of Australian milk production, which has in fact continued since 1970, is narrowing the gap between production and consumption of butterfat for internal utilization. Because of increasing demand in the liquid milk market, this leads, at least seasonally, to some shortfall in the butterfat situation which are being regulated through lower butter exports and some butter imports, in collaboration with New Zealand.

Japan: Milk production in Japan is still increasing too fast in comparison to internal consumption of liquid milk. Hence much concern has been attached to the possibility of using milk for heavily subsidized cheese production. This development would be to the detriment of cheese imports. According to recent Japanese forecasts, there are no immediate plans for dramatic increases in natural cheese production, and imports are not expected to decrease.

b) International trade (1)

1) World market offtake

In terms of exports, the world market continued to expand in 1980 for all the major dairy products. Without taking account of food aid deliveries, total world exports in butter and skimmed-milk powder increased by 18% and 5% respectively, compared with last year. Excluding the impact of USSR butter imports, the non-Russian commercial butter exports in 1980 increased by 62 000 t or 11%. The most impressive rise in 1980 world market trade took place for whole-milk powder, increasing by 43% or 240 000 t compared with 1979. Total trade in condensed milk increased by 18% and that of cheese by 12%. Thus, from the low levels of 1975 the world market expanded to new records in 1980, and increased in total over this five-year period by more than 2 million t of dairy products. It is important to note that this increase has been to the benefit of both EEC and non-EEC countries. This development, which has been particularly strong after 1978, is notably due to:

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(1) See table M.13.11.

- a) Increased consumption in oil-producing countries and some shifts in the pattern of products traded because of increased demand for raw materials for the expanding recombining industry.
- b) A similar development in certain individual developing countries and a particularly strong increase in the demand from East Block countries, notably the USSR.

In general the above development has been supported by the improved international cooperation on price policies, notably in GATT, and by the introduction of policy measures in several countries to slow down the growth in surplus production.

#### EEC Exports

From 1979 to 1980 EEC international market shares increased only for butter and cheese whereas it decreased for skimmed- and whole-milk powder and was stable, once again, for condensed milk. Nevertheless, in all cases, except for skimmed-milk powder, the EEC exported bigger quantities in 1980 than in 1979.

#### EEC Imports

The statistics show that the Community imported 103 000 t of butter in 1980. This quantity represents mainly the imports of New Zealand butter into the United Kingdom in accordance with the special arrangement following the Protocol 18 of the Treaty of Accession. Due to the expansion of the global trade, this quantity now represents 11% of world butter trade against 15% in 1979. Cheese imports, however, increased in 1980 to 96 000 t, representing 14% of total world cheese trade against 12% in 1979.

Thus, the EEC is the world's second largest importer of butter next to the USSR and the second largest importer of cheese next to the USA.

#### 4. Producer Milk Prices

- a) The target price for milk was fixed for the 1980/81 milk year with effect from 6 April 1981 and 24.26 ECU/100 kg. This means that there was an increase of 9% on the previous year. Intervention prices for butter, skimmed-milk powder and certain Italian cheeses were fixed accordingly, in order to follow the aims of the target price as defined in Article 3 of Regulation No 804/68.

In 1981 actual milk producer prices again showed differences which are attributable chiefly to the monetary measures and the connected fixing of representative rates for the various national currencies in relation to the ECU. Moreover, the dairies in the various regions of the Community differ in their utilization of milk, their specific cost situation and their particular market position. For 1981/82 the co-responsibility levy was increased from 2 to 2.5% of the target price for milk, while the previous criteria for reduced levy and exemption from the levy were maintained.

#### b) Whole and consumer prices

The general economic climate and the competition on the milk market have made it difficult for suppliers to pass on the higher prices to the consumers. The market situation has in many cases prevented such price alterations from being put into immediate effect, with the result that general profits from milk have not risen as much as might have been expected.

As a result of economic and monetary differences between the Member States and certain national measures concerning consumer prices, the trends in these prices, expressed in national currency were again very varied in 1980 as compared with 1979.

#### 5. Market Prospects

Cow numbers should begin to stabilize in 1982 following falling numbers in 1980 and 1981. However, there is likely to be little incentive to expand so that milk production will probably increase by less than the long term trend of a 1.5% increase p.a. Production will increase owing to the large potential for higher milk yields per dairy cow, particularly in some regions of the Community. Deliveries to dairies as a result will probably increase modestly by between 1 and 1.5% in 1982.



Domestic consumption of cheese has tended to increase at less than the long term average of 3% p.a. over the last two years. This trend is likely to continue partly because of the general economic situation but also because of lower population growth. Fresh milk and fresh milk product sales in overall terms are likely to be stable with higher consumption of cream and fresh products being offset by lower sales of plain milk. Butter consumption is unlikely to continue to slide down at the same pace in 1982 as it has done in 1980 and 1981. This is because the effect of withdrawal of the Christmas butter scheme will have disappeared from the data by next year and because price increases are likely to be relatively modest. In milk equivalent terms for all dairy products, consumption is likely to increase by about a half percent.

Increases in dairy production have been absorbed by a substantial expansion in the world market for dairy produce over the last three years. Growth in Community exports will probably not continue at the same rate in 1982 although expansion of exports is still likely so that any increase in milk production will tend to be absorbed by higher exports and a small rise in internal consumption so that market balance will be maintained. In the longer term, expansion of export demand is likely to continue owing to high levels of population growth in developing countries generally and, in particular, in the key dairy product markets in oil-producing countries and developing countries on the threshold of industrialization. However, uncertainties will still exist over the import requirements of Eastern block countries and the Soviet Union as well as the export intentions of newcomers to the world market (e.g. the United States).

End year intervention stocks of skimmed-milk powder are likely to be 50 000 t higher at the end of 1981 than in 1980. However, a proportion of this increase is probably accounted for by use of intervention to cover the higher costs of storage at current interest rates from the peak production months in the summer to winter.

Private stock holdings of powder have, therefore, been reduced. Domestic consumption and exports estimated at over 2 million t in 1981, were more or less adequate to cover 1981 production. Therefore, if production continues at current levels in 1982, offtake (domestic consumption plus exports) should be

adequate to maintain market balance, especially as aids for the use of liquid skimmed milk in animal feeding and for casein manufacture were increased in the autumn of 1981.

6. Economic effects of the measures taken

a) Imports

In principle the import levy as foreseen under Article 14 of Regulation (EEC) No 804/68 represents the difference between the threshold price and the lowest offering price free-at-frontier Community. When prices were fixed for the 1981/82 marketing year the threshold prices were increased. As in previous years, the fixing of the levies did not result in imports of milk and milk products liable to disturb the Community market.

Under the existing trade agreements between the Community and various non-member countries, the minimum prices for the tariff headings were adapted to the new Community price level. The GATT arrangements for Cheddar cheese under a minimum price/quota system to be imported from New Zealand, Australia and Canada started on 1 January 1980.

b) Exports

Exports of most milk products increased further as a result of a higher demand on the world market during 1980. The refunds which were granted to make these exports possible were continuously reduced during the year notably for skimmed-milk powder, butter, butteroil, whole-milk powder and condensed milk. The favourable development both on prices and demand continued.

c) Aid for skimmed milk, skimmed-milk powder and casein

At the beginning of the 1981/82 milk year (1.5.81) aids for the use of skim milk have been fixed as follows:

- liquid skimmed milk for calf feeding: 5.70 ECU/100 kg;
- liquid skimmed milk for feeding other young animals: 7.50 ECU/100 kg;
- skimmed-milk powder for animal feeding: 56 ECU/100 kg;
- liquid skimmed milk for the manufacture of casein: 5.2 ECU/100 kg.

On 1 October 1981 aids have been slightly increased for casein production (5.35 ECU/100 kg skimmed milk) and liquid skimmed milk fed to young animals other than calves (7.80 ECU/100 kg).

Compared to 1979 the use of liquid skimmed milk in animal feed in 1980 showed an increase of 3.4%; the use of powder fed by 2%, while the quantities of skimmed milk transformed into casein rose sharply (+26%).

d) Storage

Butter

In 1980 147 000 t of butter was bought in by the intervention agencies. In the same year 231 000 t of butter was sold within the Community in connection with special measures while 58 000 t of butter from public storage was exported, of which 37 000 t was allocated for food aid. At the end of 1980 public stocks of butter were 128 000 t.

During 1980 private storage aid was granted for 212 000 t of butter. At the end of 1980 112 000 t were still in storage.

Skimmed-milk powder

In 1980 107 000 t of skimmed-milk powder were bought in by the intervention agencies while 104 000 t were removed from storage: 54 000 t in connection with measures within the Community and 50 000 t for food aid. Transfers of skimmed-milk powder to Italy (59 000 t) are not taken into account to avoid double counting. Public stocks of skimmed-milk powder were 230 000 t at the end of 1980.

Italian cheeses, long-keeping cheeses

Private storage aids for certain long-keeping cheeses have been applied regularly since 1973. Aid was extended to Provolone from 31 July 1978.

e) Food aid

Since 1970 the Community has supplied a large proportion of its food aid in the form of butteroil and skimmed-milk powder.

The quantities supplied yearly are 45 000 t of butteroil and 150 000 t of skimmed-milk powder.

7. Uniformity of prices

Monetary compensatory amounts

No changes have occurred in the calculation methods for M.C.A.'s during 1980. However, on 6 April 1981, the starting of the 1981/82 milk campaign, the calculation of the M.C.A.'s was adopted in order to take account of the new intervention prices and costs. In essence, in all agricultural sectors the monetary compensatory amounts are calculated for the basic agricultural product except in the case of the dairy sector where the intervention products, butter and skimmed-milk powder are used for reference.

## 14. BEEF AND VEAL

### 1. Introduction

Beef and veal production (adult cattle and calves) accounted for about 16% of final agricultural production in 1980.

About 2.5 million farms, or more than half the total in the Community, raise cattle. Since 1973, however, the number of cattle farmers has declined at an average annual rate of 4.1%. Land used for fodder production accounts for about 60% of the Community's UAA, and since cattle rearing is essentially dependent upon land, it is not surprising that most beef and veal is produced in the countries with large areas of pasture.

The Community, accounting for about 15% of world production, is an equal second among world producers with the USSR, but lags well behind the United States.

### 2. Production

#### a). Cattle numbers

Because of the very high rate of slaughterings, especially of adult cattle, the cattle stock contracted slightly in 1980.

The survey of cattle numbers carried out in December 1980 gave a result of 78.4 million head, including 31.1 million cows, down 0.7% and 1.3% respectively on 1979, which suggested that Community cattle stocks were beginning to decline.

In December 1980, the number of calves (cattle less than one year old) still increased, however, by about 1% over the December 1979 figure and the number of beef cows increased by about 0.7%, so that suckler herds were built up a little once again.

The average rate of increase in cattle - about 1% per year - has been declining.

b) Production of beef and veal

As in 1979, a large number of animals - both cows and heifers and adult males - went for slaughter; however, during 1980, more calves were retained.

Slaughtering

In 1980, about 22.3 million head of adult cattle were slaughtered, an increase of more than 3% over 1979; in the first half of 1981, the number of slaughtering of adult cattle declined by about 2%, slaughtering of cows have shown little change on the previous year (0.5%).

Given the trend in numbers of Community cattle stock and the large number of slaughtering of cows under the milk market reorganization scheme, the number of adult cattle marketed in 1981 will probably show a reduction of from 2 to 3%.

The number of females (cows and heifers) slaughtered during 1981 should be down, especially in the second half of the year.

Trends in slaughtering of adult cattle and of calves have differed from those in previous years: they have increased for adult cattle, but declined for calves.

In 1980, slaughtering of calves, at 7.2 million head, were 3.2% down on the figure for 1979; during the first half of 1981, the number of slaughtering of calves continued to fall by from 7 to 8% under the figure recorded in the first half of 1980.

Slaughtering coefficient (i.e. the ratio of slaughtering to cattle numbers)

The slaughtering coefficients, already very high in 1979, broke new records in 1980, particularly in respect of adult cattle.

Average slaughter weight

In 1980, the average slaughter weights - 285.6 kg for adult cattle and 113.8 kg for calves - were again higher this time by more than 2 kg, over the figures for 1979, i.e. increases of 0.8% and 1.7% respectively.

Since feed prices remained relatively low, the average slaughter weight of adult cattle, and even more of calves, continued to increase until the autumn of 1980.

The cycle in the production of beef and veal "bottomed out" in 1976 and 1977, and the recovery which got under way in 1978 and 1979 gathered further momentum in 1980: the net production of beef and veal of 7.16 million t in 1980 showed a further increase of 3.4% over the 1979 figures.

In 1980, beef production increased by 4.1% in the Community; however, it declined by about 1% in the first half of 1981.

The production of veal was down by 1.5% in 1980 although the average slaughter weight increased sharply. In the first half of 1981, production of veal declined by about 8 to 9% below the figure for the first half of 1980.

The production of beef and veal had been increasing in past years at an average rate exceeding 2% per year.

In recent years, the structure of cattle-raising has undergone far reaching change:

- decline in the number of cattle farmers at the rate of 4.1% per year, mainly through the elimination of small farms,
- an increase in the number of animals held per farm.

Thus in December 1979 the average size of cattle herd per farm was over 30 head for the Community, ranging from about 13 in Italy to 75 in the United Kingdom.

Beef and veal producers fall into three main categories, corresponding to the three categories of animals reared, namely:

- culled cows and young calves (milk production),
- grass-reared adult cattle (beef animals),
- young male cattle fattened on cereal-based feedingstuffs (maize silage) in special production units.

As a result of the sharp expansion in the organized production of young bulls, young male animals now account for about one third of all adult cattle slaughtered.

### 3. Consumption

#### a) Consumption of beef and veal

Because the economic situation, and with it employment, deteriorated in the Community, with a decline in the rate of growth following the energy crisis and a sharp increase in the number of job seekers, consumption of beef and veal was a little lower in 1980.

Despite supplies that were still plentiful, the consumption of beef and veal, at about 7.0 million t, was 0.8% down on the 1980 figure.

Consumption of this product is a function of the following factors:

- population growth, which in recent years has slowed down considerably;
- expansion of the economy, and the pattern of private expenditure in particular;
- the availability of meat on the market and the short-term fluctuations in its price;
- lastly, the size of the trading margin between producer and consumer prices.

- a.) Annual per capita consumption of beef and veal rose from about 25 kg in the early seventies to about 26 kg towards the end of the seventies. In 1980, per capita consumption was about 25.7 kg, compared with 26.0 kg in 1979, of which 22.7 kg for beef and 3.0 kg for veal.

Per capita consumption had increased until 1973 at an average rate of more than 1% per year. Because of the economic difficulties connected with the energy crisis, the rate of increase is now well below 1%.

It has also been noted that in the medium to long term the per capita consumption of beef has been increasing while that of veal has tended to mark time.



- b.) Because population growth slowed down, the overall consumption of beef and veal expanded more slowly during the seventies than beforehand, by about 1.3% per year.

It is likely that the consumption of beef and veal will grow at a slower annual rate in coming years than in the last ten years not only because of slower population growth but also because of the economic situation.

b) Rate of self-sufficiency

In past years, the Community had had abundant supplies of beef and veal as a result of fairly steady production, import commitments entered into and intervention stocks.

Exceeding 100% in 1974 and 1975, the self-sufficiency rate fell short of 100% in the following three years. From 1979 onwards, it was again 100%. Counting public stocks of intervention meat, the Community has in fact consumed less beef and veal than has been available in recent years.

If public stocks have not yet been run down, this is largely because sizeable imports and intervention buying-in have continued. The quantities of intervention meat still in storage in autumn 1981 amounted to some 0.2 million t expressed in terms of unboned meat. It is therefore likely that there will still be a considerable quantity in storage at the end of 1981.

4. Trade

Intra-Community trade in beef and veal, after expanding rapidly during the first few years following the accession of the United Kingdom, Ireland and Denmark, has been marking time in the last three years at about 1.4 million t.

Since 1974, imports of beef and veal from non-member countries have averaged about 0.4 million t:

289	million tonnes in 1975;
415	" " " 1976;
379	" " " 1977;
415	" " " 1978;
412	" " " 1979;
356	" " " 1980.

Many of these imports enter the Community on special terms.

The Community's external trade

'000 t

Period	1975	1976	1977	1978	1979	1980
Trade						
<u>Imports</u>						
from non-member countries						
beef and veal	289	415	379	415	412	356
of which: live animals	35	54	46	67	73	59
('000 head)	(183)	(265)	(257)	(385)	(451)	(361)
fresh or chilled meat	29	47	48	62	63	61
frozen meat	77	154	141	122	141	114
preserves	148	160	144	164	135	122
<u>Exports</u>	237	209	152	168	338	642
of which: preserves	20	38	41	38	70	30
Net trade balance	52	206	227	247	74	- 286

(1) EUR 6 only.

Exports of beef and veal to non-member countries, running at about 200 000 t in 1974 to 1978, increased very sharply in the two subsequent years to reach a tonnage of 642 000 t (carcase weight) in 1980.

The Community's deficit on trade in beef and veal, which was about 200 000 t roughly in the middle of the seventies, had become a surplus of nearly 300 000 t by 1980.

The main suppliers of beef and veal to the Community in 1980 were:

- Latin American countries, especially Argentina and Uruguay, supplying around 42% of total imports, and more than 60% of imports of frozen meat;
- East European countries, supplying more than one fifth of total imports and nearly half the imports of live animals, mainly coming from Hungary and Poland;
- Australia and New Zealand, supplying about 7% of total imports;
- Yugoslavia, supplying about 15% of imports of live animals and fresh and chilled meat;
- Austria, supplying about 20% of live animals and fresh meat;
- lastly, ACP countries (Botswana, Swaziland, Kenya, Madagascar), supplying about 4% of total imports.

The Community's main customers in 1980 were:

- Mediterranean European countries (Spain, Portugal, Yugoslavia), taking more than one fifth of the total exports;
- East European countries, taking more than 36% of total Community exports, the USSR taking more than 15%;
- African countries, particularly Libya and the Maghreb countries, taking about 10% of total exports, especially of live animals;
- Middle East countries, taking about 17% of total exports, with Egypt accounting for nearly 10%.

## Prices

### a) Common prices

For the 1981/82 marketing year, the guide price for adult cattle was fixed for the whole Community, from 6 April 1981 onwards, at 172.82 ECU/100 kg live weight, and from 7 December 1981 onwards, at 176.84 ECU/100 kg live weight.

The guide price is the price, valid for all categories of adult cattle marketed on Community representative markets, which it is sought to achieve in a normal marketing year by means of Community regulations.

The Council has also fixed the intervention price at 155.54 ECU and 159.16 ECU/100 kg live weight, or 90% of the guide price, thereby derogating from Regulation (EEC) No 805/68 for this marketing year.

b) Market prices

For the past three years market prices for adult cattle, expressed in ECU, have remained relatively stable, at about 130-131 ECU/100 kg live weight.

In 1980, the average Community market price for adult cattle rose by only 0.1%, a rate well short of inflation (1). The average prices for adult cattle were running at about 82.7% of the guide price, i.e. at a level a good deal below the Community intervention price.

In September 1981, Community market prices for all qualities of adult cattle were running at about 147.5 ECU/100 kg by weight, i.e. 85.3% of the guide price.

The Community market price for calves fell for the second year in succession in 1980, by 4.5%.

Prices for adult cattle

	ECU/100 kg live weight				
Period	1978/79	1979/80	1980/81	1981/82	% change
Price	:	:	:	:	:
Guide price	152.29	154.58	160.76	172.82	+ 7.5%
Intervention price	137.06	139.12	144.68	155.54	+ 7.5%
Market price	:	:	:	:	:
- in money terms	130.55	130.65	132.58	146.58*	+11.2%
- as % of guide price	86.1	84.8	83.0	84.8	:
Import price	76.47	82.55	84.75	90,-*	+ 6.5%

\*From April to September 1981.

(1) In national currencies, however, the increase averaged about 6.

c) Import prices

From 1975 to 1978, the free-at-frontier offer price, though about 20% below the 1973 price, changed relatively little.

However, in the next two years (1979 and 1980), the offer price for live animals and fresh or chilled meat increased by about 10% and the offer price for frozen meat increased even more (by about 40%).

These offer prices, particularly the price for frozen meat, expressed in ECU, have remained relatively stable for about a year.

d) Consumer prices

Consumer prices for beef and veal expressed in national currencies have shown an average annual increase of more than 10% over recent years; in 1980, the rate of increase was still on average about 9%.

This rate of increase is still, however, below the rate of inflation in most of the Member States.

e) Cost of animal feed

The recovery in 1979 and 1980 of feed grain prices on the world market from the - relatively low - 1978 figure, and especially the increase in the autumn of 1980 in the prices of protein-rich products used in animal feed, entailed an appreciable increase in the prices of commercial cattle feed at the end of 1980.

6. Outlook

- a) Community cattle numbers remained fairly stable in 1978 and 1979, but by December 1980, total cattle numbers for the Community were down on the 1979 figures. The sharp contraction in the breeding herd suggests that in coming months the capital value of the overall Community stock may decline at little.

It is estimated that in 1981, domestic production of beef and veal will be about 2 to 3% below that for 1980, i.e. about 7.0 million t.

It may be expected that in 1982 production of beef and veal will again contract, by about 1 to 2%.

The consumption of beef and veal declined slightly in 1980 in comparison with 1979.

As the consumption of this kind of meat depends mainly on the economic situation and employment and on the rate of population increase, a moderate growth in consumption of beef and veal in coming years may be expected mainly because of an income/demand elasticity ratio which is at present relatively low in the Community.

Given the outlook for production and consumption and the present stock of intervention meat to be disposed of in coming months, the Community market will again be adequately supplied in this product next year.

Although the degree of self-sufficiency is declining, it will still be near 100% in coming years.

The economic difficulties affecting demand for meat will probably curb the upward movement in the market prices of adult cattle in coming months.

- b) Production will go on declining in the principal non-member countries farming intensively (mainly the USA) and in extensive farming countries which are net exporters, but at the same time the production potential of these countries will be built up again.

As the import needs of traditional importing non-member countries like the United States will probably exceed available supply and because new markets are emerging (Middle East), it may be expected that the prices of beef and veal on the world market will remain firm in 1982.

## 7. Economic aspects of the measures taken under the market in beef and veal

### a) Market support measures

In order to support the beef and veal market, the Community has continued to apply a number of measures:

#### - market clearance measures:

- . granting of export refunds with the possibility of advance fixing of these amounts;
- . direct buying in by public intervention agencies:

23 000 tonnes	in 1973	(from July 1973 onwards)
465 000	" "	1974
414 000	" "	1975
362 000	" "	1976
260 000	" "	1977
227 000	" "	1978
330 000	" "	1979
410 000	" "	1980, representing 6.5% of Community beef production.

Up to 1 September 1981, 148 000 t had been bought in, about a third less than in the corresponding period of 1980;

- . granting of private storage aid, covering an overall quantity of about 40 000 t, in October 1980, of hindquarters (with provision for boning and/or export after a minimum period of storage) and, in November 1980, of veal carcasses and half-carcasses, following special difficulties on this market.

- measures to stimulate consumption (sale of intervention meat by intervention agencies for direct consumption, allocation of a certain amount of frozen meat from intervention stocks to industry for processing in the Community, sales of intervention meat at special prices to welfare organizations.

- aid measures:

- . possibility of granting variable premiums for the slaughter of certain beef cattle (clean cattle); only the United Kingdom has availed itself of this facility;
- . the continued grant of a calving premium in Italy;
- . lastly, the grant of a premium for keeping suckler herds, with effect from the 1980/81 marketing year.

- adjustments to the intervention system

When the prices were fixed for the 1981/82 marketing year, the Council fixed the Community scale for the classification of adult carcasses. It also agreed to fix, on the basis of a report from the Commission, the date of application of this classification to adult cattle slaughtered in the Community for the purpose of recording prices and implementing intervention measures.

b) International agreements

In addition to the normal arrangements for importing beef and veal, the Community has entered into undertakings to import large quantities annually on the basis of bilateral and multilateral agreements.

Under the GATT, the Community opens annual tariff quotas for the import of:

- 38 000 head (18 000 on an autonomous basis) of heifers and cows of certain mountain breeds at the rate of 6%, and 5 000 head of certain alpine breeds, other than animals intended for slaughter, at the rate of 4%;
- 50 000 t (in terms of boned meat) of frozen beef and veal, at the rate of 20%.

Under the arrangement for "high-quality" cuts, the Community opens an annual tariff quota for imports of 21 000 (in terms of boned meat) of fresh, chilled and frozen beef and veal, at the rate of 20%, as follows:

10 000 t from the United States of America and Canada,  
5 000 t from Australia,  
5 000 t from Argentina,  
1 000 t from Uruguay,

and a tariff quota for imports of 2 250 t (in terms of boned meat) of frozen buffalo meat from Australia, also at 20%.

Under the ACP/EEC Lomé Convention, special arrangements were introduced for the import of 30 000 t (in terms of boned meat) of beef and veal from Botswana, Swaziland, Kenya and Madagascar. The agreement provides for exemption from customs duties and the reduction of other import charges.

Under the forward estimates for 1980, the Community provided for the possibility of importing:

60 000 t (in terms of unboned meat) of frozen beef and veal for processing;  
235 000 head of young male cattle for fattening.

Under a new trade agreement with Yugoslavia, 34 800 t of fresh or chilled baby beef may be imported annually from that country with a reduced levy.

Under an agreement reached with Austria, Sweden and Switzerland, special levies may be fixed on imports of live cattle and fresh and chilled beef and veal from those countries.

Given the distance by sea, the Community has agreed to the advance fixing of the levy for fresh and chilled meat imported from Argentina and Uruguay.

The levies on frozen meat imported from Romania, Argentina, Uruguay, Australia and New Zealand may also be fixed in advance.

Lastly, there is provision for imports with customs duties bound under GATT, i.e. with no levy or quantitative limit; this applies to pure-bred breeding animals (duty free) and to beef preserves (at the rate of 26%).



8. Budgetary expenditure

EAGGF Guarantee expenditure on beef and veal was 1 363.3 million ECU in 1980; it is provisionally put at 1 497.0 million ECU for 1981 and estimated at 1 415.0 million ECU for 1982, i.e. 12.0%, 12.9% and % respectively of total EAGGF Guarantee Section expenditure. The figure of 1 497.0 million ECU breaks down into 800 million ECU in refunds and 449 million ECU in intervention expenditure for public and private storage, and 248 million ECU in premiums, mainly the calving premium and the suckler herd premium.

## 15. PIGMEAT

### 1. Introduction

In December 1979 there were in the Community of Nine altogether 75.0 million pigs on about 2.1 million farms.

Farms with more than 200 pigs numbered about 87 000, or about 4% of the total (3% in 1975).

There are still considerable structural differences in pig production as between countries: 225 pigs per farm in the United Kingdom, 9 in Italy, and a Community average of 36. The average size of farms continues to increase in the Member States but the range between the extremes is steadily widening (in 1977, 196 pigs per farm in the United Kingdom and 8 in Italy, the Community average being 26).

Specialization in pig farming is still progressing: from 1977 to 1979 the number of farms with over 200 pigs increased by about 11% while farms with less than 50 pigs are becoming fewer in all Community countries (1.9 million in 1979, compared with 2.2 million in 1977), although they still represent over 87% of all pig farms.

The smallest farms (1-2 pigs) are declining in numbers more slowly than the other small holdings (3-50 pigs), especially in France and Italy. Given the uncertain economic situation in recent years, many families still fatten a pig to make sure of an appreciable and cheap supply of meat for their own use.

The size of farms with 10 sows and over is still increasing. The number of farms with over 9 sows decreased by 3.0% between 1977 and 1979 but the number of sows kept in this category increased.

The number of small farms (1-9 sows) decreased by 20.0% between 1977 and 1979 and the number of sows kept on them also dropped by 20.0% over the same period.

In terms of geographical distribution, pig production is still concentrated in the areas bordering the North Sea and the English Channel and in Northern Italy.

In 1980, pigmeat accounted for close to 12% by value of gross final agricultural production and about 40% of the total tonnage of meat produced in the Community.

The Community is still the second largest pigmeat producer in the world, after China.

## 2. Production

On 1 December 1980, there were in the Community of Ten as a whole 76.9 million pigs, including some 8.8 million sows.

Compared with December 1979, the total number of pigs had risen by 0.9%, and the number of sows by 0.0%. The results of the surveys of pig numbers at 1 August 1981 showed that potential supplies had ceased to rise; compared with August 1980, the total number of pigs was 1.5% smaller and that of sows 4.6% down.

The surveys continue to show a widening difference in potential between countries. In 1980, the Community of Ten produced 10.1 million t of pigmeat, 2.1% more than in 1979. The increase in production continued in 1981: pigmeat produced by slaughterhouses in the Community was about 1.1% up on 1980. The increase in production will be 2.4% in the first six months of the year and 0.4% in the second half.

Although the increase in total pig numbers, and in the number of breeding sows in particular, lost a little momentum, gross home production increased at the same rate as the previous year. This was due mainly to a further increase in the productivity of breeding herds, thanks to improved feeding techniques and the use of stock of better genetic quality. In some countries, improved organization and technical knowledge have also contributed to raise productivity.

## 3. Consumption

In 1980, pigmeat consumption increased in the Community of Ten as a whole by some 7% compared with 1979 (9.04 million t in 1979 and 10.05 million t in 1980). Per capita consumption increased from 36.5 to 37.2 kg.

	Internal consumption	kg/head	Self-sufficiency
	('000 tonnes)		
EUR 9			
BLEU	413	40.4	163.2
Denmark	290	56.2	328.2
Germany	3 586	58.2	87.6
France	2 098	39.0	83.3
Greece	156	16.4	92.9
Ireland	114	33.5	120.2
Italy	1 389	22.8	70.8
Netherlands	561	39.6	240.8
United Kingdom	1 465	26.7	64.6

Pigmeat consumption continued to increase in all member countries. Germany, with a per capita consumption of more than 58 kg, remains by far the largest consumer (domestic consumption in Germany accounts for 35.5% of the Community total).

In 1980 the balance between gross home production and consumption corresponded to a degree of self-sufficiency of 100.5%.

Denmark still has the highest degree of self-sufficiency in the Community: 328.2% (compared with 368.2% in 1979). The figure has risen slightly in Belgium, France, the United Kingdom and the Netherlands; there is a slight fall in Italy and in Ireland.

#### 4. Trade

The export-import balance in the various Member States is as follows: (all intra-Community and extra-Community trade):

=====					
:	:	:	:	: Percentage change 1980/1979 :	
:	:	Net imports	Net exports	:-----:	
:	:	(t)	(t)	Net imports	Net exports
:-----:					
:	BLEU	:	261 000	:	- 3.6
:	Denmark	:	667 500	:	+ 5.0
:	Germany	:	322 200	:	+ 9.0
:	France	:	345 800	:	+16.3
:	Greece	:	12 000	:	-45.5
:	Ireland	:	27 600	:	-42.9
:	Italy	:	400 200	:	+23.1
:	Netherlands	:	798 100	:	+ 5.2
:	United Kingdom:	:	672 200	:	-10.0
=====					

The positive trend in intra-Community trade, which has steadily increased over the years, shows that the integration of the Community pigmeat market is continuing satisfactorily.

In 1980, the quantity of pigmeat products traded between the member countries amounted to 2.24 million t, an increase of 4.0% over 1979 (2.16 million t). Between 1978 and 1979, intra-Community trade had increased by 10.1%.

In trade with non-member countries in 1980, imports were 240 100 t and exports 251 100 t.

The Community's trade balance with non-member countries shows a surplus with net exports of 11 000 t, replacing the deficit which had been tending to contract for several years, and more rapidly since 1976. The Community's imports in 1980 were 6.9% up on 1979, while exports increased by 3.3%.

Incomplete returns for 1981 show an increase in exports and a decrease in imports as against 1980, and the surplus can be expected to increase.

The breakdown by type of product imported or exported in 1980 is given in the following tables:

	<u>Imports from non-</u> <u>member countries</u>	<u>Exports to non-</u> <u>member countries</u>
- live pigs	8.7%	0.1%
- fresh and salted meat	36.5%	35.4%
- lard	20.4%	6.1%
- offal	26.1%	7.4%
- prepared and preserved meat	8.3%	51.3%

This breakdown shows that fresh meat accounts for a larger percentage of the total than in previous years. It is probable that this is a short-term development, due to the market situation, which has required a more active export refund policy. The Community is still, however, a net exporter of products processed from pigmeat.

With slight variations, imports break down in much the same way as the previous year.

In 1980, the Community's external trade was with its traditional trading partners.

As in the past, certain East European countries (the German Democratic Republic, Hungary, Poland and Romania) were the main supplier of live pigs and fresh meat.

The other main supplier countries were:

United States of America (mainly offal)

China (boned meat)

Sweden (mainly cuts and offal)

Canada (cuts, offal and back fat)

The EEC continued to export to, inter alia:

United States (preserves)

Japan (cuts and perserves)

certain non-member countries in Europe, in particular Sweden (cuts and offal).

## 5. Prices

### a) Common prices

#### -Basic price

Management of the Community pigmeat market depends on the basic price, which is fixed annually for the period 1 November to 31 October and

applies to Class II carcasses on the Community scale.

The basic price represents an equilibrium at which pigmeat production can develop and provide a fair return to producers while the balance between supply and demand is maintained.

Intervention provided for in the Community rules can be activated when prices on the representative markets fall below 103% of the basic price.

The level of the basic price for the period 1 November 1980 to 31 October 1981 was 158.721 EUC/100 kg.

Given the trend in production costs as a whole and the economic situation, the new basic price applicable from 1 November 1981 to 31 October 1982 was fixed at 176.180 ECU/100 kg of pig carcasses (+11.0%).

#### Sluice-gate prices

The sluice-gate prices, which are fixed every quarter, are considered to be normal world market offer prices at the Community frontier, at which products from non-member countries may enter, complying with the prices aimed at by Community market regulations. These prices may vary with the price of feed grain on the world market. In 1980/81 the sluice-gate prices were considerably higher than during the preceding period (+19.5%).

#### b) Market prices

Prices for pig carcasses on the representative markets showed little change compared with 1979, with the result that intervention measures (private storage aid) had to be reintroduced from 5 May until 21 June 1980. Prices having again fallen in July it became necessary to reintroduce private storage aid from 1 August until 3 October 1980.

In October 1980, the seasonal pick-up in demand led to an increase in carcass prices which was maintained until March 1981. However, in April a fresh fall made private storage aid necessary from 25 May to 11 July 1981. There was no recovery in prices before the beginning of August. In September 1981, the seasonal pick-up in demand led to a sharp rise in market prices.

Pig carcass prices

ECU/100 kg pig carcass

	1 Nov 74:	7 Oct 75:	1 Aug 76:	15 Mar 77:	1 Nov 78:	1 Nov 79:	1 Nov 80:	1 Nov 81:
	6 Oct 75:	31 Jul 76:	14 Mar 77:	31 Oct 78:	31 Oct 79:	31 Oct 80:	31 Oct 81:	31 Oct 82:
<u>Basic price</u>	:	:	:	:	:	:	:	:
Absolute	:	:	:	:	:	:	:	:
value	118.05	128.15	138.40	145.32	148.22	150.44	158.72	176.18
% change	100.00	108.56	117.24	123.10	125.56	127.44	134.45	149.24
<u>Market price</u>	:	:	:	:	:	:	:	:
Absolute	:	:	:	:	:	:	:	:
value	121.87	144.23	140.99	135.62	129.00	133.67	140.21	:
% change	100.00	118.34	115.69	111.28	105.85	109.68	115.05	:
As a % of	:	:	:	:	:	:	:	:
basic price:	103.20	112.50	101.90	93.30	87.03	88.84	88.34	:
<u>Sluice-gate</u>	:	:	:	:	:	:	:	:
price	:	:	:	:	:	:	:	:
Absolute	:	:	:	:	:	:	:	:
value	117.28	104.21	103.95	83.78	87.04	110.11	131.54	:
% change	100.00	88.86	88.63	71.44	74.22	93.89	112.16	:

c) Prices in non-member countries

Of the "market economy" non-member countries, the USA is the biggest pigmeat producer.

US pig prices fell from the first quarter of 1980 onwards, due to increasing supply. Prices have since stabilized somewhat, but are still below those of the previous year. The trend in Canada has been similar.

The other countries producing pigmeat on a large scale are the East European countries with state-run economies.



d) Consumer prices

The consumption of fresh pigmeat is only about half of all uses, and the cuts and presentations vary from one country to another. Comparison of prices and qualities at European level is therefore very difficult.

A sharp rise in prices at the production stage always forces up retail prices. However, a reduction in prices at the production stage does not necessarily bring about a reduction in retail prices.

When producer prices for pig carcasses on the representative markets fell and remained low in 1980, consumer prices for pigmeat were not affected and generally remained stable. Indeed, in some countries, they showed an increase, partly as a result of the rise in prices generally in the countries concerned.

6. Production costs

Feeding stuffs

In 1981 feed prices on the Community market, which in 1980 had shown a slight increase in line with world market prices, nonetheless remained steady. The ratio of pig carcass prices to feed-barley prices rose a little in autumn and winter 1980 but was again stable in spring 1981.

Other costs

Production costs other than feed make up 25 to 35% of the total production costs of pig carcasses.

They are greatly influenced by the general level of inflation, which was high in 1980 and higher still in 1981.

A further increase in production costs is due to the considerable rise in bank interest rates, which was especially serious for pig producers in the process of expanding their herd who had borrowed in order to finance the investment.

7. Outlook

There will be a further increase in output in 1981, but probably at a slightly lower rate than in 1980. However, as a result of a fall in the number of breeding animals in several Member States, production during the second half of 1981 and the first six months of 1982 will not reach the same level as during the preceding period.

8. Economic aspects of the measures taken under the common organization of the market in pigmeat

a) Levies and refunds

The system of trade with non-Community countries includes, on the import side, levies and, where appropriate, additional amounts, and, on the export side, refunds payable to exporters if necessary.

The levies fixed varied with changes in world and Community feed-grain prices; there has been an increase in the sluice-gate price and the levies have declined as against 1980.

Thanks to an upturn on the world market, additional amounts were abolished as from 1 August 1981.

The economic situation enabled export refunds to be reduced, while keeping the markets of non-member countries accessible to Community produce.

The refund on tinned ham for the United States market was increased to a level - that applicable to other non-member countries - which made Community exports viable, after the United States authorities found that the Community's refund policy had not disturbed the American market.

b) Intervention

Market support measures in the form of private storage aid had to be introduced from 25 May to 11 July 1981. The quantities involved were about 43 000 t. The effect was a certain stabilization of market prices.

9. Budgetary expenditures

EAGGF Guarantee Section expenditure in 1980 on pigmeat was of the order of 116 million ECU, including 92 million on export refunds and 24 million of private storage aid.

Total expenditure in 1980 was 11% up on 1979.

Provision has been made for 152 million ECU in 1980, e.e. 124 million for export refunds and 28 million for private storage aid.

## 16. EGGS

### 1. Introduction

The relative value of egg production in the Community may be gauged from recent estimates:

	<u>1979</u>	<u>1980</u>
Eggs/livestock products	5.7%	6.0%
Eggs/total agricultural production	3.3%	3.4%

Recent national figures indicate that undertakings with more than 10 000 layers at present account for more than 50% of production in most Member States and up to 75% in the United Kingdom and the Netherlands. Greece and Luxembourg, which account for about 3% of Community production, are the only countries where production is still relatively unconcentrated.

The Community is the third largest egg producer in the world, after China and the United States, and the fourth largest exporter. In 1980 it accounted for 15% of world production and 16% of world exports.

### 2. Production, consumption and trade

In 1980 Community egg production (4.09 million t) remained at the same high level as in the two previous years. On the basis of data indicating that layer chick placings rose by around 4% in 1980 and fell slightly during the first seven months of 1981, it is to be expected that Community supply will increase by 2 to 3% in 1981.

Growth can be observed in most Member States with the exception of the United Kingdom and Ireland.

Human consumption fell slightly from 3.82 million t in 1979 to 3.79 million t in 1980 and will probably not pick up in 1981, partly because consumer prices will continue to rise.

Intra-Community trade increased again in 1980, involving more than one eighth of production. Two thirds of this trade was in the direction of Germany, and Italy replaced France as the second biggest buyer. The United Kingdom became a net importer again in 1980 (net import balance = 1.5% of total consumption) while France will have been a net exporter in 1981. Accession has not yet had a significant effect on trade with Greece.

In Autumn 1981 the United Kingdom's new arrangements for combating Newcastle disease were added to the list of restrictions on free trade imposed by certain Member States as a result of differing veterinary policies;

Trade with non-member countries in 1980 exceeded 100 000 t, including 75 000 t of exports and 31 000 t of imports. In spite of reduced refunds exports increased, in particular to North Africa and the Middle East. The growth of sales to non-member countries was speeded up in 1981 by the reduced supply in certain other traditional exporting countries. This favourable trend is not confined to eggs for consumption but extends to hatching eggs, mostly for the production of table fowl. Imports of eggs in shall continued to decline during 1980, while more egg products were imported.

### 3. Prices

The cyclical upturn in market prices recorded in the second half of 1979 continued throughout 1980 in all Member States. In spite of plentiful supply in 1981 even higher prices were achieved, mainly because of improved opportunities for export to certain non-member countries. However, the rise in production costs (the price of feed rose by 10% from mid-1980 to mid-1981) prevented profits from increasing to the same extent.

Consumer prices rose in most Member States in absolute terms, even more than market prices in 1980, which reconfirms the tendency for profit margins to widen.

#### 4. Outlook

The cyclical movement of the Community egg market seems to have slowed down, at least temporarily, since the end of last year. Other things being equal, the rise in production at the end of 1980 and the beginning of 1981 could have been expected to lead to a drop in prices during 1981 and consequent big reductions in layer placings. In fact, sustained demand on the world market has stabilized the market at a satisfactory level for almost two years now. Placings therefore continued at a high level during the first seven months of 1981, in spite of the steep rise in production costs. At present, therefore, it can be estimated that in 1982 Community production will not be very different from what it was in 1981 and that it is unlikely to fall.

The trend is not the same in all Member States, and producers in the countries or regions with favourable production and marketing conditions are benefiting the most from present export possibilities.

#### 5. Measures taken under the common organization of the market

- a) Sluice-gate prices were increased on 1 May 1981 and slightly reduced from 1 August, in line with the trend in feed grain prices on the world market. Levies, which are based essentially on the difference between feed grain prices in the Community and on the world market, followed a contrary trend.
- b) Refunds on eggs in shell were reduced from 17 ECU/100 kg (rate applicable on 9 December 1980) to 13 ECU/100 kg from 1 April 1981, together with refunds on egg products. In contrast, refunds on hatching eggs have stayed at the same level since they were reintroduced in January 1980.
- c) The Commission Regulation of 24 January 1980 providing for the Member States to provide monthly information on the advance fixing of refunds in the egg sector had its validity extended several times up to 31 December 1981.
- d) In 1981 the Council continued its examination of the Commission proposal for altering the marketing standards for eggs, but was unable to reach agreement. The changes proposed in March 1980 comprise in particular measures to improve consumer information.

6. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on eggs, all of which is for refunds, amounted to 17.5 million ECU in 1980 (0.15% of total expenditure by the Guarantee Section). The provisional figure for 1981 is 20 million ECU and the estimate for 1982 is 21 million ECU.

17. POULTRYMEAT

1. Introduction

The relative value of poultrymeat production is still fairly similar to that of eggs, i.e. together about 13.5% of livestock production and 7.6% of total agricultural production. The figures relating poultrymeat alone are:

	<u>1979</u>	<u>1980</u>
Poultrymeat/livestock products	7.2%	7.5%
Poultrymeat/total agricultural production	4.1%	4..2%

Poultrymeat production is still characterized by concentration and by various forms of vertical and horizontal integration. The degree of concentration is greater in the poultrymeat sector than in the egg sector, since in the northern countries of the EEC more than 90% of production is accounted for by holdings with more than 10 000 birds. However, the concentration is less marked in France, Italy and Belgium, where traditional forms of production and marketing (drawn chickens) are still fairly important. This is also true of Greece, which accounts for about 3% of Community production.

In 1980, with 15% of world production, the Community was, after the USA, the world's second largest producer, for both total poultrymeat production and chickens and turkeys. It was also the second largest exporter (29% of world exports, excluding intra-Community trade), again after the USA.

2. Production, consumption and trade

In 1980, total Community poultrymeat production (4.02 million t) increased by 4.2%. The largest increase was in France (+9.7%), while production fell slightly in the United Kingdom and in Denmark (-3%).



The rate of increase for chickens (+3.4%) was less marked than for turkeys (9.5%) and ducks (+4.9%). In 1981, the increase continued at a higher rate for chickens (+5.3%) thanks to a sharp increase in the main exporting countries (France and the Netherlands), while the production of turkeys appeared to be stagnant if not falling in most Member States except France and Ireland.

Consumption continued to increase by 2% per year, despite the fact that per capita consumption has been at a standstill for three years in some Member States (Germany, the Netherlands and Greece), particularly in the case of chickens.

Intra-Community trade fell slightly in 1980 as regards slaughtered poultry, while trade in live birds continued to increase, particularly from the Netherlands and France to neighbouring countries.

The restrictions on free trade adopted by the United Kingdom following the introduction of new veterinary control measures in autumn 1981 apply to both livestock and poultrymeat, thus adding to the restrictions already imposed by some Member States in this sector.

Exports to non-member countries in 1980 reached a total of 336 000 t (+33%), mainly of chickens (306 000 t) for the Middle East and the Soviet Union. In 1981 this figure will be higher in view of the ever-increasing demand in these non-member countries, despite the lower refunds. Exports of chickens represent about 15% of Community production (33% in the case of France, the Community's main exporter).

Imports represent about 2% of consumption. They comprise mainly geese and ducks (32 000 t in 1980) from East European countries, benefiting for the most part from the non-application of additional amounts following the guarantee given by those countries to observe the sluice-gate price. In 1980 imports of turkeymeat fell by 1 000 t, while the figure for prepared poultrymeat was 2 000 t up.

In 1981 imports of these products from the USA were down, following the narrowing of the price gap between imported and Community products.

### 3. Prices

Generally speaking, market prices for chickens increased in 1980 except in the BLEU and the United Kingdom. There was again a moderate rise in 1981 in most of the Member States, but this did not always make up for the sharp rise in production costs.

In 1980 the rise in consumer prices experienced by all Member States except the Netherlands was greater than the rise in market prices but generally lower than the rate of inflation.

### 4. Outlook

Since the rise in Community consumption is slowing down, future Community production of chickens will increasingly depend on export outlets to non-member countries. It is generally accepted that demand in the major importing regions is continuing to grow over the short- and medium-term. In addition, Community production potential based on placings of breeding hens (4% up for the first six months of 1981) is continuing to rise, particularly in France, with the result that exporting Member States will again be in a position to play a major role on the world market in 1982. However, the outlook is not too promising, mainly because of the recent trend as regards supply in the other exporting countries and the exchange rate for the US dollar.

The outlook for turkeys, as opposed to that for chickens, will depend first of all on the market trend within the Community, since demand on the world market is still limited. Despite an improvement as regards the turkey cuts and preparations sector as a whole, consumption would appear to be showing only a small rise in Member States where per capita consumption is not very high. As a result of prices which are not always satisfactory, the rate of increase of Community production would appear to be slowing down, at least for the time being.

### 5. Measures taken under the common organization of the market

- a) Following the trend in feed grain prices on the world market, sluice-gate prices were increased from November 1980 to May 1981.

- b) In the light of recent market trends, the CCT subheading for slaughtered turkeys (02.02 A IV) was divided into "80% turkeys" (with offal) and "73% turkeys" (without offal) as from 1 May 1981.
- c) At the same time, the standard costs used for calculating the sluice-gate prices were altered for ducks, geese and turkeys in the light of recent trends in production marketing and costs.
- d) Refunds for chickens were reduced from 15 ECU/100 kg on 9 December 1980 to 13 ECU/100 kg on 9 April 1981 along with the refunds for the other products in the sector.
- e) The period of validity of the surveillance system - introduced in January 1980 - for the advance fixing of export refunds was extended on several occasions and is now due to expire at the end of 1981. Areas of destination were laid down for the fixing of refunds, with effect from 1 May 1981.
- f) The detailed rules for controlling the water content of frozen and deep-frozen cocks, hens and chickens which were laid down by the Commission in October 1980 came into effect on 1 April 1981. However, the delay by some Member States in adopting national control measures means that it is not yet possible to draw conclusions as to the applications of the common standards.

#### 6. Budgetary expenditure

Being limited to refunds, expenditure by the Guarantee Section of the EAGGF on poultrymeat showed only a slight increase, from 63.5 million ECU in 1979 to 68 million ECU in 1980 (equivalent to 0.6% of total EAGGF Guarantee Section expenditure), thanks to the fall in the amount of the refunds.

Expenditure provisionally stands at 84 million ECU in 1981 and is estimated at 90 million ECU for 1982.

### 18. SILKWORMS

Silkworm rearing in the Community is practised in Greece, Italy and on a small scale in France.

Community silkworm rearing, producing a mere 45 t of raw silk, accounts for only a tiny part of Community agricultural activity and of world sericulture (54 300 t of raw silk and waste in 1980 according to the FAO).

In Italy, silkworm rearing has declined considerably in recent years: in 1980 only 4 000 boxes were used compared to 5 300 in 1979 and 8 600 in 1978 and the production of cocoons was only 110 t compared to 143 t in 1979 and 200 t in 1978.

In Greece, too, production faces serious difficulties: in 1980 the number of boxes used was about 7 000 and cocoon production slightly less than 200 t, compared to 8 300 boxes and about 221 t in 1978.

In view of the above, Community production (in the Ten) amounted to 1980 to 308 t of cocoons from 11 100 boxes, compared to 323 t and 11 400 boxes in 1979.

For 1981/82 the amount of aid was fixed at 85.00 ECU per box (54.03 ECU in Greece) compared to 71.21 ECU in 1980/81 (+19.4%).

Expenditure by the EAGGF Guarantee Section for silkworms was 0.3 million ECU in 1980.

19. SHEEPMEAT

I. The Situation in 1980

The common organization of the markets in these products began operation on 20 October 1980.

1. Production

In 1980, production of sheep- and goatmeat in the ten-country Community (gross domestic production - 716 000 tonnes) rose sharply (by 10.3%) following an increase of slaughterings (+11% head); the average weight per head of slaughtered animals was 17.5 kg.

Greece is the only Member State in which production declined; particularly high rates of increase were recorded in the United Kingdom (+14.3%) (1) and in France (+8.9%). In the United Kingdom, the increase is accounted for by weather and health protection conditions particularly favourable to production of sheepmeat and the sharp increase in sheep numbers in 1978 (see point 2).

Community production of sheep and goatmeat tends to run in cycles, but the long-term trend has been upwards since 1970.

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(1) This rate of increase is the highest recorded in the last 20 years: the previous record (8%) was achieved in 1974, following the accession to the Community.

## 2. Sheep numbers

- The number of sheep in the Community, growing almost continuously (2) since 1972, reached a figure of 57 million head on 31 December 1980, including 38 million ewes. The rate of increase, at 3%, was particularly high in 1980.

Surprisingly, France, the Member State in which the termination of national marketing arrangements was most feared by farmers, is the country in which the number of sheep expanded fastest (+10% - a twenty-year record). In the United Kingdom, on the other hand, the number of sheep did not increase in 1980: the benefit accruing when the French market became available for British sales has been expected for 1 January 1978, hence the sharp increase in numbers in 1978 (+5.6%). Subsequently, as barriers to imports were retained until 20 October 1980, there was no reason for further increases in numbers. The decline in numbers in Ireland (which had been steady since 1973) continued despite very favourable market prices from 1978 onwards, as the table in Annex IV shows.

- The number of goats in the Community increased by 2.3% in 1978.

## 3. Consumption

In 1980 the consumption of sheep- and goatmeat was 955 000 tonnes, a slight increase on the previous year (+1.8%), a result of the continuing upward movement in France (uninterrupted since 1963) and a cyclical recovery in the United Kingdom (in this Member State, consumption has followed wide cyclical variations in the last 20 years, the long term trend being downwards). As the United Kingdom accounts for more than 40% of Community consumption and as consumption is growing in the long term, the reasons are clear for:

- the cyclical fluctuations in consumption
- the horizontal trend over the long term.

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(2) The only exception was 1975.

#### 4. Prices

In 1980 the average Community price (for 9 countries) was, at 288 ECU/100 kg, well down on the previous year (-10.8%); prices had not fallen so sharply since 1973 (3).

The fall in prices was mainly due to a particularly sharp increase in production in France and particularly in the United Kingdom (see point 1): in the latter country, market prices fell by about 20%.

#### 5. Trade

In 1980, imports into the nine countries from non-member countries were 243 349 tonnes, of which 25 476 tonnes of live animals (expressed as carcase weight) and 7 859 tonnes in the form of fresh meat.

Intra-Community trade again expanded in 1980 (the United Kingdom, with 39 600 tonnes, provided 41% and France, with 45 700 tonnes, received 47% of intra-Community trade).

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(3) The Community average declined only once, in 1978 (2.1%)

## II. Outlook 1981

### 1. Data concerning the Community market

On the basis of data provided by the Member States, the following can be expected for 1981.

a) the numbers of sheep and goats in the Community should continue to increase

(by +1.5% on average for the Community as a whole). Increases will be recorded in all the Member States, but by differing margins: thus, expansion is expected to be particularly strong in France (3%) but low in the United Kingdom (1%). Numbers of goats in the Community are also expected to increase (by 2.7%).

b) the stabilization of Community production

a decline in the United Kingdom (compared with the exceptional figure for 1980) being offset by further expansion in certain Member States (mainly France and Greece).

c) a slight contraction in Community consumption (0.5%)

due to an appreciable decline foreseeable in the United Kingdom because of lower imports from New Zealand (4), largely offset by further increases in consumption in certain other Member States (France and Italy).

d) a slight decline in the Community's production/consumption net balance;  
the net balance has been as follows (the 10 countries):

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(4) Season 1980/81 (October-September):

NZ-UK exports: an estimated 155 000 (or a decline of 25 000 tonnes compared with the preceding season).



	<u>Consumption/production net balance</u> (tonnes)	<u>Self-sufficiency rate</u> ( % )
1978	271 000	70.2
1979	288 000	69.3
1980	236 000	75.3
1981	231 000	75.7
(estimates)		

For 1981, the Community's supply balance is estimated as follows:

Gross domestic production	:	719 000 t
Total consumption	:	950 000 t
Consumption/production net balance	:	231 000 t
Import/export net balance	:	230 000 t
-imports from non-member countries:		240/245 000 t
-exports to non-member countries	:	10 000 t
-changes in stocks	:	0 to + 5 000 t

For 1981 the following may be expected:

- i) imports from non-member countries will be at the same level as for 1980,
- ii) exports to non-member countries will follow the course plotted since 1973.
- e) an increase of about 12% of the Community average of market prices that is, an increase exceeding the increase agreed for the basic price for the 1981/82 season (7.5%). This increase concerns all the Member States (except Denmark, the quotation for which is not comparable with that for preceding years). In five Member States the increases are expected to exceed the Community average (FRG: 29.4%; Greece: 23.8%, Ireland: 19.1%; Belgium: 17.8%; Netherlands: 17.0%). In the United Kingdom, the increase will be quite close to the average (13%); in France it will be 8.2% and in Italy 10.7%.

2. Working of the common organization of the market

a) Variable premium in the United Kingdom

The variable premium predicted for the 1981/82 season (April/March) is 162 million ECU (or about UKL 100 million, comparing with 78 million ECU, or UKL 48 million paid for the 1980/81 season (20 October/4 April). This amount represents an average premium of 71 ECU/100 kg, or 44 pence/kg, 28.5% of the average market price estimated for the 1981/82 season (154 pence/kg).

b) Premiums for ewes

The foreseeable amounts of the premium for ewes for the 1981/82 season are:

Ireland	:	2.193 ECU, or IRL 1.50
United Kingdom:		4.540 ECU, or UKL 2.80

The expenditure chargeable to the EAGGF for this premium will probably be 3.8 million ECU for Ireland and

3.8 million ECU for Ireland and
6.25 million ECU for the United Kingdom

For the 1980/81 season, 2.9 million ECU were paid for Ireland (1.866 ECU/ewe, or IRL 1.23) and 15 million ECU for the United Kingdom (1.098 ECU/ewe or UKL 0.6793).

c) Intervention

There will probably have been no intervention in 1981 (market prices in France exceeding the intervention prices).

d) Refunds

No refunds in 1981. The Community has not yet adopted implementing rules in this field.

e) Impact on intra-Community trade

In 1981, the Netherlands, Ireland and the FRG will probably have kept their exports near the level for the previous year (20 000 tonnes, 16 000 tonnes and 12 000 tonnes respectively).

In the United Kingdom, exports probably declined: a figure of 20/25 000 tonnes is expected for 1981, comparing with 40 000 tonnes for 1980.

This situation is due:

i) to the introduction of the clawback, which, whilst allowing of an appreciable increase of exports to France, has curbed exports to the other continental Member States.

ii) to the decline in imports from New Zealand (down by 25 000 tonnes in 1981 to the United Kingdom).

f) Management of voluntary restraint agreements

The machinery of the VR agreements worked well in 1981. So far, only Bulgaria has exceeded the limits set; the Commission reacted immediately by calling upon the Member States not to issue import licences for this country. With regard to the "sensitive areas", France halted imports from Poland as soon as the ceiling set by traditional quantities was reached.

It is expected that by 31 December 1981 the limits set by the agreements will be reached for virtually all the suppliers of live animals and fresh meat; on the other hand, it is not expected that any supplier of frozen meat will reach these limits: for example, for New Zealand, Community imports under this heading are put at 185 000 tonnes (the limit being 245 000 tonnes).

g) Community exports to non-member countries

It may be that the temporary measure taken on 8 December 1980 discontinuing the drawback in respect of non-member countries for the 1981/82 season has contributed to the limited development of a trade flow from the United Kingdom to certain Maghreb countries and supported traditional trade flows (Switzerland).

20a. AGRICULTURAL ALCOHOL

1. Introduction: Great changes occurred in this sector during the period covered by the report.
  
2. Production: Production of agricultural alcohol rose from around 7 000 000 hl to over 8 000 000 hl (8 315 000 hl with Greece). This was because of the large-scale distillation measures in the wine sector. Production of vinous alcohol (not including wine spirits) was three times greater in 1980 than in 1979 (2 188 000 hl compared with 754 000 hl).  
Production of molasses alcohol fell sharply (2 838 000 hl in the Community of ten against 3 133 000 hl in the Community of Nine). This was mainly owing to a steep rise in the price of molasses and, secondarily, to a tendency to replace molasses by wine which was particularly apparent in some Italian distilleries. Production of other types of agricultural alcohol remained fairly stable. The accession of Greece has increased the number of types of agricultural alcohol produced.  
France is still the main producer of agricultural alcohol. Belgian production has dropped considerably.  
It should be noted that production of synthetic alcohol fell by 1 million hl.
  
3. Consumption: Consumption continues at more or less the same level in the Community, with a slight downward trend, but use of agricultural alcohol in industry is continuing to lose ground at an increasing rate.
  
4. Prices: In those countries where there is a relatively free market the prices of agricultural alcohol have followed molasses prices upwards. Elsewhere they continue to be determined in a highly arbitrary manner.
  
5. Trade: Intra-Community trade is still negligible. Trade with non-member countries has declined.
  
6. Outlook: Agricultural alcohol is holding its own, but only just, against synthetic alcohol.
  
7. Expenditure: Apart from the export refunds on spirituous beverages obtained from cereals which have been granted retroactively since 1 August 1973 as agreed in the Act of Accession of the United Kingdom, the agricultural alcohol sector does not entail any expenditure for the Community. The Member States with a monopoly are responsible for their own management deficit.

## 20b. POTATOES

### 1. Introduction

No common organization of the market yet exists for potatoes. A proposal was presented by the Commission to the Council on 23 January 1976 covering the whole range of fresh and processed products.

It provides for:

- marketing standards;
- measures to encourage the formation of producer crops;
- the support measures required to keep the market stable;
- a system of trade with non-member countries incorporating a reference price system for new potatoes.

Products such as potato starch (1), dehydrated potatoes (2) and products processed from potatoes (3) are already subject to a common organization. The marketing of seed potatoes is subject to a Council Directive (4).

### 2. Production

According to FAO statistics the world harvest in 1980 was 228 545 000 t. The Community, with 35 496 000 t, grew about 16% of the world total. The average yield per hectare in the EEC is almost double the world average. The value of potato production represented 1.9% of the value of final agricultural production in the Community in 1980. Available statistics indicate that 2.4 million holdings (in the enlarged Community) grew potatoes. At national level the production structure is very variable, the average crop area per farm being 5.3 ha in the United Kingdom and about 0.4 ha in France and Italy.

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- (1) Regulation (EEC) No 2727/75 of 29.10.1975, OJ No L 281 of 1.11.1975.
  - (2) Council Regulation (EEC) No 1117/78 of 22.5.1978, OJ No L 142 of 30.5.1978.
  - (3) Council Regulation (EEC) No 516/77 of 14.3.1977, OJ No L 73 of 21.3.1977.
  - (4) Consolidated version of Council Directive of 14.6.1966, OJ No 66 of 8.6.1966, p. 35.

Since 1951-55 the total area under potatoes in the EEC has dropped by about 67%, from 3 512 000 ha in 1951-55 to 1 167 000 ha in 1980. Because of the increase in yields per hectare, however, production has fallen by only 43% (61 957 000 t in 1951-55, 35 496 000 t in 1980).

The Community is basically self-sufficient but there have been supply problems following very dry years.

The area under new potatoes fell slightly in 1980 (105 000 ha, as against 116 000 ha in 1979), but production remained at just over 2 million t. There continues to be a shortfall, about 450 000 t, being imported every year.

The area under seed potatoes in the EEC dropped from about 112 000 ha in 1979 to about 105 000 ha in 1980. About 3 million t are harvested, mainly in the Netherlands, the United Kingdom, France and Germany.

Processed products (crisps, instant potato, chips, etc.) are also important in the potato sector. About 3.5 million t of fresh potatoes are processed annually in the EEC. Some varieties are particularly suited to processing and are grown mainly under contracts between farmers and the processing industry. Development has been very rapid and conditions are right for the further expansion of some products in the near future.

### 3. Consumption

Potatoes are used mainly unprocessed as foodstuffs and to a lesser extent for feeding animals. The quantities turned by the processing industry into products for human consumption represent about 18% of total human consumption.

#### a) Human consumption

Per capita consumption of fresh potatoes is levelling off. After a big drop in 1976/77 as a result of the shortage caused by the drought in 1976 (69.1 kg per head) it climbed to 78.8 kg in 1978/79 but fell back to 78.1 kg in 1979/80.

b) Animal consumption

The amount used for feeding animals varies from 3 million to 7 million t depending on the volume of the harvest. In 1979/80 it was 5 549 000 t, comprising 3 263 000 t in Germany, 300 000 t in France, 203 000 t in Italy, 579 000 t in the Netherlands, 426 000 t in the United Kingdom and 524 000 t in Ireland.

c) Products processed for human consumption

Consumption of products processed from potatoes (about 3.5 million t in 1979) continues to increase.

Consumption of certain products such as deep-frozen pre-cooked products should increase further.

4. Trade

Intra-Community trade in potatoes absorbs only about 4% of total production, for seed potatoes and new potatoes the figure being between 12 and 15%. The net exporters are the Netherlands, France and Ireland. The United Kingdom exports seed potatoes and imports new potatoes. Italy exports new potatoes and imports seed potatoes and ware potatoes. Denmark and the BLEU also have a large-scale import-export trade.

The structure of Community trade in processed products is similar to that of trade in unprocessed products. The Netherlands and France are exporting countries and the others are importers.

Trade with non-EEC countries is mainly in seed potatoes and new potatoes. Seed potatoes are exported to South America, Africa and Asia and new potatoes imported from the countries round the Mediterranean.

5. Prices

Prices are very unstable, varying from year to year. Because of the inelasticity of demand, plentiful harvests tend to force down prices. Other factors may affect prices, for example the weather and unexpected exports to countries with shortages.

In 1980/81 prices started at lower levels than in the previous year, even though the harvest had been relatively poor in Germany and certain East European countries: at Rotterdam 5.56 EUA/100 kg on 9 September 1980 for Bintje + 35 mm (6.98 EUA in 1979); at Arras, 4.87 EUA/100 kg for Bintje + 40 mm (7.67 EUA in 1979).

Prices improved in mid-October, following a contract for the delivery of 130 000 t to East Germany. On 21 October prices were as follows: at Rotterdam 10.27 EUA/100 kg for Bintje + 35 mm (7.64 EUA in 1979); at Arras 6.84 EUA/100 kg for Bintje + 40 mm (6.92 EUA in 1979).

In the following months prices dropped to about 8 EUA at Rotterdam and about 6 EUA at Arras.

On 11 May 1980 a new and spectacular rise in prices was recorded following exports to the East European countries: at Rotterdam 15.46 EUA/100 kg for Bintje + 35 mm (3.64 EUA in 1979); at Arras 12 EUA/100 kg for Bintje + 40 mm (3.42 EUA in 1979). After falling back somewhat towards the end of May, prices rose again because of the demand from the processing industry.

To sum up, the brisk export trade may be said to have been the chief factor determining potato prices during the marketing year. Internal demand was lower than forecast because of the mild winter.

On the New York futures market the price for round white-fleshed varieties varied from 20.90 EUA/100 kg on 29 September 1980 to 27.12 ECU/100 kg on 30 March 1981.

The prices of new potatoes and seed potatoes are higher than those of ware potatoes. The difference varies considerably, depending on the size of the harvest and the level of ware prices. If these are low, the prices of both seed and new potatoes fall.

New potato prices also vary by origin and variety. Seed potatoes for which a monopoly is held are dearer than free varieties.



## 6. Outlook

The 1980/81 marketing year was one of average prices. The provisional figures from the SOEC put the area under potatoes in 1981 at roughly the same as in 1980 (1 167 000 ha in 1980, 1 148 000 ha in 1981), the addition of the areas under potatoes in Greece (65 000 ha) compensating for the drop recorded in the Nine.

First indications are that the Community had a good harvest in 1981 and that the quality of the product is also satisfactory. Prices on the Rotterdam market, however, started at a higher level than last year: 7.64 EUA/100 kg for Eintje + 35 mm (5.56 EUA in 1980). In France prices on the Arras market were also higher: 8.17 EUA/100 kg for Bintje + 40 mm (4.87 EUA in 1980).

## 7. Economic aspects

In the absence of a Community market organization, steps have been taken by some Member States: intervention in respect of ware potatoes in the United Kingdom and in respect of new potatoes in France.

20c. HONEY

1. Introduction

There is no common organization of the market in honey. The only general charge on imports is a 27% customs duty, which is reduced to 25% for most developing countries and Malta, 18.9% for Turkey and nil for ACP countries. The 36 least advanced developing countries are exempted from customs duties.

2. Production, consumption and trade

In 1979/80 the Community produced 44 000 t of honey and imported 106 000 t. Germany, France and Greece were responsible for 77% of production. It is only in Germany and Greece that consumption exceeds 1 kg per head per year.

Germany is the biggest importer (60% of the Ten's imports), followed by the United Kingdom (15%). The Community is only 30% self-sufficient, but the situation varies widely among the Member States. The Community divides between countries which depend on imports for most of their needs and those - Greece, France, Italy and Denmark - with a high degree of self-sufficiency. Greece is the only net exporter, directing most of its exports to the other Member States.

France increases its degree of self-sufficiency by applying quantitative restrictions on imports from certain countries and by applying Article 115 of the Treaty of Rome (protective measures) to imports from other countries.

3. Common measures to assist bee-keeping

In April 1981 the Council introduced a system of aid for bee-keeping. The aid consists of a specific contribution to associations of bee-keepers recognized by the Member States and has been fixed at 1 ECU per marketing year per hive in production. Associations can use the aid to purchase feeding sugar and for general programmes for improving honey production, technology and marketing. Training programmes, disease control and breeding projects are required if there is to be a long-term improvement in the sector.

The aid system covers three marketing years: 1981/82, 1982/83 and 1983/84.

EAGGF Guarantee Section expenditure is estimated at 5 million ECU per year.

## 21. FEEDINGSTUFFS

### 1. Supply and consumption of raw materials for feedingstuffs in 1980

Throughout 1980 the raw materials available within the Community and on the world market were sufficient to ensure regular supplies for animal feed in the Community. However, towards the end of 1979 there were serious fears on the world market because of the situation in Poland.

Another cause of uncertainty was the harvest situation in the People's Republic of China. If the harvests had revealed a shortfall, Chinese demand would have been mainly for wheat. The same would have occurred in the case of the Soviet Union in the event of insufficient harvests; this would have resulted in plentiful supplies of feed grains and soya cake, especially as production in Brazil and Argentina was rising.

Since neither of these situations really arose, the fluctuations in the prices of raw materials in 1980 were the result more of monetary speculation than of political factors. Soya prices remained fairly low until the middle of the year and then rose sharply in the second half. In some Community countries at least, this reduced the financial attraction of using manioc and other cereal substitutes, despite the fact that their prices remained almost stable within the Community.

Consumption of skimmed milk powder in animal feed is falling slightly (about 300 000 t). This is explained partly by the reduction in the number of calves being fattened and partly by the increased use of liquid skimmed milk returned by dairies for animal feed.

Stocks of skimmed milk powder were sufficient to meet demand in the Community, so there was no particular tension as far as the animal feed was concerned. On the other hand, prices of slaughtered calves were so low at

some points that productivity was seriously affected.

## 2. Production of compound feedingstuffs

The 1.6% increase in industrial production of compound feedingstuffs in the Community of Nine is a very low rate compared with the increases in previous years. This seems particularly strange in that, up to now, compound feedingstuffs appeared not to have reached their maximum rate of penetration.

This rapid conclusion can be accepted, but factors connected with the trend of demand and the definition of industrial feedingstuffs should be noted.

Total demand from the cattle sector is falling (about 2 000 000 FU), whereas this sector had been responsible for the biggest growth in compound feedingstuffs production in previous years, and the increase in demand from the poultry and pig sectors in 1980 (966 000 FU) was insufficient to make up for the reduction in the cattle sector.

Moreover, statistics on industrial production make a distinction between compound (complete) feedingstuffs, concentrated, protein and other supplements, mineral compounds etc. Over the years concentrated feedingstuffs seem gradually to have given way to complete feedingstuffs, so that as regards the past the production statistics have been influenced partly by changes in the nature of the feedingstuffs declared, which explains the stagnation of production in 1980.

Lastly the criteria for reporting statistics differ according to the Member State and over the last ten years some establishments have lost the obligation to report.

These various factors are not quantifiable but they seem to come together during 1980 and must be taken into account when interpreting the statistics.

It should be added that the costs of producing compound feedingstuffs have, generally speaking, risen more steeply than the costs of the raw materials and may thus act as a brake on the use of compound feedingstuffs.

However, this is not very apparent, for an examination of demand suggests that the rate of penetration of industrial feed is still increasing at the expense of traditional feed.

A comparison between demand, expressed in FU, and the production of compound feedingstuffs (declared industrial feed) gives the following percentages:

Overall demand in FU and production of compound feedingstuffs

: Year :	Cattle :	Prod. :	% :	Figs :	Prod. :	% :	Foultry:	Prod. :	% :
:	:	c.f. :	:	:	c.f. :	:	:	c.f. :	:
: 1973 :	172.945:	16.860:	9.75:	42.463 :	21.400 :	50.40 :	27.108 :	18.250 :	67.32 :
: 1974 :	175.247:	16.040:	9.15:	43.281 :	22.090 :	51.03 :	26.891 :	17.740 :	65.97 :
: 1975 :	171.780:	17.460:	10.16:	42.131 :	21.250 :	50.43 :	26.776 :	17.160 :	64.09 :
: 1976 :	171.353:	22.030:	12.86:	42.743 :	22.600 :	52.87 :	27.061 :	18.250 :	67.44 :
: 1977 :	170.789:	22.950:	13.44:	44.110 :	23.690 :	53.71 :	27.321 :	18.300 :	66.99 :
: 1978 :	171.189:	24.570:	14.30:	46.410 :	25.000 :	53.87 :	28.133 :	19.090 :	67.86 :
: 1979 :	172.182:	28.000:	16.26:	48.780 :	26.580 :	54.49 :	28.549 :	20.000 :	70.05 :
: 1980 :	170.125:	28.070:	16.50:	49.030 :	27.080 :	55.23 :	29.265 :	20.730 :	70.83 :

In other words, the rate of cover of requirements in the cattle sector, which was only 9.75% in 1973 in the case of industrial feed, was 16.50% in 1980, still slightly up on the previous year (16.26%). In the other sectors, growth in 1980 compared with 1979 was still considerable.

For the sake of completeness it should be mentioned that the figures for Greece are not available, either for the supply of compound feedingstuffs or for demand, so that an overall view of the Europe of Ten is not possible.

### 3. Outlook

In the long term, consumption forecasts have already shown that overall demand for livestock products is unlikely to rise as rapidly as in the past in the Community, since consumption per head is already very high and the population of the Community will not increase much over the coming years.

In addition, the difference between the production costs and selling prices of livestock products has become much smaller and any over-production can lead to a substantial drop in incomes, which is no longer acceptable once big economic groupings are directly or indirectly affected by the productivity of livestock production. The result will be that production, more than in the past, will be a function of demand, both internal and external.

Because of these various factors, demand for food should be stable in the medium term, with smaller and smaller fluctuations in the short term.

Overall demand for animal feedingstuffs will follow the same trend and, in view of the favourable production outlook both internally and on the world market for 1981, there should be no supply difficulties.

This does not mean, however, that the nature of the feed used will not undergo a profound change. Indeed, with an almost stable demand, an abundant supply of raw materials and growing production costs, substitution should increasingly occur. The market prices of straight feedingstuffs will then be even more decisive than in the past in influencing users in their choice of raw materials to use in animal feed.

It may be added that the export possibilities for livestock products (poultry and eggs) should in principle mean an increase in the production of compound feedingstuffs. Nevertheless, this increase risks being largely offset by the fact that a growing number of farmers are returning to the

use of raw materials produced on the farm, since the prices of compound feedingstuffs are inflated by external costs (energy, wages, capital) which are constantly rising in the Community.