

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 601 final.

Brussels, 10 december 1975

THE AGRICULTURAL SITUATION

IN THE COMMUNITY

1975 REPORT

Part II - Analysis

COM(75) 601 final.

PART II

Table of contents

The agricultural situation in the Community

1975 Report

Part II - Analysis

	Page Part II	Related tables Part II
A. General survey of the agricultural trade of the Community	1	A/1.1-A/1.6
B. Agricultural markets		
(a) Sector-by-sector analysis	13	
1. Cereals	13	B/1.1-B/1.14
- graph Levies	24	
2. Rice	28	B/2.1-B/2.5
- graph Monthly average cif prices Rotterdam	34	
3. Sugar	36	B/3.1-B/3.10
- graph Levies	46	
4. Olive oil	48	B/4.1-B/4.10
- graph Levies	54	
5. Oilseeds	57	II.B/5.a.1-II.B/5.c.1
6. Dehydrated fodder	67	II.B/6.1-II.B/6.7
7. Flax and hemp	72	II.B/7.1-II.B/7.6
8. Seeds	78	II.B/8.1-II.B/8.3
9. Wine	81	II.B/9.1-II.B/9.5
10. Raw tobacco	86	II.B/10.1-II.B/10.7
11. Fruit and vegetables	91	II.B/11.1-II.B/11.21
11a. Live plants	111	II.B/11.22
12. Hops	112	II.B/12.1-II.B/12.5
13. Milk and milk products	115	II.B/13.1-II.B/13.26
14. Beef and veal	133	II.B/14.1-II.B/14.8
15. Pigeat	149	II.B/15.1-II.B/15.7
- graph Movement of prices	156	
16. Eggs	161	II.B/16.1-II.B/16.8
17. Poultrymeat	166	II.B/17.1-II.B/17.7
18. Fishery products	170	II.B/18.1-II.B/18.5
19. Silkworms	175	II.B/19.1

	Page Part II	Related tables Part II
20. Products not subject to a common market organization		
(a) Alcohol	176	II.B/20.a
(b) Potatoes	179	II.B/20.b.1-II.B/20.b.2
(c) Sheepmeat	182	II.B/20.c.1-II.B/20.c.7
(b) Sectoral summaries	192	
21. Meat	192	II.B/21.1-II.B/21.3
22. Oils and fats	198	
23. Feedingstuffs	203	II.B/23.1-II.B/23.10
C. Structures		
I. Agricultural structures	210	II.C/1.1-II.C/1.9.2
II. Forestry structures	235	
III. Fishery structures	237	II.C/3.1-II.C/3.3
D. Agricultural incomes	240	II.D/1-II.D/11
I. Trend of agricultural incomes from 1968 to 1973	243	
II. Agricultural incomes in 1974 - graph Development of NVA/ALU and agricultural incomes/ALU	248 249	
III. Outlook for 1975	260	
Conclusion	269	
E. Financial aspects of Community and national agricultural policies		
1. EAGGF Guarantee Section	271	II.E/1.1-II.E/1.8
2. EAGGF Guidance Section	278	II.E/2.1-II.E/2.5
3. Total expenditure	282	II.E/3.1-II.E/3.2

A. GENERAL SURVEY OF THE AGRICULTURAL TRADE OF THE COMMUNITY<sup>1</sup>

1. The situation of Community agricultural trade in the world context

During the period from 1968 to 1973, world trade in industrial products rose by 98% and in agricultural produce by 123.6%, the corresponding figures for the period from 1968 to 1972 being 73% and 45.4% respectively. Thus, 1973 was a turning point for agricultural trade, mainly because of the spectacular rise in world prices for most major agricultural products. As a result, the share of agricultural produce in total world trade was 24.3% in 1973, having fallen from 22.2% in 1968 to 19.3% in 1972.

Community trade has not experienced such a marked change and the share of agricultural imports in total imports, while still higher than the percentage for world trade, only rose from 28.5% in 1972 to 28.9% in 1973, having been 32.9% in 1968.

The share of Community agricultural exports in world trade has shown a small increase, rising from 8.5% in 1972 to 9.4% in 1973, the figure for 1968 was 8.7%.

2. The structure of Community agricultural trade

As regards the composition of Community agricultural trade by product sector in 1973, fruit and vegetables were the largest single item, as in 1972. The "meat and live animals" sector was in second place, followed by tropical produce (non-competitive).

Non-edible raw materials of agricultural origin (hides and skins, natural rubber, wood, textile fibres, raw materials) together accounted for about one third of Community imports.

In individual sectors, the Community has a preponderant share of international trade in fruit and vegetables (66%) and feedingstuffs (53.9%).

---

<sup>1</sup>See Tables II.A/1.1 to II.A/1.6 in Part III.

For the rest, the Community occupies a particularly important place in the world trade in raw materials of agricultural origin.

Among the Community's suppliers, three countries or groups of countries account for a comparable share of Community imports (about 15%): these are the industrialized countries of the Commonwealth, the Latin American countries and the United States. A second group of countries, accounting for 9 to 12% on average, consists of the Community's neighbours: the countries of the Mediterranean, the other Western European countries, the state-trading countries and the developing countries of Africa, the Caribbean and the Pacific which are associated with the Community.

### 3. Trends in world markets

The year 1973/74 began with the maintenance and even the accentuation of the trend which had become manifest during 1972/73, a year characterized by price increases for most major agricultural products. The most recent "FAO Commodity Review and Outlook" points out that "the principal factors which lay behind the movements in export prices and trade values were the state of supplies in 1974, the deepening economic recession and the acceleration of inflation in industrialized countries. Agricultural production in 1973/74 showed on balance little change from the preceding year. While the cereal situation remained tight, market supplies of other commodities remained adequate in relation to demand which, due to the depressed level of economic activity, did not grow significantly. Accelerating inflation, together with the rise in costs of production, however, prevented prices from declining rapidly to lower levels".

Towards the end of 1974, prices began to fall and continued to do so during the first six months of 1975. All markets were considerably affected by the persisting economic recession and the high level of unemployment, as well as by the increase in production.

The increase in production in 1975, however, has not been as large as expected in the cereal sector. Cereal prices, which had been falling, rose once more, although they failed to reach their record level and continued to fluctuate thereafter. The main causes of the price variations on the all-important grain market were the poor grain harvest in the USSR and the export policy of the US Government.

It is unlikely that stocks of cereals can be replenished to any great extent during the 1975/76 marketing year. It will probably be more difficult, on the other hand, to find outlets for the soya harvest, while the world market for milk products is experiencing a glut of milk powder, as a result of the large stocks held by all the exporting countries. Thus, instability remains a feature of price trends on the world markets.

#### 4. The framework for the development of Community trade

In 1975 the Community pursued the initiatives which it had taken vis-à-vis certain countries following its enlargement and vis-à-vis the developing countries in general.

In addition, at international level, the Community has played an active part in the development of initiatives taken at an earlier date, while there has been significant activity in the field of bilateral relations with the USA and as a result of the conclusion of cooperation agreements.

##### (a) Measures arising from the enlargement of the Community

##### The African, Caribbean and Pacific States<sup>1</sup>

The ACP-EEC Convention, signed on 28 February 1975 at Lomé<sup>2</sup>, marks the achievement of a new form of relationship between the European Economic Community and forty-six African, Caribbean and Pacific States (ACP).

The trading system defined by the Lomé Convention provides for duty-free access to the Community for products originating in the ACP States, provided that such treatment is no more favourable than that accorded by one Member State to another.

These terms will also apply to products listed in Annex II to the EEC Treaty, whether subject to a common market organization or not, unless the Community rules provide for the application of customs duties or other measures to imports of such products. These terms apply in particular to such tropical products as coffee, cocoa, tea, spices and bananas.

---

<sup>1</sup>cf. Table II.A/1.5.

<sup>2</sup>Negotiations began in 1973 pursuant to Protocol No 22 to the Act of Accession.

As regards the other products subject to a common organization of the market or to specific rules in implementation of the common agricultural policy, the Convention provides that the Community should adopt the necessary measures to ensure that, as a general rule, the arrangements for such products are more favourable than the arrangements applicable to those same products if they do not originate in the ACP countries. The Community has adopted measures for almost the whole range of current exports from the ACP countries to the Community, providing them with duty-free or privileged access to Community markets, subject to strict observance of the common agricultural policy.

These measures apply to products belonging to the following sectors: beef and veal, fishery products, oils and fats, fresh and processed fruit and vegetables, raw tobacco, cereals and rice, products derived from cereals or rice and processed products derived from agricultural produce.

In view of the difficulties affecting certain Community markets, however, the Community made these concessions, where appropriate, subject to certain conditions and limitations as regards annual and multiannual quantities (beef and veal, rice). Specific protective clauses were also included for a few products (certain fresh fruit and vegetables, tobacco). The Community agreed, however, to a relaxation of the protective clause in the beef and veal sector in favour of those ACP states whose exports of beef and veal are vital to their economic development.

The trade section of the Convention is supplemented by a protocol on imports of rum, limiting the exemption of this product from customs duties to quantities to be determined annually.

A special arrangement for sugar guarantees access for this product to Community markets at guaranteed prices.

Apart from the duty-free access defined by the trading arrangements, certain other agricultural products, namely groundnut, cocoa, coffee, coconut, palm, palm nut and kernel products and fresh bananas, are covered by a machinery for the stabilization of export earnings, established by the Community to ensure the stability, profitability and sustained growth of the economies of those ACP States which are economically dependent on such products and are affected by wide variations in prices and/or quantities.

## Mediterranean Countries

### General remarks

Discussions on the introduction of preferential arrangements in the context of the "Overall Approach to the Mediterranean Countries"<sup>1</sup> have encountered a number of difficulties and the planned agreements could not be concluded, except that with Israel.

Among the problems which arose, the agricultural problem proved to be of particular importance and complexity.

Agricultural production in the countries bordering the Mediterranean is very similar, both as to product and as to harvesting times. Of total imports of 1 740 million u.a. in 1972, 56% are covered by the offer of tariff preferences, whilst products subject to a levy account for 11% and products zero-rated in the CCT 5%. This indicates a certain amount of competition between the Mediterranean regions of the Community and the partner countries, which generally have a highly agricultural economy.

This being the case, the Community, while accepting that the agreements should cover a fairly wide range of agricultural products, was concerned to make internal arrangements so that the interests of Community producers should be safeguarded.

Thus, measures improving or supplementing certain common market organizations have been adopted, particularly as regards the operation of the reference price system for fresh fruit and vegetables and for wine and the trade arrangements with non-member countries in the processed fruit and vegetable sector. As regards citrus fruit, the Community has decided to increase or to introduce (in the case of lemons) marketing premiums and processing premiums (in the case of oranges).

Not only Community producers but also the co-contracting countries will benefit from this set of measures, which will mean for both parties a market less subject to disturbances, thus allowing trade patterns to develop normally.

---

<sup>1</sup> Pursuant to the decisions taken at the Paris Summit meeting of 19 and 20 October 1972.



When making these offers, the Community was also careful to provide for measures capable of protecting certain particularly "sensitive" products; these measures included the establishment of import timetables which take account of the time differences between the harvesting periods for certain fresh Community products and the harvesting periods in the non-member countries concerned, the fixing of tariff quotas and voluntary restraint arrangements.

All offers and concessions were, of course, made subject to the observance of the principles and mechanisms of the common agricultural policy.

Maghreb - Algeria, Morocco and Tunisia are in a special position, as regards their relations with the Community, for political, economic and historical reasons.

This explains the special efforts made by the Community in its offers to these countries, providing not only for the inclusion of products omitted from the initial offer made in September 1974 but also increasing the tariff reductions or extending the timetables already laid down, often in respect of sensitive products.

However, the difficult situation within the Community on the markets for wine, olive oil and fresh and processed fruit and vegetables has affected trade in these products with non-member countries, causing difficulties which prevented any conclusion being reached in the negotiations with Algeria, Morocco and Tunisia.

Israel - Coming into force on 1 July 1975, the new Agreement with the EEC (the first concluded as part of the Overall Approach) grants Israel concessions which cover about 85% of its agricultural exports to the Community, (within the meaning of Annex II to the Treaty of Rome), in particular fresh citrus fruit - which account for about 56% of such exports - and processed fruit and vegetables.

It should be pointed out that certain reductions were accompanied by special measures, relating to tomato concentrates in particular.

Israel, for its part, has made reciprocal concessions in respect of a number of products on which the tariff reductions vary between 15% and 25%.

Machrak - Contrasting with its importance in the Maghreb countries and Israel, agriculture plays a minor role in the economy of Egypt, the Lebanon, Syria and Jordan, all of which have expressed the wish to enjoy a special relationship with the EEC, in the context of the Overall Approach.

In the draft instructions submitted to the Council, the basic criteria adopted by the Commission for the formulation of offers take into consideration the particular characteristics of each country and their real export interests and recognize the need to maintain a competitive balance among the products on which concessions are granted, especially where they originate in countries located in the same geographical area.

Discussions on the adoption of the negotiating instructions are now in progress within the Council.

Greece - The reactivation and implementation of the Association Agreement have been actively pursued. In this connection, mention should be made of the declaration addressed to Greece by the Community concerning the preparation of Greece for the harmonization of its agricultural policy in the wine sector. Agricultural products, and wine in particular, have played an important role in the negotiations for the conclusion of an additional Protocol providing for the enlargement of the EEC - Greece Association Agreement to include the three new Member States.

The Association Council, aware of the need to make real progress, has established the basis on which harmonization can proceed, particularly in the fresh fruit and vegetable and wine sectors, by an exchange of legislative texts to facilitate the technical discussions prior to the taking of decisions by the Association Council.

It is now for Greece to take the initiative in this very important sector and also as regards future progress towards harmonization in the other sectors in respect of which such declarations were made in 1962.

Turkey - A significant development was the preparation of the communication to the Council concerning the application of Article 35 of the Additional Protocol to the EEC/Turkey Agreement. Agricultural products are to be reexamined to take account of developments in trade. This communication relates to the second such review, which is more difficult than the first, since the decision concerning agricultural products such as citrus fruit, certain preserved fish and fruit, tomatoes and cereal residues, which was discussed at the time of the

first review, was postponed until the conclusion of the Overall Approach to the Mediterranean countries, with whom negotiations concerning these sectors are not yet concluded.

Spain - Negotiations within the framework of the Overall Approach to the Mediterranean were slowed down by the hesitation of the Spanish authorities to discuss the proposed new Agreement within the terms of reference used in 1974. The Community has recently decided to suspend the negotiations with this country.

(b) Measures taken vis-à-vis the developing countries

The generalized scheme of preferences (GSP), which the Community introduced from 1971 onwards, was further improved in 1975, in two stages. As from 1 January, the volume coming from non-associated countries was raised to 600 million u.a. and on 1 July, in conjunction with the entry into force of the trade section of the Lomé Convention, this volume rose to 750 million u.a., following the inclusion of tropical vegetable oils and pepper in the system. Moreover, the Council decided that this measure, which was initially scheduled to last 10 years, should continue beyond 1980.

As regards food aid, in 1974 and 1975 the Community undertook action both on the basis of agreed commitments and on an independent basis. The Community decided to participate in the Food Aid Convention for a further 12 months (from 1 July 1975 to 30 June 1976). Under this Convention, the Community has undertaken to supply the developing countries with 1 287 000 m.t. of cereals over this period.

The Community's own programmes for 1975 provide for 55 000 m.t. of skimmed milk powder, 45 000 m.t. of butteroil, 6 100 m.t. of sugar and about 1 million u.a. in cash for the purchase of foodstuffs.

The food aid which the Community was committed to supplying in 1974, including cash amounts for the purchase of some other foodstuffs, reached a total value of about 217 million u.a. (as against 173 million u.a. in 1973). In 1974 deliveries included cereals (740 331 m.t.), skimmed milk powder (46 945 m.t.), butteroil (26 153 m.t.) and 1.75 million u.a. in cash for the purchase of other foodstuffs.

In the first nine months of 1975, 571 000 m.t. of cereals, 52 500 m.t. of skimmed milk powder and 21 400 m.t. of butteroil were delivered or were in the process of being delivered as Community food aid.

During this same period the Community sold about 5 000 m.t. of skimmed milk powder at a reduced price to a few national or international bodies planning to distribute this product free of charge in developing countries.

(c) Measures within the multilateral framework

As a general introduction, it must be recalled that, following the World Food Conference held in November 1974, the setting up of several bodies or programmes had been recommended, in particular an International Agricultural Development Fund (IADF), which the Community accepted in principle without announcing any contribution.

Moreover, to ensure world food security, the Conference recommended:

- an early warning and information system, which was accepted by the Community;
- the formation of an international system of reserve stocks, in respect of which the Community expressed the wish to remain within the limits of the international undertaking on world food security in the framework of the FAO.

In addition, a Food Security Committee will be set up at the coming FAO Conference. Lastly, a food aid target of ten million m.t. per year was fixed. The Community accepted this in principle.

To provide the institutional framework, the Conference set up a World Food Council as a body responsible for integrated study, permanent coordination and effective follow-up to the World Food Conference.

The Seventh Special Session of the General Assembly of the United Nations on development and international economic cooperation adopted a resolution on the setting up of a new international economic order. In the chapter devoted to food and agriculture, the resolution strongly recommends governments to support the measures proposed by the World Food Conference, which the Community has already accepted.

- Within the framework of GATT (General Agreement on Tariffs and Trade).  
For the latest round of multilateral negotiations which opened in Tokyo in 1973, the Community prepared negotiating instructions which included an agricultural chapter.

This chapter was based on the principle that the common agricultural policy meets the special requirements of agriculture in the Community. Its principles and machinery could not be called into question and, consequently, could not be a matter for negotiation. This being the case, the Community is of the opinion that the specific aim of the agricultural negotiations must be to expand trade in a context of stable world markets, subject to maintenance of existing agricultural policies. To achieve the necessary stability, the Community advocates the conclusion of international agreements for products such as cereals, rice, sugar and milk products; for the more homogenous products, the agreements could include price mechanisms accompanied by storage measures, except in the milk products sector. The implementation of food aid programmes would be facilitated by the conclusion of such agreements. As regards other products, the Community proposes to negotiate a code of conduct for importers and exporters so that their operations can be coordinated and dealings on the world market be carried out in an orderly fashion. Special measures could be envisaged on behalf of exports from the developing countries.

As regards the progress of the negotiations, it should be noted that the Agriculture Group, created by the Trade Negotiations Committee, has set up sub-groups for certain agricultural products, the trade in which accounts for a substantial share of world trade and could lend itself to a multilateral solution. Three sub-groups have been set up for the moment, on cereals, milk products and meat, to deal with all matters relating to trade in such products; sub-groups for other products may be set up in due course. It was also agreed that the Group would deal with tariffs and non-tariff measures affecting other agricultural products. The procedure for this is still under discussion.

According to the Tokyo Declaration, tropical products should receive special priority treatment since they account for a large proportion of the export earnings of many developing countries.

The Community approach is that, on tariffs, it is ready to improve its generalized scheme of preferences. On non-tariff barriers, the Community advocates adjustments to any agreements reached so as to favour exports from the developing countries. The Community is also in favour of international arrangements in this sphere.

As regards the progress of the negotiations, the Tropical Products Group has initiated a requests and offers procedure, so that such products can receive priority treatment in the negotiations.

(d) Bilateral relations

Relations with the United States bulk large in this chapter. In 1975, the relations of the Community with its main supplier of agricultural products were placed on a new footing by the passing of the Trade Act by Congress.

Many of the provisions of this Act are reviving old issues or leading to petitions by American traders for increased protection in the United States or they attack the import and export machinery of the common agricultural policy.

As regards bilateral relations with the state-trading countries, the Community's autonomous common import policy was introduced on 1 January 1975.

The Community has concluded trade cooperation agreements with certain non-associated developing countries (India, Sri Lanka, Mexico) and is in the process of negotiating such agreements with others (Bangladesh, Pakistan); these agreements are intended as instruments for the development of trade suited to the particular needs of each country. The agricultural section of these agreements constitutes an important part of the development programmes to be implemented under the agreements.

In the same spirit, the Community has initiated a dialogue with the Arab countries, while bearing in mind the different economic position enjoyed by most of the latter as compared with the other developing countries.

Following the "Stocktaking of the common agricultural policy", the Commission has proposed to the Council that a long-term contract should be concluded with Egypt for the supply of certain food products. This proposal is now under discussion within the Council.

5. Community trade with non-member countries

No new information concerning the development of imports or exports is available to supplement the data provided in last year's report, to which reference should therefore be made.

## B. AGRICULTURAL MARKETS

### (a) Sector-by-sector analysis

#### 1. Cereals<sup>1</sup>

##### 1. Introduction

#### (a) The economic situation:

Community cereals policy continues to be dominated by events on world markets. World market prices remain unstable in the absence of sufficient stocks, relatively minor variations in production or demand having a disproportionate effect on prices. The maintenance of price stability within the Community, whilst at the same time continuing to trade with non-member countries, is therefore the principal difficulty.

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

In 1974 cereals amounted for 12.1%, by value, of the final production of agriculture (10.7% in 1973). The total area of cereals in 1974 was 26.8 million ha or 28.7% of the utilized agricultural area (UAA).

#### (c) The Community in world cereals production

World production of cereals (excluding rice) in 1974 amounted to 1 milliard metric tons (according to FAO statistics) of which the quantity produced in the Community was 10.7% (10.1% in 1973).

#### 2. Production

Community production of cereals increased by 2.0% between 1973 and 1974 to a total of 108 million metric tons. According to the provisional estimates for 1975, however, the total has decreased 7.6% to 100 million metric tons. Most of this decrease is due to exceptionally poor yields (- 6.2%), whereas, over the period since "1968", yields have increased by 3.2% per year on average.

#### (a) Common wheat:

Production of common wheat in 1975 has been doubly hit; firstly the difficult sowing conditions reduced the area by 8.8% and then the wet spring followed by summer drought reduced the yield by an estimated 8.8% resulting in overall production of 34 - 35 million metric tons (17% down on 1974). Within the total there has undoubtedly been an increase in the production of feed wheat varieties unsuitable for bread-making but on the other hand it is reported that the milling varieties have produced good quality wheat this year.

---

<sup>1</sup> See Tables II.B/1.1 to II.B/1.14 in Part III.



(b) Durum wheat:

Durum wheat, is mostly produced in Southern Italy and parts of France which have not suffered the same weather conditions as the common wheat crop. In addition the area of this crop increased by 5.3%, resulting in an estimated increase in production of 16.9% to 4 million metric tons.

(c) Rye:

Production of rye is expected to decrease by some 16% in 1975 as a result of a greater than usual decrease in the area sown.

(d) Barley:

The reduced sowing of wheat and rye in the autumn of 1974 led to an increase of 3.3% in the area sown to barley for the 1975 crop. However, barley also suffered from the summer drought and poor spring sowing conditions, with the result that production is expected to decrease by about 5% to 33 million metric tons.

(e) Oats:

The area sown to oats has increased slightly in 1975 but it is probable that this is only a temporary reversal of the downward trend, caused by the difficulties in sowing winter cereals. Poor yields, however, are expected to reduce the overall production by about 5%.

(f) Maize:

The yield of maize in 1974 was very poor, largely as a result of bad harvesting conditions. In 1975 the area has increased by some 3% but there is considerable uncertainty as regards the yield, particularly in France. The most recent official estimates are for a production of 9.9 million metric tons in France but some unofficial estimates are as low as 8.8 million. If the truth lies nearer to the lower end of this range the overall Community production of maize would be at about the same level as last year.

3. Consumption

In 1973/74, the total volume of cereals available in the Community amounted to 115.4 million metric tons, i.e., 1.6% more than in 1972/73. About 35% consisted of wheat and 65% of coarse grains, of which 29% was accounted for by barley and 24% by maize. The utilization of all cereals was made up as follows in 1973/74: human consumption and industrial use, 33.2% (33.1% in 1972/73); animal feed, 62.5% (62.6% in 1972/73);

<sup>1</sup>Including winter mixed cereals.

seed and losses, 4.3% of total internal use (4.3% in 1972/73). The proportions vary substantially from cereal to cereal, from one Member State to another and from year to year, though there is given below a breakdown by cereal for 1973/74.

Cereal consumption in 1973/74 - Breakdown by cereal

(% figures)

	Human consumption	Animal consumption	Industrial use	Seed and losses	Total consumption
Wheat (Durum and Common)	64.9	29.1	0.4	5.6	100.0
Rye and meslin	37.3	55.9	1.4	5.4	100.0
Barley	0.4	78.4	16.0	5.2	100.0
Oats and summer mixed corn	3.0	92.2	0.0+	4.8	100.0
Maize	:	80.2	:	1.1	100.0

(a) Human consumption:

Between 1972/73 and 1973/74, total net human consumption of cereals has risen slightly, from 20.4 to 20.6 million metric tons (excluding maize, for which figures are not available). This increase was however roughly proportional to the population increase over the year so the per capita consumption did not significantly change. During the period since 1967/68, as regards the original Community, there has been a decrease in per capita consumption of 0.5% per year on average but because the population has been increasing, the total net consumption of cereals has increased by an average of 0.1% per year. A breakdown by cereal of net human consumption is given below.

Net human consumption of cereals in 1973/74 - Breakdown by cereal

	Net overall human consumption (in million m.t.)	Net per capita consumption	
		Kg per capita	Change, 1972/73 to 1973/74
Wheat - Common	16 340	63.5	} + 0.4
- Durum	2 919	11.3	
Rye and meslin	1 101	4.2	- 4.5
Barley	77	0.3	0
Oats and summer mixed corn	165	0.6	0
Maize	:	:	:

Statistics for the original Community show a similar increase in per capita consumption of wheat products despite the higher prices in 1973/74 and in opposition to the downward trend (- 0.5% per year) established over the previous 5 years; this anomaly may perhaps be explained by the onset of economic recession and by the increases in prices of other, more expensive, foodstuffs. Moreover, whilst the per capita consumption of durum wheat had been increasing (+ 3.6% per year) in the original Community, it decreased by 8.6% in 1973/74 as a result of relatively much higher prices for this product.

(b) Animal consumption:

Animal feed use of cereals continues to expand, though the total of 72.2 million metric tons in 1973/74 represents an increase of only 1.1% over the previous year. However, the increase in the original Member States was much higher (+ 5.4%) whereas in the new Member States, where cereal prices increased sharply as a result of the second transitional price step and higher world market prices, the use of cereals for livestock feeding fell by 7%

The use of wheat for animal feed was reduced from 14.2 million metric tons to 11.6 million metric tons, mainly as a result of the suppression of the denaturing premium. This was more than balanced by an increase in the use of barley, maize and sorghum.

(c) Industrial use:

Information as regards this item is unfortunately incomplete for the enlarged Community but for the original Member States the rate of growth in the use of maize (for starch manufacture and brewing) continues at a high level after decreasing between 1971/72 and 1972/73.

The use of barley (mainly for brewing) continues to increase slowly, though between 1972/73 and 1973/74 the growth was concentrated in the new Member States.

(d) Self-supply:

The Community's degree of self-supply in 1973/74 was 90.6%, corresponding to a net deficit of 10.8 million metric tons of cereals. This level represents a slight improvement when compared with 1972/73.

The overall deficit was increased by stock-building to the extent of some 1.3 million metric tons; therefore the net import necessary was 12.1 million metric tons.

Summary of the cereal balance sheet in 1973/74

(million metric tons)

	Wheat (Durum and Common)	Rye	Barley	Oats and summer mixed corn	Maize	Other	Total
Stock change <sup>1</sup>	- 1.2	+ 0.2	+ 0.2	+ 0.1	- 0.5	- 0.1	- 1.3
Net external balance <sup>2</sup>	+ 0.1	0	- 1.2	+ 0.4	+ 11.7	+ 1.1	+ 12.1
Domestic use less produc- tion	- 1.1	+ 0.2	- 1.0	+ 0.5	+ 11.2	+ 1.0	+ 10.8
Self-supply (%)	102.8	94.5	102.9	95.2	59.3	24.2	90.6

<sup>1</sup> + = stock reduction; - = stock-building

<sup>2</sup> + = net imports ; - = net exports

In 1974/75 it is expected that the overall level of self-supply will have increased to around 95% corresponding to a deficit of about 10 million metric tons. This is due to the increase in production (see paragraph 2) and an expected decrease of 4 to 5% in the quantity of cereals feed to livestock; this decrease appears to have principally affected the consumption of barley and maize. The more abundant supplies of cereals, including substantial imports during the second half of the marketing year, have also provoked an increase of some 4.5 million metric tons in the level of stocks; the increase in wheat stocks alone is believed to have been about 2.4 million metric tons.

4. Trade:

Before considering the trade statistics given in Tables II/1.7 and 8 it should be noted that there is a gross imbalance (almost 3 million metric tons) between the intra-trade imports and exports. This arises because some Member States supply figures which are differentiated by country of origin when the product may have already been imported into another Member State and transhipped for re-export to the final destination. The result is that whilst

the net balance (taking into account both trade between Member States and trade with third countries) is correct, the gross import from non-member countries is exaggerated by quantities which should be properly regarded as imports from other Member States.

(a) Between Member States:

The average rate of increase in trade between Member States of the original Community has been about 18% per year since "1967/68". However, as regards the enlarged Community, the increase between 1972/73 and 1973/74 for all cereals was about 38% (based on export statistics). Such strong growth may be explained by three factors: firstly, during the period to October 1973, the suppression of monetary compensatory amounts permitted French cereals to be more than normally competitive in Germany and the Benelux countries. Secondly the high prices of cereals on world markets gave rise to higher prices in the deficit areas of the Community and thereby a greater incentive to buy cereals from the surplus regions. Thirdly there was a substantial increase in trans-shipment (exports from the Netherlands increased by 42%), particularly towards the United Kingdom. The increases were particularly noticeable for barley and maize to the United Kingdom and Ireland and for barley to Italy.

In 1974/75 there has been an astonishing reversal as regards French exports to other Member States. The exports of wheat decreased by 43%, according to provisional statistics, the greater part of this fall resulted from reduced deliveries to Germany and Italy. The decrease in barley exports was also of 43% and that of maize 63%, with the reductions in maize deliveries mainly affecting the original Member States. Such decreases are not easily explained, though the lack of the monetary advantage referred to above could have played a part. It also seems possible that French producers were reluctant to sell during the first part of the marketing year, so the requirements of the importing Member States were covered by grain imported from non-member countries; then, in the second half of the marketing year, cereals from non-member countries were available very cheaply because of substantial advance fixing of low rates of levy followed by a rapid fall in world market prices.

Exports from the Netherlands to other Member States (mainly trans-shipment), on the other hand, increased. This was particularly true for maize where the increase was of almost 1 million metric tons. This increase was partly a reflection of the high level of imports from non-member countries, for the reasons outlined above.

(b) With non-member countries

Imports from non-member countries into the original Community have declined slightly since "1967/68" (2% per year). However, there have been significant increases between 1971/72 and 1973/74. On the other hand imports into the United Kingdom and Ireland decreased by 33% between 1972/73 and 1973/74. This decrease reflects the greater level of imports from other Member States in 1973/74. The absolute level of imports into the enlarged Community (taking trans-shipments into account) was about 21.5 million metric tons in 1973/74 of which some 12.4 million metric tons were maize. In 1974/75 the corresponding figures are, for all cereals, about 20 million metric tons and, for maize, about 12 million metric tons. Around 75% of Community imports of maize come from the United States with most of the balance coming, in 1974/75, from Argentina and South Africa. Moreover, maize imports have been supplemented to some extent by imports of around 1 million metric tons of sorghum in each of the past two marketing years. Imports of barley amounted to about 1.7 million metric tons in 1973/74 and are believed to have been considerably less in 1974/75; the bulk of such imports comes from Canada and Australia.

Imports of common wheat amounted to about 4 million metric tons in 1973/74 and perhaps rather less in 1974/75; around 90% of these imports come from North America and more than half were imported into the United Kingdom.

Imports of durum wheat were 1.4 million metric tons in 1973/74 and about the same in 1974/75. In 1973/74 almost 30% of these imports were from Argentina, most of the remainder being from North America, but in 1974/75 very little came from Argentina whereas North America accounted for some 95% of the total.

Exports from the original Community have been increasing by nearly 9% per year on average since "1967/68", though they fell sharply between 1972/73 and 1973/74, but have increased again in 1974/75. Common wheat and barley account for the majority of the exports in both 1973/74 and 1974/75. Exports of common wheat in 1974/75 are estimated at about 7.6 million metric tons ( 5.2 million in 1973/74) which was broken down as follows: 6.5 million metric tons commercial sales, of which 2.3 million in the form of flour, and 1.1 million metric tons as food aid, of which 0.3 million tons in the form of flour. The main recipients of the commercial exports of both wheat and flour have been the countries of North Africa and the Indian subcontinent.

Barley exports in 1974/75 are estimated at around 2.1 million metric tons (3.0 million in 1973/74) of which some 0.9 million metric tons were in the form of malt. Whilst malt is exported to many different countries, the bulk of the barley exports are to other European countries (including Eastern Europe) and, to a lesser extent, to North Africa.

## 5. Prices

### (a) Common prices

The 1975/76 target prices for cereals were increased by between 13.4% (durum wheat) and 16.5% (rye), including the 5% increases granted in October 1974. Since 1967/68 the target price for common wheat has increased by 31.2% whereas those of maize and barley have been increased by 39 - 40% reflecting the desire to improve the relation between the price of common wheat and the prices of feed grains.

### (b) Internal market prices

In 1974/75 Community market prices have followed the pattern of world market prices, though the variation was much less marked than on the world market. Prices were generally very high until December 1974 and then fell rapidly, in the case of wheat, to the intervention price or below.

Average difference between market price and intervention price (in %)

	Common wheat		Barley		Maize	
	August to December 1974	January to July 1975	August to December 1974	January to July 1975	August to December 1974	January to July 1975
Germany	1.1	- 0.5	8.7	3.3	x	x
France	13.4	3.9	21.3	4.6	38.9	14.4
Italy	x	x	x	x	38.2	23.1
Netherlands	5.0	0.3	16.4	8.6	x	x
Belgium	2.2	- 2.2	9.2	2.7	x	x
United Kingdom	57.2	20.7	67.3	33.8	x	x
Denmark	x	x	9.1	- 0.3	x	x

The principal reasons for the fall in prices are believed to have been, firstly, retention by producers at the beginning of the marketing year in the hope of still better prices later and, secondly, the substantial advance fixing of low import levies, principally for maize and barley, at the beginning of the slide in world prices in January and February 1975, leading to very cheap imports of these products. Moreover there were only limited opportunities for the export of surplus cereals during the first half of 1975.

The prices of all cereals in the United Kingdom and the price of maize throughout the Community continued to be directly influenced by high world market prices, giving rise to a greater than normal disparity between the market prices and intervention prices, particularly during the first half of the marketing year.

(c) World prices

On the whole, world market prices were slightly lower in 1974/75 than in 1973/74, with the possible exception of maize. The average, however, conceals the enormous difference between prices upto December 1974 and prices from January 1975. The range of prices for selected imported cereals is given below:

Highest and lowest monthly average prices in 1974/75 - cif

Antwerp / Rotterdam

(u.a./m.t.)

Type	Highest		Lowest	
	Price	Month	Price	Month
<u>Common Wheat:</u>				
Hard Winter II Ord.	173.03	October 1974	94.35	June 1975
Dark Northern Spring II/14	188.45	October 1974	125.47	June 1975
<u>Barley:</u>				
Canada Feed I	138.79	November 1974	71.14	May 1975
<u>Maize:</u>				
US Yellow Corn III	138.63	October 1974	89.75	May 1975
<u>Durum Wheat:</u>				
US Hard Amber Durum III	245.63	October 1974	161.59	June 1975



The immediate cause of the increase in prices during the summer and autumn of 1974 was the growing concern for the maize crop in the United States, accompanied by a continuing strong demand for all cereals in importing countries. The turnaround of prices in January 1975 resulted mainly from rapidly falling demand for cereals for animal feeding in the United States and in Europe, despite confirmation of the very poor United States maize crop. Prices continued to decline until June 1975 in the expectation of much higher carry-over stocks and because of the excellent outlook for 1975 cereal crops in North America.

Prices once again started to climb in July as drought began to affect crops in the USSR, in Europe and to a lesser extent in North America. It is now fairly firmly established that the Russian cereal crops are as much as 50 million tons short of their target and that the USSR may buy as much as 30 million tons of cereals on world markets, to which must be added the purchases necessitated in Eastern European countries by the inability of the USSR to supply them. On the other hand the North American crops are abundant and it is this, combined with American reluctance to sell more to the USSR, which has so far prevented prices from reaching the levels experienced in the autumns of 1973 and 1974.

(d) Consumer prices

Bread prices rose sharply between 1973 and 1974, the average being about 18%. The greatest increases were in the United Kingdom (30.3%), Italy (28.8%) and Ireland (21.1%). These three Member States were the ones which suffered most from the higher wheat prices on world markets in late 1973 and in 1974 though it would be wrong to assume that the bread price increases were entirely due to the increase in the wheat price since the price of the wheat content represents only about 30% of the price of a loaf of bread (after allowing for the value of the milling by-products). It is also significant that the countries which experienced large increases in the price of bread were also suffering from high rates of inflation with consequent effects on the costs of manufacture and distribution.

6. Short-term outlook

The 1975/76 marketing year has opened with a relatively low level of production which is to a large extent balanced by high stock levels. The most variable element in internal consumption is animal feed use and this is expected to

recover modestly from the low level of 1974/75. Imports of wheat are expected to increase in response to the poor Community wheat crop whilst imports of barley should decrease, given the present high price on world markets; maize and sorghum imports may increase slightly if animal feed demand increases as expected. Exports of wheat may be slightly lower and exports of barley will probably be substantially lower than in 1974/75. The increased production of durum wheat should reduce imports of this commodity and will probably necessitate some exports. The immediate outlook for the world market, based on supply and demand considerations, is for a continuation of price levels around the Community threshold prices because the Russian deficit has given rise to fairly tight world balances with little prospect of major increases in world stocks during the current marketing year. The new long-term contract between the USA and USSR is a factor which should improve long-term stability and, in the short-term the agreement on additional US sales during the current marketing year has dispelled much of the earlier uncertainty.

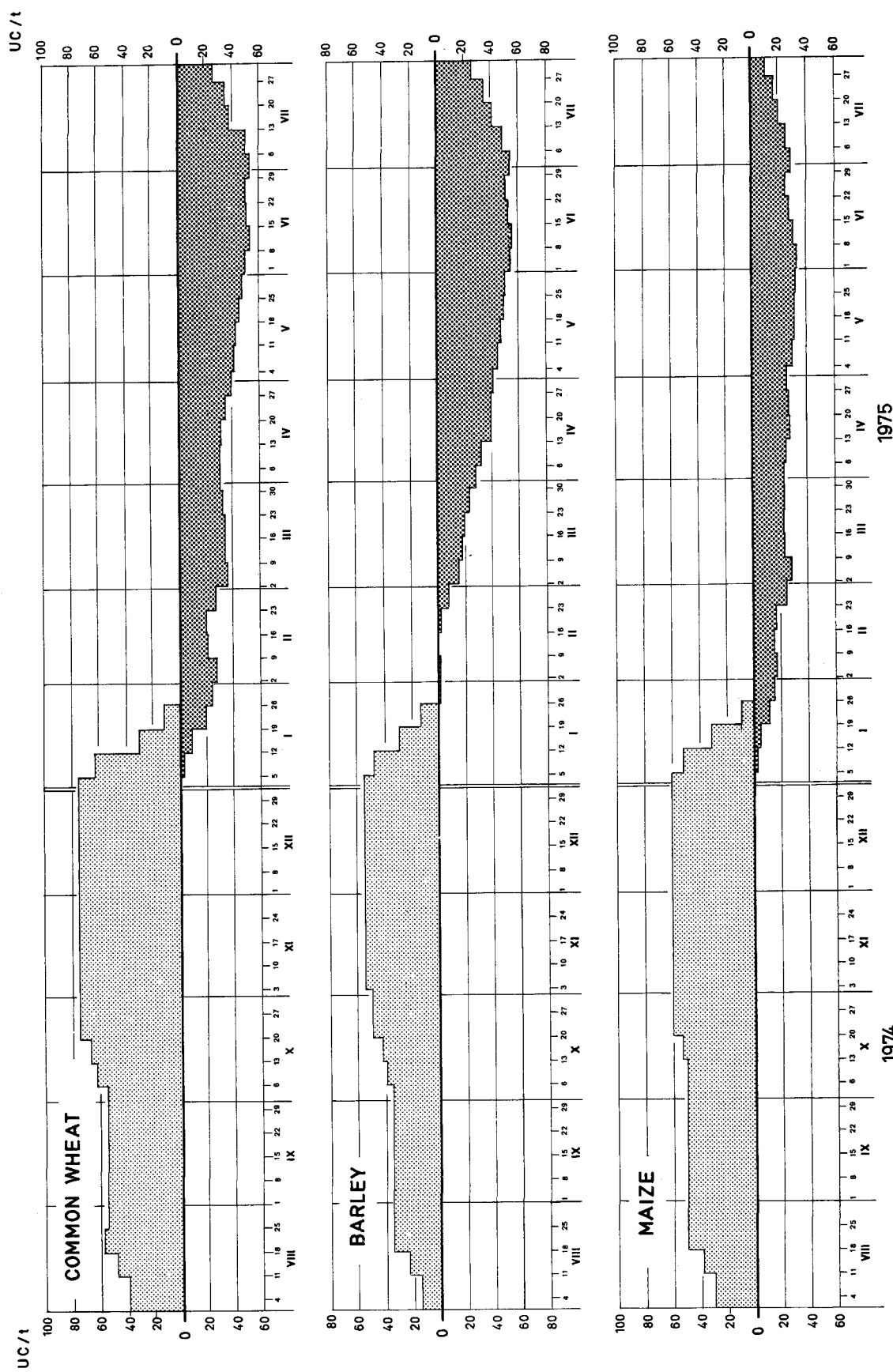
7. Economic aspects of the measures taken

(a) Levies and refunds

(i) Import levies:

There were no import levies on the major cereals (apart from rye) from August 1974 until early January 1975. As world prices fell, import licences were issued for substantial quantities of maize, and to a lesser extent barley, with advance fixing of zero or very small import levies. During the month of January 1975 the quantity issued amounted to 3.1 million metric tons out of a total of 11.5 million for the whole of the marketing year. A further 1.0 million metric tons were taken in February until advance fixing for both maize and barley was suspended on 21 February 1975. These licences were valid for a period of 60 days during which time world prices fell further and thereby allowed some very low-priced imported cereals onto Community markets.

# Levies : CEREALS



Export levies

Import levies

1974

1975

(ii) Export levies:

Export levies were fixed at dissuasive levels (up to 75 u.a./m.t. for common wheat, 55 u.a./m.t. for barley and 60 u.a./m.t. for maize) from the beginning of the 1974/75 marketing year until the middle of January 1975 in order to insulate Community markets from the very high prices on world markets. Exports during that period therefore took place on licences issued before the imposition of levies or by way of tenders for the export levy. Levies were once again applied to exports at the beginning of the 1975/76 marketing year.

(iii) Refunds:

The decline in world market prices early in 1975 and the increasing level of imports necessitated a more active export policy. Initially, export refunds for common wheat were granted through tenders for the export refund and/or the export levy. Later, substantial export refunds were fixed in order to remain competitive in the falling world market. The highest rates of refund applied to common wheat, barley, wheat flour and malt, though smaller refunds were fixed for rye, maize, oats, sorghum and various processed products. Rising world prices led to suppression of all refunds in August 1975 though a small refund was later reintroduced for wheat flour and some refunds granted by tender for barley and for common wheat.

(b) International agreements and food aid

The Community's commitment for 1974/75 under the Food Aid Convention amounted to 1 287 000 metric tons of cereals, of which 643 500 metric tons was direct Community aid. The proportion of the direct Community aid commitment which had been effected by 31 July 1975 was 57.6% in respect of the 1974/75 programme and 96.3% in respect of previous programmes.

(c) Intervention

In 1974/75, the quantities of cereals submitted for intervention were as follows: common wheat, about 2.1 million metric tons; rye, 0.1 million tons; barley, 65 000 tons. The total therefore amounted to 2.3 million tons of

which Germany accounted for 1.3 million. On the other hand 874 000 tons of common wheat were sold from intervention, of which 84% were exported; the corresponding figures for barley were 63 000 tons sold, of which 91% for export, and for rye 28 000 tons sold, of which 66% for export. Intervention stocks of barley therefore remained unchanged at about 0.6 million tons whereas those of common wheat virtually doubled to 2.4 million tons which is about 6% of production. The normal intervention was supplemented by a system of storage contracts for privately owned stocks (B-intervention) under which the holder undertook to store the grain for a specified period in return for a fixed payment. Under this system some 1.3 million tons of common wheat were in storage at the end of July 1975 and are not due to be released until 29 February 1976.

It may be interesting to note that the denaturing premium for 1974/75 was fixed at zero; therefore no denaturing has taken place.

(d) Stock situation

At the beginning of the 1974/75 marketing year, stocks amounted to 5.6 million metric tons of common wheat, 1.4 million tons of barley, 2.6 million tons of maize, 0.2 million tons of durum wheat, 0.3 million tons of rye and 0.2 million tons of sorghum, i.e., a total of 10.3 million tons.

By the end of the marketing year they may be expected to amount to about 15 million metric tons, including 7 to 8 million tons of common wheat (17-19% of production), 2.9 million tons of barley (8% of production and 3.1 million tons of maize (22% of production but only 12% of consumption).

(e) Uniformity of prices - Accession compensatory amounts

A relatively large disparity remained in 1974/75 between intervention prices in the original Member States and those in the new Member States, particularly the United Kingdom.

Intervention prices: August 1974

	<u>Common wheat</u>		<u>Barley</u>
Duisbourg	110.03	}	96.60
Rouen	106.39		
Rotterdam	109.32		
London (Tilbury)	78.30	}	67.49
Cambridge	74.52		
Enniscorthy	103.52		

(u.a./m.t.)

The basic Accession compensatory amounts were therefore quite high but during the first part of the marketing year they were abated to zero during the period when there was no import levy. Later, as the import levies increased, so did the compensatory amounts according to the scale set out in Regulation (EEC) 229/73. During this period there was substantial advance fixing of the compensatory amounts, some of which was undoubtedly speculative and led to some intra-trade between the UK and other Member States which would otherwise not have taken place.

8. Budgetary expenditure

Expenditure of the EAGGF Guarantee Section was 1029.5 million u.a. in 1973, 399.8 million u.a. in 1974 and is estimated at 634 million u.a. for 1975, or respectively 27, 12.7 and 13.7% of total Guarantee Section expenditure. The 634 million u.a. for 1975 breaks down into 327.5 million u.a. for export refunds, 66 million u.a. for storage aid and 240.5 million u.a. for price compensatory measures.

## 2. Rice<sup>1</sup>

### 1. Introduction

In 1974 rice<sup>2</sup> represented 0.3% by value of final agricultural production and accounted for 0.2% of total UAA.

Rice is produced in only two Member States; Italy, which accounted for 96.3% of the 1975 harvest, and France. In 1975, 195 000 hectares were under rice, an increase of 1.8% per annum since 1968.

The world rice harvest was estimated at 327 million m.t. of paddy rice in 1974; Community production in the same year amounted to 1.06 million m.t. of paddy rice, or 0.33% of total world production.

According to the FAO, the total world area under rice cultivation in 1973 was 135.8 million hectares, of which the Community accounted for 0.208 million, or 0.15%. The difference between the percentages for production and area is due to the fact that yields per hectare in the Community (53.4 quintals/hectare of paddy rice) are more than double the world average (23 quintals/hectare).

The following is a breakdown of Community production and area under rice in 1975/76:

	Italy	France
Production ('000 m.t.)	800	31
Yield (quintals/hectare)	43	31.7
Area ('000 hectares)	185	10

### 2. Production

In 1974, rice production in the Community amounted to 845 000 m.t., a decrease of 5.2% on 1973. Forecast production for 1975 is 831 000 m.t., or a decrease of 1.7% compared with the previous year. However, production in 1975 is 34% above the average production for 1967/68/69.

<sup>1</sup>See Tables II.B/2.1 to II.B/2.5 of Part III.

<sup>2</sup>In this document, the word "rice" means husked rice unless otherwise stated.

The fall in production in 1974 and 1975 was caused above all by the reduction in area under rice (-2.4% in 1974 compared with 1973 and -3.5% in 1975 compared with 1974). The area under rice in 1975 is, however, still 7.7% greater than that of the 1967/68/69 average.

To resume, the area under rice in the Community increased steadily until 1973 (3.62% per year from 1963 to 1973) however with opposite movements in the two producing member countries (1963 to 1973: France -5.53% per year; Italy +5.15% per year). Since 1973, the areas under cultivation have continued appreciably to decrease in France (-5.9% in 1974 compared with 1973 and -33.3% in 1975 compared with 1974) and to decrease slightly in Italy (-1.1% in 1974 compared with 1973 and -1.6% in 1975 compared with 1974).

It is highly unlikely that the areas under cultivation in Italy will be further increased because of the difficulties of finding the special conditions required for rice cultivation.

Yields have varied sharply from one year to another as a result of weather conditions, fertilizers employed and varieties sown. It may nevertheless be noted that, since 1967/68/69, yields have increased by 1.8% per annum.

### 3. Consumption

In 1973/74, the enlarged Community's total rice resources amounted to 1 326 000 m.t., of which 1 008 000 m.t. were utilized within the Community, i.e., 6.6% more than in 1972/73. This latter amount was made up as follows: human consumption, 87.1%; industrial use, 4.7%; feedingstuffs, 4.3%; seed, 3.5%.

#### (a) Human consumption

From 1971/72 to 1972/73, total gross human consumption of rice increased from 810 000 to 878 000 m.t., whilst the per capita consumption of prepared rice fell by 9.4% (3.2 kg in 1972/73 against 2.9 kg in 1973/74). However, it should be noted that per capita consumption declined between "1967/68" and "1972/73" (by 2.3% per annum).



(b) Animal consumption

Animal consumption is relatively small in the case of rice (44 000 m.t. in 1972/73, 43 000 m.t. in 1973/74 or a fall of 2.3%).

(c) Industrial use

In 1973/74 the quantity of rice used in industry (46 000 m.t.) fell by 9.6% compared with 1972/73 (57 000 m.t.) and by 7.3% from "1967/68" to "1972/73". The volume of rice used in industry varies significantly from one year to another, and is influenced especially by world market prices which, for long periods - particularly in 1972/73 to 1974/75 - exceeded the Community threshold price.

(d) Self-supply

In 1973/74 the self-supply rate of the Community was 90% against 67% in 1972/73. This is explained by the substantial harvest in 1973.

4. Trade

The Community's imports from non-member countries amounted to 421 000 m.t. in 1973/74, i.e., 187 000 m.t., or 30.8% less than in 1972/73. However, from "1967/68" to "1972/73" imports rose by 3.5%.

In the 1973/74 marketing year the Community's exports of rice to non-member countries amounted to 291 000 m.t., which represents a fall of 163 000 m.t. or -35.9%. However, from "1967/68" to "1972/73" exports rose by 9.1% per annum. The Community's deficit for 1973/74 was thus 130 000 m.t. against 154 000 m.t. for 1972/73.

The external balance for rice fluctuates widely from year to year according to variations in harvest and the openings for Community rice exports on the world market.

In 1974, the Community's share of world trade was estimated at 6.6% for exports and 8% for imports. The Community's principal suppliers of rice are the United States, Thailand and South America. The Community's exports mainly go to Africa, the Mediterranean countries and Italy's neighbours.

Imports may be expected to decline in the years to come because of the increased volume of intra-Community trade.

In 1973/74, intra-Community trade amounted to 318 000 m.t. against 282 000 m.t. in 1972/73, i.e., an increase of 12.8%. Intra-Community trade, which from "1967/68" to "1972/73" increased by 11.7% per annum for the original Community, was given a new lease of life with the accession of the new Member States.

## 5. Prices

### (a) Common prices

The target price for rice was raised by 10% on 1 September 1975 for the 1975/76 marketing year. The 1975/76 intervention price was concurrently raised by 8%.

### (b) Market prices

In 1974/75, market prices in the main rice-producing region (Vercelli) averaged 166.25 u.a./m.t./for round-grained paddy rice (13% above the intervention price) and 183.25 u.a./m.t./for long-grained paddy rice (11% above the intervention price).

In 1974, the market price index (1968 = 100) was 196.5 in France and 146.2 in Italy.

### (c) World prices

The effects of the 1973 world shortage of rice were easing off towards the end of 1974 so that world market prices fell on the average in 1974/75 by 17% (round-grained rice) and by 31% (long-grained rice) compared with 1973/74.

Also, since December 1974 import levies have again been fixed, since world market prices fell below the Community threshold prices. In October 1975 world market prices were below threshold prices by:

- 8% for round-grained husked rice;
- 17% for long-grained husked rice;
- 16% for round-grained milled rice;
- 36% for long-grained milled rice;
- 9% for broken rice.

(d) Consumer prices

The only statistics available concerning consumer prices were supplied by one producer country, Italy, and by one non-producer country, Germany:

Member State	1969	1970	1971	1972	1973	1974
Italy Lit/kg	260	264	278	288	432	454
Germany DM/kg	1.98	2.11	2.37	2.50	2.66	3.26

Source: Commission of the European Communities, DG VI.

It will be seen that, from 1972 to 1973, consumer prices increased considerably in Italy (+50%). This increase continued to a lesser extent in 1974 (+5%). In Germany, the increases from 1972 to 1973 were less significant than in Italy (+6.4%); on the other hand, they were greater from 1973 to 1974 (+22.5%). From 1969 to 1974 the increase per annum was of 11.8% in Italy and 10.5% in Germany.

6. Outlook

(a) Short-term

The 1975/76 harvest has been estimated at 0.8 million m.t., almost equal, therefore, to that of 1974/75. The harvested rice is of excellent quality. It is estimated that this harvest will produce a structural surplus of around 250 000 m.t., which it will not be easy to export on a world market where, at the moment, supply exceeds demand and prices are falling.

(b) Medium-term

The area under rice cultivation is tending to decrease. The loss caused by the decrease in area could be made up by increasing yields. Production of rice in the Community could, therefore, be maintained around one million m.t. of paddy rice. Since deliveries of rice from the producer states to the other Member States are constantly increasing and seem to keep up with the increase in consumption, exports should be maintained around 250 000 m.t.

7. Economic aspects of measures taken

(a) Levies and refunds

1. Import levies

Import levies, which have been fixed at zero since March 1973, were reintroduced from December 1974. With world market prices constantly falling levies have rapidly increased. Import levies were as follows by mid-October 1975:

Round-grained husked rice:	20.60 u.a./m.t.
Long-grained husked rice :	46.35 u.a./m.t.
Round-grained milled rice:	56.27 u.a./m.t.
Long-grained milled rice :	143.47 u.a./m.t.
Broken rice:	14.57 u.a./m.t.

2. Export levies

Export levies, which were applied to rice in October 1973, were gradually reduced and finally abolished in May 1975, thus following the decline in world prices.

3. Export refunds

From 2 February 1973 to 17 January 1975 no export refunds were granted for rice. In order to run down Community surpluses of long-grained rice and following the decline in world prices for rice, an export refund was granted for long-grained husked rice and only for a very short period (17 January 1975 to 30 January 1975).

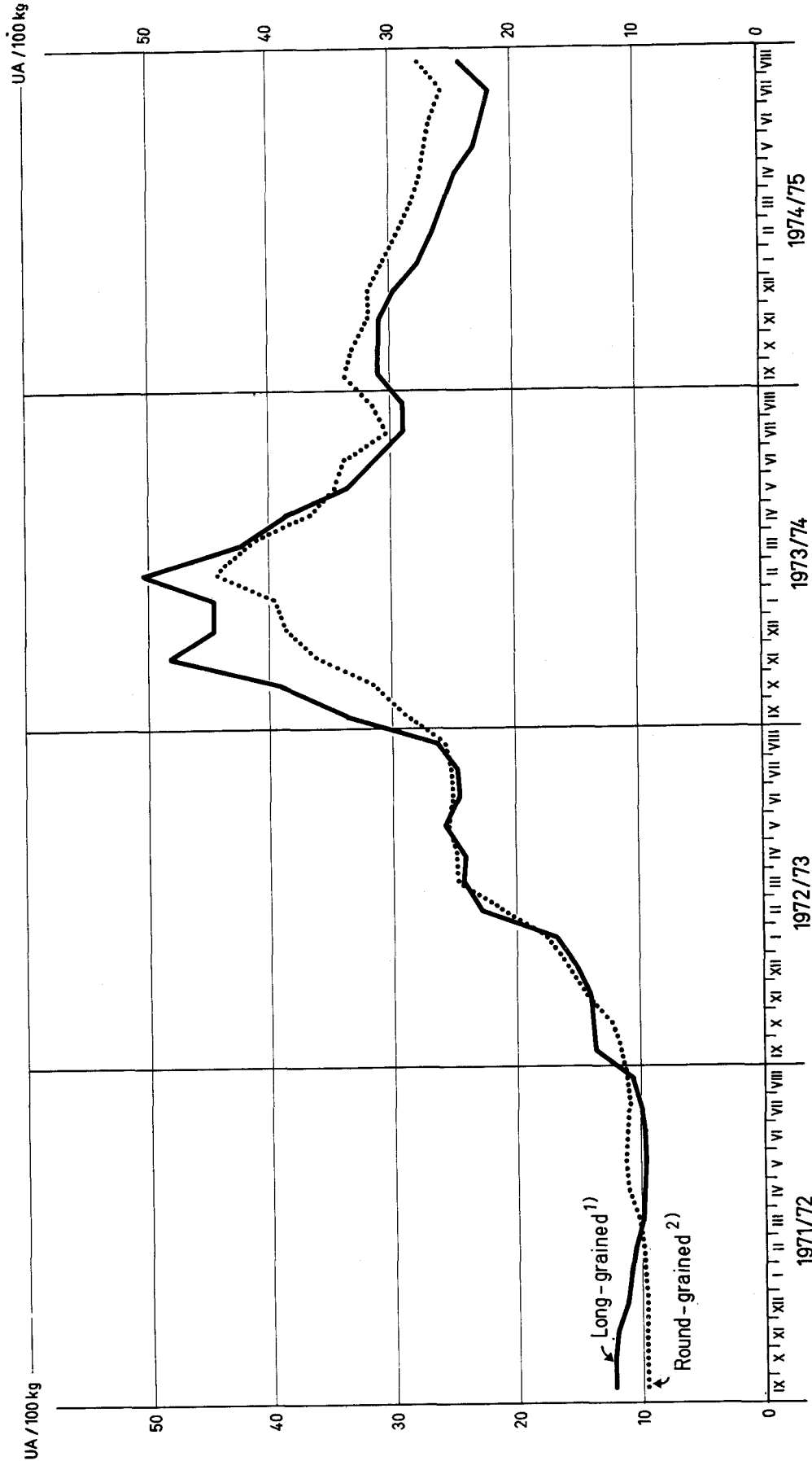
As from March, invitations to tender were issued for levies and/or export refunds. Thus, from 20 March 1975 to 26 June 1975, contracts for the following quantities were awarded:

Round-grained milled rice:	20 275 m.t. at an average refund of 8.15 u.a./m.t.
Long-grained milled rice :	15 961 m.t. at an average refund of 33.05 u.a./m.t.
Long-grained husked rice :	2 110 m.t. at an average refund of 5.80 u.a./m.t.

(b) Food aid

In 1974, 12 726 m.t. of rice were delivered as food aid, in particular to the ICRC (International Committee of the Red Cross).

MONTHLY AVERAGE CIF PRICES AT ROTTERDAM FOR HUSKED RICE  
(1971/72 - 1974/75)



1) Rice corresponding to the long-grained rice variety representative of Community production (ribe)  
2) Rice corresponding to the standard quality (round-grained rice)

(c) Quantities submitted for intervention

No intervention took place in respect of rice in the 1973/74 and 1974/75 marketing years.

(d) Stocks

At the beginning of the 1974/75 marketing year, rice stocks amounted to 334 000 m.t. for the original Community, i.e., 67 000 m.t. (+25%) more than in 1973/74 and 140 000 m.t. more than in 1972/73. Given the shortage of rice which existed until the end of 1974 the stock at the beginning of 1974/75 may be considered as normal.

(e) Price fluidity

1. Accession compensatory amounts

The accession compensatory amounts for rice, fixed at the same level for all three new Member States, reflected - at their first fixing - the gap between world and Community prices. In theory, these amounts would be very high; however, in practice they are limited to the amount of the import levy, which, since accession, has been below that of the compensatory amounts.

2. Monetary compensatory amounts

Up to the present no monetary compensatory amount has been fixed for rice.

8. Budgetary costs

Expenditure by the Guarantee Section of EAGGF in respect of the rice sector amounted to 11.4 million u.a. in 1973, 1.2 million u.a. in 1974 and is estimated at 4.7 million u.a. for 1975; these figures represent respectively 0.3%, 0.04% and 0.1% of the Guarantee Section's total expenditure. In 1975, the expenditure of 4.7 million u.a. was made up of 3.9 million u.a. in export refunds and 0.8 million u.a. in price compensatory measures.

### 3. Sugar<sup>1</sup>

#### 1. Introduction

During the 1974/75 marketing year shortages occurred in the Community for the first time; various counter-measures were taken, in particular, the provision of import subsidies for 500 000 m.t. of sugar. It should, moreover, be emphasized that this sugar year was the last in which the provisions of the original Regulation on sugar<sup>2</sup> were applicable. During the year considerable work was done on the negotiations for the reorganization of the market in sugar at the various Community levels. Concurrently, negotiations took place on the protocol to the ACP/EEC Lomé Convention.

The reorganization of the sugar industry and of sugar-beet farming into larger production units continued. Today, the number of holdings in the Community which grow sugar-beet is less than 400 000 and the average area under sugar-beet per holding has increased to around 4.5 ha. The structure of the sugar industry in the Community is now as follows:

Out of a total of 258 sugar mills, 18 produce raw cane sugar, 24 raw beet sugar and the rest white sugar (see table below). A new white sugar mill was built in northern France and processing started in 1975.

---

<sup>1</sup>See Tables II.B/3.1 to II.B/3.10 of Part III.

<sup>2</sup>Regulation (EEC) No 1009/67.

Country	Enterprises	Sugar mills
Denmark	2	6
Germany	34	54
France	57	89
including Overseas Departments	13	18
Ireland	1	4
Italy	20	56
Netherlands	2	11
Belgium/Luxembourg	13	21
United Kingdom	1	17
Community total	130	258

## 2. Production

The total area under sugar-beet in the Community was in 1974/75 unchanged on the previous year. Decreases in the area under sugar-beet, particularly in Italy (- 18.5%) and Ireland (- 13%) were counterbalanced by increases in Germany, France and Denmark. In Italy, the recession, which started in 1968/69, has therefore continued. Because of climatic conditions, competition between cereals and certain special crops on the one hand and sugar-beet on the other is keener in that Member State than in the other Member States of the Community.

The proportion of the utilized agricultural area of the Community planted with sugar-beet, including the area in France planted with sugar-beet for alcohol is 1.8%



In 1974, the average yield of sugar per hectare fell to 5.21 m.t. This is the lowest yield since the entry into force of the common organization of the market in sugar. Yields per hectare were particularly low in the United Kingdom (3.86 m.t.). In 1975/76 also, only a fairly low yield per hectare is to be expected for the Community as a whole. In these two years weather conditions in the Community, with the exception of Italy, have been unfavourable for beet growing, thus reversing a general trend to slightly increasing yields.

Because of these low yields, sugar production in the Community in 1974/75 was only 8 565 000 m.t. and self-supply fell to 90%. Particularly in Italy, in the French overseas departments and in the United Kingdom production has been less than the basic quota. The coefficient to be applied for fixing the maximum quota had been increased by the Council from 1.35 to 1.45 for 1974/75. This explains why the amount subject to levy between the basic and maximum quota, i.e., 1 381 000 m.t., was greater than that of the preceding year (1 336 000 m.t.) when total production was appreciably greater. Consequently, the quantity of sugar exceeding the maximum quota in 1974/75 was reduced (C sugar: 207 000 m.t.).

### 3. Consumption

During recent years, human consumption of sugar has increased steadily by 1.5 to 2% per annum. However, in 1973/74 purchases were appreciably stimulated by the autumn 1973 oil crisis, and were reflected by a very large statistical increase (more than 9%) in human consumption of sugar in 1973/74. In 1975,

the position was reversed. Purchases diminished considerably, in particular because of the generalized increase in prices on the sugar market. According to available figures, human consumption in 1974/75 was slightly less at 9.5 million m.t., or a reduction of about 8% compared with the previous marketing year. Similar changes have been seen in many industrialized countries throughout the world. Since the movement of stocks held by retailers and consumers cannot be assessed statistically it is not possible to distinguish the effect of the following factors on the reduction of the quantities sold: the increase in consumer prices, the slackening of economic activity and the reduction of excess stocks built up by consumers and the processing industry.

Finally, a measure of replacement of sugar by other sweeteners should not be overlooked, some of them synthetic (cyclamates), others derivatives of starches (for example: maize syrup, glucose, isomers). The use of these sweeteners may play an increasing part in the manufacture, for example, of confectionery, jams, soft drinks and preserved fruit.

Estimates of the use of sugar in the chemical industry show a clear decline. In this connection, it should be noted that the production refund on sugar used for the manufacture of products which can be made either from starches or from saccharose, has not been granted since October 1974. The production refund on other chemical products, which is related to the prices for sugar on the world market, had already been abolished as from 1973/74.

#### 4. Trade

Intra-Community trade in sugar in 1974/75 was around 1.8 million m.t. This high level of exchanges within the Community reflects the special situation

prevailing in this marketing year, in which, in particular, the large supply shortfalls in Italy and the United Kingdom made it necessary to increase purchases from other Community countries.

Moreover, because of the 1974/75 shortage, exports to non-member countries were reduced to the traditional exports of sugar in processed forms (about 250 000 m.t.), and to a small quantity of C sugar. Among the imports from non-member countries (around 1.8 million m.t.) should be mentioned the imports from Commonwealth countries which became ACP countries from March 1975, and imports qualifying for Community subsidies (0.52 million m.t.).

When, in autumn 1974, it became evident that the Community could not be supplied in full from its own harvests and by prospective deliveries from the Commonwealth countries, the Council approved, in a number of stages, import subsidies on sugar from non-member countries. These imports were effected between December 1974 and April 1975 by the award of import contracts whereby the tenderers obtained the right to export, from 15 October 1975, and equal quantity exempt from levy. Since quotations were high at that time on sugar futures markets, this coupling with a later export transaction gave the importer the chance to offset a part of the book losses suffered on importation by resale operations on the futures market. This enabled the amount of the subsidies to be substantially reduced.

## 5. Prices

### (a) Community prices

Price increases were authorized in two stages for the 1974/75 marketing year. Their combined effect was a rise of 10.8% in minimum sugar-beet prices and of 12.4% in intervention prices for white sugar compared with the 1973/74 level.

In March 1975, the Council fixed the new Community prices for 1975/76. Given the generalized increase in prices and the special shortage situation in the sugar sector, the Council decided to raise both minimum sugar-beet prices and intervention prices for white sugar by 15%. Additionally, the maximum quotas were again fixed at 145% of the basic quotas increased by 16%, and it was decided a priori for this year to waive the collection of the production levy.

### (b) Market prices within the Community

At the end of the 1973/74 marketing year some danger of a shortfall in supply appeared for the first time. The 1973/74 demand, unduly swollen by speculation and, in certain cases, by the failure to fulfil delivery agreements entered into between various Commonwealth countries and the United Kingdom, resulted in very reduced sugar stocks in September 1974. When it became clear that the new harvest would be much below forecasts, prices started to rise and, during the winter, reached on average the level of the threshold price and sometimes even rose considerably higher.

In some countries, interventions by the authorities compelled the sugar industry not to exceed a certain price for delivery on the home market. On the other hand, much higher prices could be obtained through sales to other Member States.

The rise in market prices in the United Kingdom and Ireland was particularly fierce. At the end of 1974, these two Member States decided on an anticipated alignment of their prices on Community prices and, therefore, also on the abolition of the accession compensatory amounts. In January 1975, the United Kingdom ensured the continuance of imports from the ACP countries by guaranteeing those countries, for deliveries made during the 1975 calendar year, a price of £260 per long ton of raw sugar cif United Kingdom. This price is more than £100 per long ton above the Community price. In Italy, the rise of prices had been stemmed by government measures which curbed the flow of sugar from other Member States.

From January 1975, the subsidized imports (see the section on "trade") prevented further increases, progressively stabilized prices and, indeed, lowered those which had been increased excessively.

As agreed between them and the sugar industry, Community beet growers obtained additions to the minimum sugar-beet price to take account of the higher market prices for sugar.

#### 6. World market developments

The relative shortage which had prevailed since 1972/73 and which produced an upward trend in world market prices, was abruptly aggravated in 1974/75. The fact that sugar production in the Community had been very low in 1974 and that the Community and the USSR had had to obtain supplies from abroad to cover their needs resulted in very high prices on the world market for several weeks.

Additionally, the demand for sugar remained very strong throughout the world until December 1974, reflecting an anxiety to maintain the previously attained level of consumption and to hedge as well as possible against further rises. The highest price for sugar was reached on the London Stock Exchange on 21 November 1974 with a quotation for early delivery of £650 per long ton of raw sugar, or 115 u.a. per 100 kg at the rate of exchange obtaining on that day.

Gross world production in 1974/75 has been estimated at 79.3 million m.t. World consumption, first estimated at around 81 million m.t., to take account of the increase in world demand, was later put at slightly less than 79 million m.t. The abnormally high price level, particularly in traditional importing countries, reduced demand. However, the adjustment of demand to the high prices occurred only with considerable time lags in many countries, because, the authorities frequently attempted to stop or reduce the rise by appropriate measures.

From January 1975, a downtrend of prices began on the world market. The weakening of demand and the realization that covering purchases had been overdone created a bearish atmosphere. Finally, in July 1975, world market prices sank almost to the level of Community prices.

The first estimates of production and consumption in 1975/76 suggest that production will exceed consumption by 3 to 4 million m.t. In fact, the estimate for consumption, because of fluctuations caused by price movements during the preceding period, is beset with more uncertainties than formerly.

## 7. Outlook

According to the first estimates for 1975/76, world sugar production should be 6% higher than in the preceding year (13% up for beet sugar and 2% for cane sugar). The increase in the production of beet sugar is the result mainly of a sizeable increase in areas sown (16% for the EEC). World consumption of sugar fell very considerably in 1975 partly because of the very high price and reduced availability of sugar. Until such time as world economic activity picks up it can be expected that consumption during the two coming marketing years will increase only slowly. The increase in production in the 1975/76 marketing year, which will probably exceed the increase in consumption, will enable some rebuilding of world stocks which are currently extremely low. Under these conditions, it may be assumed that world prices for sugar will continue, in 1975/76, to fluctuate around the level of Community prices. In the Community during the 1975/76 marketing year, sugar production and preferential imports of ACP sugar will exceed Community consumption, thus enabling the export of the quantities committed in 1974/75 under the scheme of subsidized imports. For subsequent marketing years, it can be estimated that the area now under sugar beet (1.8 million hectares) will not change on condition that the price of sugar on the world market does not fall too far below Community prices. Assuming no change in areas, a normal yield of sugar per hectare and delivery by the ACP countries of the agreed quantities, the Community will have about 2 million m.t. available for export.

8. Economic aspects of measures taken

(a) Levies, import subsidies and refunds

During the 1974/75 marketing year, an export levy remained continually in force for products subject to levy under the common organization of the market in sugar. In December 1974 a reduced export levy was introduced for sugar in processed forms and was abolished only in May 1975. The export levies helped, in general, to ensure supplies. Available data show that in 1974/75 traditional exports were, after all, maintained. Only in June 1975 were import levies reintroduced for white sugar and raw unprocessed sugar.

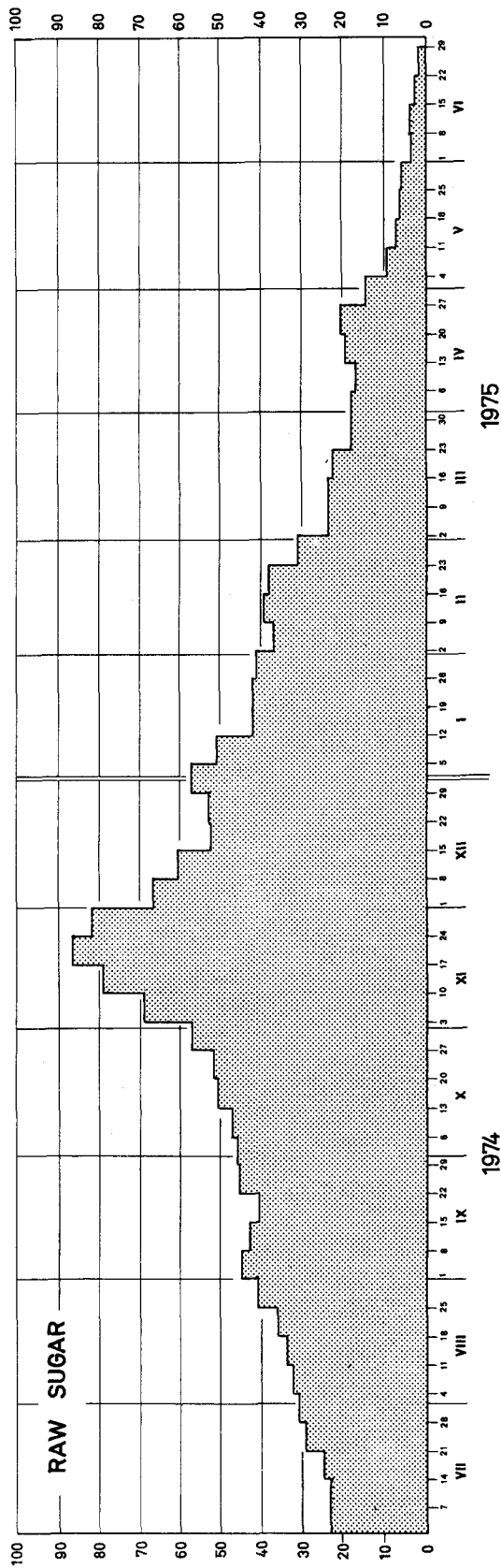
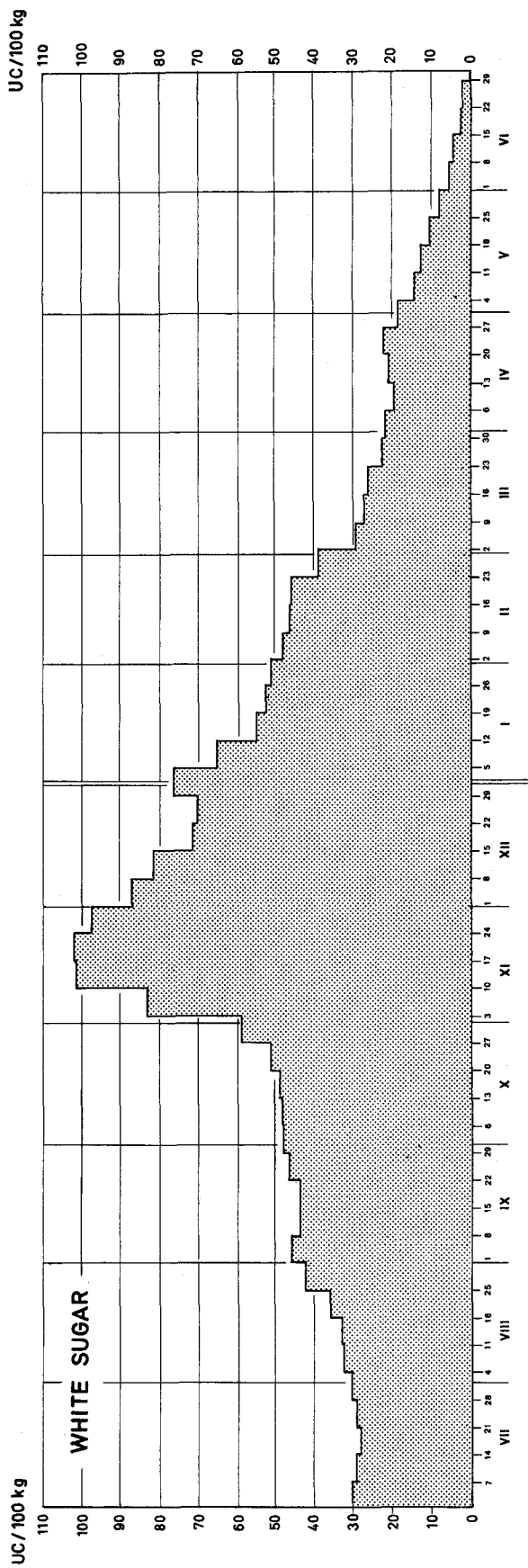
Import subsidies were granted for 520 000 m.t. Imports were made according to the procedure described in paragraph 4 on "trade". No export refunds were granted in 1974/75.

(b) Food aid, sales to intervention agencies

In accordance with arrangements made with the United Nations for 1974/75, the Community was due to supply 6 094 m.t. of white sugar as food aid to Palestinian refugees, and 4 094 m.t. were actually delivered. Commitments regarding the remaining 2 000 m.t. were met by means of a cash payment to the United Nations. No sugar was offered to the Community's intervention agencies during the marketing year.



# Export levies : SUGAR



9. Expenditure

In the sugar sector, losses suffered in the marketing of surpluses (export refunds, production refunds for certain chemical products, denaturing premiums) are, under certain conditions, met jointly by the sugar-beet growers and the sugar manufacturers. The expenditure incurred has thus, since 1970/71, been entirely covered by the trade because of the production levy.

In the European Guidance and Guarantee Fund's accounts, the expenditure incurred on equalization of storage costs is, averaged over a number of years, made good by equivalent income derived from the contribution to cover storage costs made by sugar manufacturers.

Because of the special shortage situation in the sugar sector, large subsidies spread over the 1974 and 1975 Budgets were paid from Community funds in 1974/75 in order to ensure supplies to the consumer. These involve import subsidies for sugar from non-member countries (520 000 m.t.), subsidies to maintain C sugar in the Community (24 000 m.t.) and subsidies for the extraction of sugar from molasses (35 000 m.t.). In the 1975 Budget these subsidies total 170 million u.a.

To meet this expenditure, it can be estimated that, for 1974/75, around 12 to 14 million u.a. will be derived from export levies on sugar in processed forms and small quantities of sugar exported as such. In 1975, budget expenditure is estimated at 325.6 million u.a., including 100 million u.a. for the reimbursement of storage costs and around 42 million u.a. for expenditure in respect of compensatory monetary amounts, without taking into account income derived from the storage levy.

#### 4. Olive oil<sup>1</sup>

##### 1. Introduction

0.5% of the Community's olive oil production arises in France, and 99.5% in Italy, where this product on average accounts for 4.1% of the overall value of national agricultural production and 1.2% of total Community agricultural production.

In a normal year this production covers only about 70% of the Community's olive oil requirements; total olive plantations in the Community, according to certain estimates, contain about 190 million trees, of which 185 million are in Italy and 5 million in France.

Since the establishment of the common organization of the market in oils and fats, there does not appear to have been any significant change in the scale of the olive cultivation structure in the original Community. The area cultivated has been practically stable at around 2.3 million hectares (approximately 2.28 million in Italy and 38 000 in France), representing 2.3% of the Community's total UAA. Olive trees are cultivated on more than 1.2 million farms.

Community olive oil production on average represents about 30% of world production.

According to the International Olive Oil Council, the total world area devoted to olive cultivation amounts to about 10 million hectares; the area utilized in the Community, therefore, represents 23% of the world total.

##### Trends in the olive oil market in the original Community since 1972

The difficulties involved in establishing figures for the olive oil marketing years from 1966/67 to 1971/72 and in analysing market trends were set out by the Commission in a report transmitted to the Council on 26 September 1972<sup>2</sup>.

In establishing figures for the olive oil trade in the Community in subsequent marketing years, difficulties similar to those mentioned above were encountered.

##### 2. Production

On the basis of applications for subsidies received, production in 1973/74 amounted to 572 200 m.t. in Italy and 2 900 m.t. in France.

---

<sup>1</sup>See Tables II.B/4.1 to II.B/4.10 in Part III.

<sup>2</sup>Doc. R/2022/72 AGRI 598 FIN 542.

Applications for subsidies relating to the 1974/75 marketing year concerned about 446 300 m.t. in Italy and 1 636 m.t. in France.

It should be pointed out that despite the strengthening of controls, particularly the stricter application of target yields in Italy, it is probable that part of the above-mentioned quantities (between 5% and 10%) should be considered as not really eligible for aid.

In Italy, aid payments to olive oil producers are made 18-24 months in arrears, which greatly detracts from the effectiveness of this measure. On 31 August 1975, the amounts still to be paid for the 1972/73 and 1973/74 marketing years represented 24% and 82% respectively of the total due.

In France, on the other hand, the supervision of aid applications, both in respect of crops and at the milling stage, enable payments to be made at the end of each marketing year. It should be remembered that there are relatively few applications to be checked in this Member State, however, although the administrative procedures are complex.

### 3. Consumption and marketing

The main factors influencing consumption, often after a certain time lag, are the following:

- (a) the ratio between the prices of olive oil and seed-oils at consumer level;
- (b) the quantities of olive oil available on the market; this partly depends on the Community harvest and partly on the availability of imports from the world market - which in turn depends on harvests and unilateral decisions by exporting countries;
- (c) publicity to promote the consumption of olive oil and factors tending to depress consumption of certain other oils and seeds;
- (d) the tendency, in times of short supply and rising prices, for housewives to build up stocks.

The net result of these somewhat conflicting factors was that in 1973/74 consumption remained at a level close to that in 1972/73. However, larger quantities were withdrawn from the market to increase stock levels, particularly

in Italy.

The difficulties encountered in 1974 and the upward movement of prices towards the end of the year had an unfavourable effect on consumption, particularly at the start of the 1974/75 marketing year. Moreover, in the opening months of 1975 seed-oil prices declined; this trend accelerated in the middle of the year, making it difficult to market olive oil, whose prices, although lower, did not fall to the same extent as for seed-oils. According to some estimates, in early 1975 olive oil sales to industry and trade fell by 40-50% on the same period in the previous year; this decline seems to have been due to lower consumption combined with the utilization of household stocks built up in 1974.

In August 1975, demand began to pick up, mainly because the ratio between olive oil and seed-oil prices recovered in favour of the former.

#### 4. Trade

The Community, which has a deficit in olive oil, is the world's largest net importer. Since the establishment of the common organization of the market in this sector, imports have risen considerably, from 111 000 m.t. in 1966/67 to 194 000 m.t. in 1973/74, after a peak of 251 000 m.t. in 1972/73.

Owing to the difficulties referred to in paragraph 3, imports declined in 1974/75; on the basis of licences issued, imports up to 30 September 1975 amounted to about 113 500 m.t.

The producer-exporter countries which supply the Community are as follows (in order of importance):

<u>1972/73</u>		<u>1973/74</u>		('000 metric tons)	
				<u>1974/75</u>	
				(based on licences issued up to 30 September 1975)	
Spain	79.8	Tunisia	57.1	Tunisia	32.0
Tunisia	43.9	Spain	52.5	Greece	26.3
Turkey	36.4	Morocco	28.7	Spain	26.1
Morocco	27.3	Greece	16.7	Morocco	14.4
Greece	22.4	Turkey	10.5	Turkey	0.7

During the 1974/75 marketing year a change took place in world market trends; in the two previous years, the quantities on offer were too low to ensure supplies at normal prices to the Community, the principal importer. From the beginning of 1975, however, larger quantities became available while demand declined.

During the year, applications for import licences into the Community, which had been running at a low level until May, increased in both number and volume in June in response to the more favourable prices on world markets.

To deal with this situation, which - in view of the trend of internal demand - jeopardized the disposal of the Community olive oil harvest, on 23 June 1975 the Commission suspended the issue of import licences with advance fixing of levies, whilst the Council decided to put forward the date of application of the threshold price for the 1975/76 marketing year from 1 November 1975 to 27 June 1975. The issue of import licences with advance fixing of levies was restored on 30 June. Levies varied, depending on offers recorded on the world market, from 9 to 36 u.a. 100/kg on 1 October 1975.

Despite the implementation of these provisions, applications for import licences for about 50 000 m.t. were received between July and September 1975.

Intra-Community trade rose from an average of 5 000 m.t. between 1966/67 and 1970/71 to 8 303 m.t. in 1972/73 and 13 506 m.t. in 1973/74.

Exports to non-member countries forming part of the established trading pattern amounted to 14 491 m.t. in 1973/74, of which 12 636 m.t. originated in Italy and 1 855 m.t. in France.

## 5. Prices

### (a) Common prices

The common prices for standard quality olive oil (semi-fine 3<sup>o</sup>.3) - target production and market prices, threshold and intervention prices - were raised by 5% for the 1974/75 marketing year.

For the 1975/76 marketing year, prices were fixed at levels showing the following increases over those fixed in 1974/75:

	1975/76	1974/75	(u.a./100 kg) % increase
Production target price	185	144.03	28.5%
Market target price	149.96	101.86	47.2%
Threshold price	146.96	99.86	47.7%
Intervention price	142.71	94.61	50.8%

(b) Market prices

On the Bari market (the main production centre) prices for standard quality oil during the 1973/74 marketing year rose steadily until October 1974, when they reached 203 u.a./100 kg, the average price for that year being 168 u.a./100 kg.

These prices, which were considerably higher than the target price in force in the Community, reflected the price situation on the world market.

Early in 1974/75, prices began to fall off, a trend which has accelerated since May 1975. Until 27 June, despite the decline, prices were still considerably higher than the Community threshold price; since then, a slight recovery has occurred. In September 1975, prices were at a level close to the target price set for the 1975/76 marketing year.

The trend of market prices in the Community in 1975 is mainly accounted for by:

- (i) the decline in world market prices of olive oil following the increase in available supplies and the drop in oil-seed prices;
- (ii) the reduction in demand in the first part of 1975, which led to an increase in the quantities available on the Community market, particularly of better quality oils.

It should be recalled that since May 1975 producers have been informed of the market target and intervention prices coming into force on 1 November 1975 - sharply higher than in 1974 - and that importers of "lampante" grade oil

showed, by the growing numbers of their applications for licences, a tendency to obtain supplies on the world market. The result was an unsatisfactory situation in which the marketing of the Community crop was appreciably slowed.

Faced with this situation, the Italian Government implemented the protective clause and suspended the issue of import licences. At the same time it notified the Commission of this measure, and requested its extension to the whole Community. The Commission, while rejecting the Italian measure, proposed to the Council that the threshold price applicable to the 1975/76 marketing year should come into force on 27 June 1975 instead of 1 November 1975. This proposal was adopted; as a result, and in view of the increase in the threshold price (47%), the Community market was better protected.

#### 6. Outlook

Forecasts for 1975/76 show that seed-oil prices are tending to stabilize, although the possibility of a subsequent fall cannot be excluded. In view of the threshold price fixed by the Council for the marketing year in question, olive oil prices in the Community cannot trend downwards in parallel with the prices of competing oils. There is little likelihood that the ratio between the prices of two groups of oils will recover in favour of olive oil.

Consequently, despite the recovery in demand for the latter in the closing months of the 1974/75 marketing year, estimated consumption for 1975/76 - although higher than in early 1974/75 - is unlikely to exceed the level for the whole year.

Community production is expected to be higher than normal.

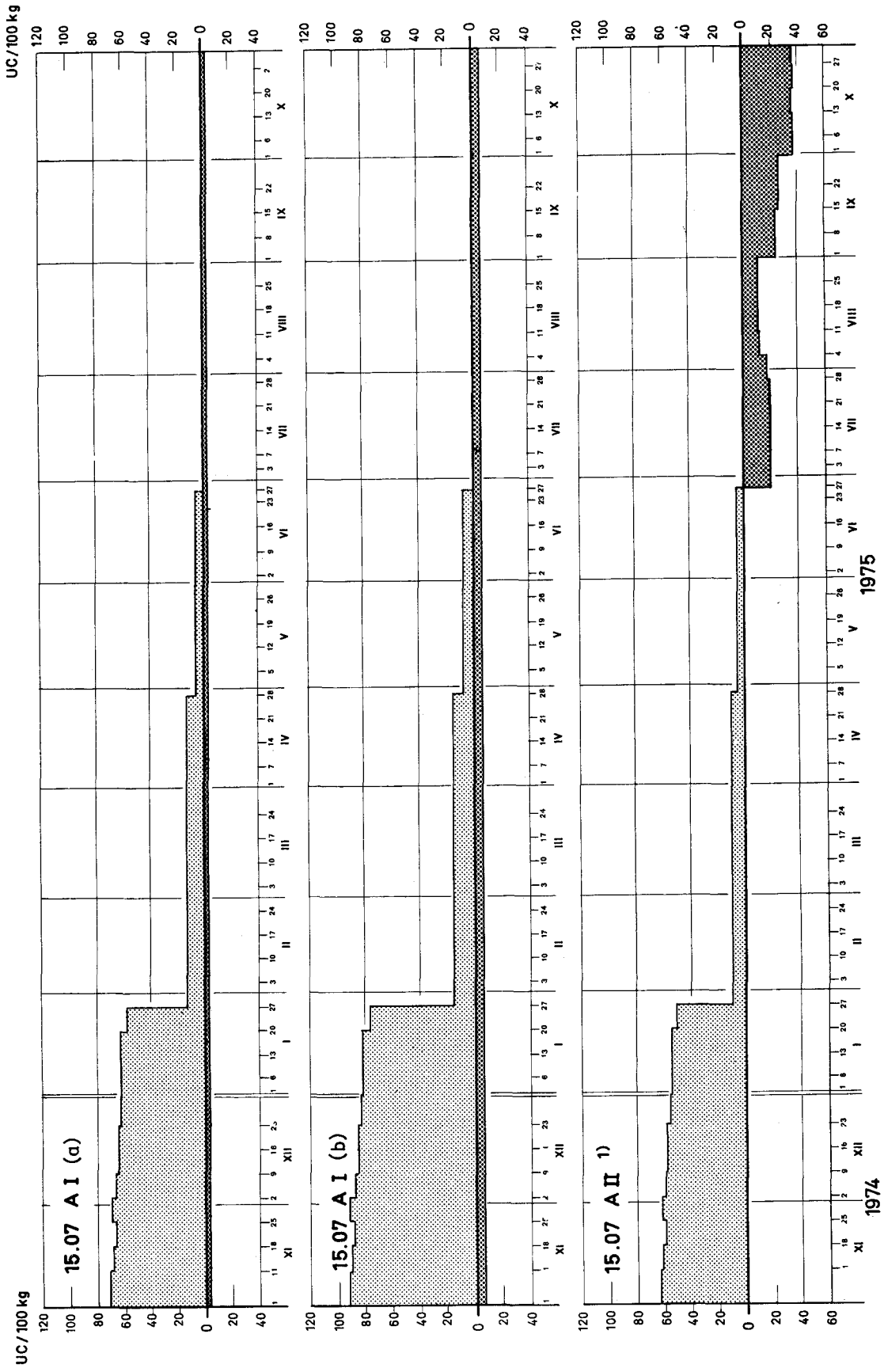
Moreover, data available at the end of 1974/75 indicate that there has been a carry-over of Community oil from 1974/75 to 1975/76 in addition to the quantities imported, for which licences - relating to large quantities - were issued at the end of the year.

Therefore, it can be assumed that import requirements will be lower than in previous marketing years.

It should further be pointed out that on the world market, abundant harvests are expected, particularly in the main producer-exporter countries:



# Levies : OLIVE OIL



Export levies

Import levies

1) STANDARD QUALITY

Tunisia, 160 - 180 000 m.t.; Greece, 150 000 m.t.; Spain, 500 - 550 000 m.t.; Morocco, 50 - 60 000 m.t.; Turkey, 80 000 m.t.; Algeria, 20 - 30 000 m.t. From this data it can be seen that the quantities available for export will be greater than in 1974/75.

7. Economic aspects of the measures taken

(a) Import levies

As stated earlier, the import levy on olive oil, reduced to zero in March 1973, was fixed at 19 u.a. when the date of application of the threshold price was brought forward to 27 June; by 1 October 1975 it had risen to 36 u.a./100 kg.

(b) Export levies

A levy was introduced in November 1972 to offset the difference between the world market price and the target price for the Community market. The measure was abolished on 26 June 1975.

(c) Refunds

With the aim of maintaining the traditional export pattern for branded oils in small containers, an export refund is still granted.

(d) Compensatory amounts

The discriminatory policy followed by one of the main olive oil exporting countries compelled the Community, with effect from February 1973, to apply a compensatory amount to imports of refined olive oil in small containers; on 1 October 1974 this charge was extended to cover containers of more than 20 kg from the country in question. These compensatory amounts were abolished on 20 December 1974.

(e) Private storage aid

Although demand began to pick up on the Community market, the Commission noted that a quantity of oil from the 1974/75 marketing year had still not been disposed of by September 1975. To prevent this carry-over from leading to the submission for intervention of oil from the new harvest, the Commission decided to introduce private storage aid for olive oil from the 1974/75 marketing year, the contracts to be signed before 31 October 1975.

8. Budgetary costs

Since no intervention has taken place in recent marketing years, expenditure in this sector only concerns subsidies for olive oil producers and export refunds. Since expenditure on export refunds was very minor, the cost for 1974/75 will depend on the volume of production.

Expenditure by the Guarantee Section of EAGGF in the olive oil sector amounted to 281.4 million u.a. in 1973 and 135.8 million u.a. in 1974, and has been estimated at 229.5 million u.a. for 1975; i.e., 7.4%, 4.4% and 5% respectively of the Guarantee Section's total expenditure.

For 1976, in addition to higher refunds, (about 0.8 million u.a.) provision should be made for private storage aid for olive oil in an amount of 2.4 million u.a. Intervention expenditure may also be incurred.

## 5. Oil and protein seeds and cotton seed<sup>1</sup>

The organization of the market in oilseeds mainly concerns colza, rape and sunflower seeds. Special measures have been taken for cotton seed and, with effect from 1 November 1974, a support system will also be applied to soya beans.

### 5.a Colza, rape and sunflower seeds

#### 1. Introduction

In 1974, the share of oilseeds in the end value of agricultural production was 0.5%; this crop accounted for 0.7% of the Community's UAA. In 1974/75, world production of colza amounted to 7.5 million m.t., whereas Community production was 1.2 million m.t., or about 16% of the world total; as regards sunflower seed, in 1974/75 world production was 11 million m.t., whilst the Community production was 106 000 m.t. or 0.9% of the world total.

In view of the scale of its oilseed production, the Community only covers a very small part of its own needs in oils and oil cake. The degree of self-sufficiency does not exceed 11% of oil requirements - with the exception of olive oil - and 4% to 5% of oil cake requirements.

#### 2. Production

Production of colza and sunflower seeds in the original Community rose steadily from the establishment of the market organization in 1967/68 to the 1972/73 marketing year.

This remarkable expansion of Community production of oilseeds was mainly due to the price levels fixed by the Council from the establishment of the common organization of the market, to the relatively favourable ratio between the price of oilseeds and that of other agricultural products competing with them in crop rotation and to the fact that colza and sunflower form very good main crops for rotation systems.

Under these conditions, the area under colza has steadily increased - although at a slower pace in recent marketing years. This slowdown is partly accounted for by the fact that in the original Community, colza production has gradually reached an equilibrium, partly as a result

---

<sup>1</sup>See Tables II.B/5.a.1 to II.B/5.c.1 in Part III.

of the prevailing price ratio and partly because the common organization of the market in oilseeds did not begin to affect the new Member States until the 1973/74 marketing year.

In 1973/74, however, - there was for the first time - a slight decline in colza production, whereas sunflower seed production increased further. The decline in colza production was solely due to a reduction in yields per hectare in the main producer countries.

In 1974/75, the production of colza and rape seeds in the Community picked up again as the area under these crops increased slightly and yields returned to normal in favourable weather conditions. There was little change in the area under sunflower seed - or in yields from this crop - in 1974/75 as compared with the previous marketing year; consequently, no major change occurred in the volume of end production in 1974.

The main colza producing countries in the Community are, in order of importance: France, Federal Republic of Germany and Denmark; together, they accounted for 92% of total Community production in 1974/75. With regard to sunflower seed, the only producer countries are, in order of importance: France and Italy, , accounting respectively for 70% and 30% of total production in 1974/75.

### 3. Consumption

The demand for colza, rape and sunflower seed depends on the demand for oils and colza and sunflower oil cake.

The demand for colza and sunflower seed oil and oil cake is determined by overall demand for oil and oil cake and also by the ratios between the prices of colza and sunflower oils and oil cake and of other alternative types of oil and oil cake.

This being the case, two sets of consumption figures, one for oils and the other for colza and sunflower oil cake, should be drawn up.

#### Oils

The total amount of colza oil available rose steadily from 1967/68 to 1972/73, when it reached about 480 000 m.t. in the original Community.

In 1973/74, in line with the trend in seed production, the quantities of colza oil available on the internal market declined for the first time, amounting to 390 000 m.t. in the original Community. A similar decline occurred at the level of the enlarged Community, since for the same marketing year the amount available was 458 000 m.t. - less than for the original Community in 1972/73.

This decline in available quantities of colza oil in 1973/74 can mainly be accounted for by lower demand, which impelled operators to seek new export outlets.

As regards the amount of sunflower seed oil available, it has remained relatively stable to date and amounts to 374 000 m.t. in the enlarged Community.

#### Oil cake

As regards the availability of colza oil cake, the volume has practically doubled since 1967/68; it rose once more in 1972/73, mainly as a result of a marked increase in imports, the Community becoming a net importer of this product for the first time since the establishment of the market organization. This trend was confirmed in 1973/74 in the enlarged Community, since the quantity available amounted to 820 000 m.t.

As regards sunflower seed oil cake, availability has fluctuated since 1967/68 in accordance with import volume without, however, displaying any identifiable trend. There was a decline in the 1972/73 marketing year, when supplies in the enlarged Community amounted to 349 000 m.t.

#### 4. Trade

Imports of colza and rape seed from non-member countries, which rose steadily from 1967/68 to 1971/72, fell off sharply in 1972/73 as a result of unfavourable processing margins. Imports picked up slightly in 1973/74, amounting to 386 000 m.t. in the enlarged Community.

Data available for the 1974/75 marketing year show a net decline in imports from non-member countries owing to a sharp drop in demand for oils, particularly in Italy.

Imports of sunflower seed were also lower in 1973/74, at 235 000 m.t. for the enlarged Community, a decline of about 30 000 m.t.

According to data available for 1974/75, imports of sunflower seed declined further whilst intra-Community trade was on an insignificant scale.

Established exports of colza and rape seed to non-member countries, which have hovered around 40 000 m.t. for the original Community since 1967/68, rose slightly in 1973/74, amounting to 46 000 m.t. for the enlarged Community. In 1974/75 there was a sharp rise in exports to non-member countries, mainly accounted for by exceptionally large purchases by Japan (about 200 000 m.t.).

Exports of Community sunflower seed to non-member countries were negligible, although data for the 1973/74 marketing year show that 34 000 m.t. were exported; however, this phenomenon was mainly due to re-exports from Germany to Eastern European countries of sunflower seed imported from non-member countries. This trade has been continued in the last two marketing years.

Intra-Community trade in colza and rape seeds, which expanded gradually from 1967/68 to 1971/72, has fallen off since 1972/73. Italy, until then a major buyer, has appreciably reduced its purchases (in 1972/73 by 24% on 1971/72, and in 1973/74 by 67% on 1971/72). This substantial reduction in demand by Italy is primarily due to the campaign led by the Italian Ministry of Health against colza oil, limiting its use to the manufacture of oil mixtures and stipulating that the erucic acid content of the finished product must not exceed 15% from 1 April 1974. Data for 1974/75 confirm this trend, but purchases by Germany and the Netherlands have increased considerably, with the result that overall intra-Community trade has risen in absolute

value as compared with the previous marketing year.

Intra-Community trade in sunflower seed is stable but on a very limited scale.

## 5. Prices

### (a) Common prices

The target prices for colza and sunflower seed for the 1975/76 marketing year were fixed at 25.53 u.a./100 kg and 26.51 u.a./100 kg respectively, corresponding to increases of 11% and 12% in relation to the previous year's levels. In comparison with 1967/68 prices, the target price for colza seed is up by 26% and that for sunflower seed by 31%.

### (b) Market prices

#### 1. World market

With the free import policy adopted by the Community, internal prices closely followed developments on the world market. There was a marked increase in prices between July and October 1974, during the 1974/75 marketing year. This was due to a decline of 21% in soya bean production in the United States - a determining factor on the oil market. However, by the end of October it was obvious that the fall in world demand following the economic recession would more than compensate for the reduction in supplies, and prices began to slide. Other factors contributed to the decline in oil seed prices; on the one hand the availability of large quantities of copra and palm oil, and on the other the low price of oil cake. Prices remained depressed until the end of 1974/75, with an occasional brief recovery.

#### 2. Community market

In the wake of world market development, the greater part of the Community crop was sold between July and October 1974 at



prices frequently higher than the target price. In France, during the period in question, prices rose to a level 20 u.a./100 kg higher than the intervention price. In Germany too, prices exceeded the target price. Another result of the world market situation was that for the first time a large quantity of Community colza (about 200 000 m.t.) was exported to Japan. However, with the sharp drop in prices in the latter part of 1974/75 due to world market trends, and the fact that in February 1975 the Council had fixed the prices for the 1975/76 marketing year at relatively high levels, the remaining holders of colza stocks postponed sales for some months; as a result, at the end of 1974/75, 5% of the Community harvest was still unsold.

The fall in prices also led to the fixing of aid at the end of February 1975 - the first time for 15 months. The level of aid between February and mid-October fluctuated between 0 and 6.6 u.a./100 kg; from 1 October 1975, refunds were also reintroduced.

As regards sunflower seed, no aid was fixed until May 1975; from May to mid-October 1975, the amount granted varied between 0 and 5 u.a./100 kg.

## 6. Outlook

In 1974/75, colza and rape seed production in the enlarged Community rose by about 9%. In 1975/76, however, total colza seed production was down by 20% although it was higher in both Denmark and the United Kingdom. This drop was mainly due to lower production in France and Germany - the Community's largest producers. It can probably be accounted for by a reduction in sown area following poor weather conditions and a marked decline in yields in these countries in 1975/76 as a result of the substitution, in large-scale cultivation, of new varieties with a low erucic acid content for the traditional varieties, with the attendant technical difficulties.

As regards sunflower seed, which is produced in only two countries - France and Italy - according to the latest information, production is likely to increase by about 60% in 1975/76 owing to the expansion of sown areas, the use of new, improved varieties and extensive publicity, particularly in Italy.

In the longer term, colza cultivation may recover if price levels for this seed continue to be attractive compared with other crops suitable for rotation. This also applies to sunflower seed, of which the production potential is far from exhausted in the Community.

Consumption of colza in the enlarged Community, which fell off sharply in 1973/74 mainly as a result of the measures taken in Italy to limit erucic acid content, is likely to decline further in 1975/76. However, conversion of Community colza seed production to varieties with a low erucic acid content should lead to a subsequent recovery in consumption of this oil in the Community.

Consumption of sunflower seed oil is stable and any increase is unlikely unless supplies of this product increase.

Established trade with non-member countries in colza and sunflower seed is unlikely to vary appreciably in future marketing years; the exports to Japan in 1974 can be regarded as exceptional. On the other hand, intra-Community trade could expand despite the continuing weakness of demand in Italy, hitherto the largest buyer of Community colza seed.

## 7. Economic aspects and measures taken

### (a) Refunds

In view of the price situation for colza, rape and sunflower seed on the world market, no refund was fixed during the 1973/74 and 1974/75 marketing years. From 1 October 1975 a refund of 1.5 u.a./100 kg was introduced to promote export sales of colza seed from regions in the Community where the market price was close to the intervention price.

(b) Intervention

During the 1972/73 and 1973/74 marketing years applications for intervention were submitted by the Netherlands and Germany, but only for very small quantities. No applications were submitted in 1974/75.

(c) Change in the standard quality

When the target and intervention prices for the 1974/75 marketing year were fixed, the standard quality for colza seed was changed by reducing the humidity content to 9%, in view of the difficulty of preserving this seed where the humidity content is higher.

For 1975/76, the standard quality of colza seed was again changed to take account of the lower oil content of new low erucic acid varieties; the oil content requirement was lowered from 42% to 40%.

(d) Unity of prices

1. Accession compensatory amounts

With the accession of the new Member States on 1 February 1972, "accession" compensatory amounts were introduced for colza and rape seed produced in the UK and Denmark only. In Ireland, Community prices were applicable from the time of accession. These "accession" compensatory amounts were fixed at 0.85 u.a./100 kg for Denmark and 3.69 u.a./100 kg for the UK in 1975/76.

2. Differential amounts

In view of the present monetary situation, the system of differential amounts introduced on 20 July 1972 continued to be applied throughout the 1973/74 marketing year and continues in force at present. This system was, however, modified by the adoption of EEC Regulation No 2300/73, designed to adapt it better to the needs of the market.

8. Budgetary costs

Expenditure by the Guarantee Section of EAGGF in respect of oleaginous products amounted to 86.3 million u.a. in 1973, 10.9 million u.a. in 1974 and 32.0 million u.a. for 1975; i.e., respectively 2.3%, 0.4% and 0.1% of the Guarantee Section's total expenditure.

The total of 32.0 million u.a. for 1975 includes 1 million u.a. for export refunds and 31 million u.a. for price subsidies.

5.b. Soya beans

On 15 July 1974, the Council adopted Regulation (EEC) No 1900/74, introducing special measures for soya beans produced in the Community. These measures came into force on 1 November 1974. It seems appropriate to emphasize the growing importance of soya beans in the oils and fats sector; this product is at present the principal source of protein and oil, as can be seen from the following figures:

1. Imports of soya beans by the original Community rose from 1 970 903 m.t. in 1963 to 8 188 000 m.t. in 1973/74.
2. Imports of oil cake by the original Community rose from 726 850 m.t. in 1963 to 2 857 000 m.t. in 1973/74; as a result of the soya bean imports, the enlarged Community's available supply of oil cake amounted to about 9 325 000 m.t. in 1973/74.
3. Imports of soya oil, on the other hand, which were already low in 1963, have been declining constantly since then, from 37 418 m.t. in 1963 to 23 000 m.t. in 1973/74. Consumption of soya oil in the original Community rose from 402 000 m.t. in 1963/64 to 1 137 000 m.t. in 1973/74.
4. In this connection, it should be noted that soya bean production in the Community is in its infancy. At the present time, production is concentrated in France. In 1974/75, the first year of application of the regulations governing the Community soya bean market, about 4 000 ha of soya beans were sown. On account of the poor weather conditions last autumn it was impossible to harvest the entire crop and production amounted to no more than 3 000 m.t. For 1975/76, the areas under soya beans has been reduced, and all being well the harvest is estimated at 5 000 m.t.

5. In view of the trend of world market prices, aid may be granted for Community soya beans from the 1975 harvest; however, the financial impact will be negligible.

5.c. Cotton seed<sup>1</sup>

The share of cotton in the end value of agricultural production, in the Community UAA and in world production (34 million hectares in 1974, with a production of 25.6 million m.t. of seed and 13.7 million m.t. of fibre, according to FAO) is infinitesimal.

This crop is only cultivated in some of the poorer regions in Italy - especially Sicily; the area concerned was only 5 000 ha in 1974 (3 200 ha in 1973), giving a yield of 1 500 m.t. of seed and 900 m.t. of fibre.

Community subsidies helped to maintain some interest in this crop although in 1975 the area under cultivation dropped to the 1973 level.

There is at present no reason to expect production to expand unless more productive varieties can be used.

The subsidy fixed at 82 u.a./hectare in 1973/74 and 87.78 u.a. in 1974/75 was increased by 9.4% to 96 u.a. in 1975/76.

Expenditure by the Guarantee Section of EAGGF in respect of cotton seed amounted to 0.2 million u.a. in 1973 and 0.2 million u.a. in 1974; it is estimated at 0.5 million u.a. for 1975.

---

<sup>1</sup>See Table II B/5.c.1.

## 6. Dehydrated fodder<sup>1</sup>

### 1. Introduction

The common organization of the market in dehydrated fodder, decided upon by the Council to improve the Community's protein supply, came into force on 1 May 1974.

In 1974/75 production of dehydrated fodder in the Community was derived from 211 553 ha of lucerne and other green fodder crops. This area is 0.23% of the UAA of the Community.

Of the Community's protein-rich crops, dehydrated fodder is its major provider of protein, though it has to be borne in mind that the Community's self-supply rate for protein is low. The Council has decided to extend the common organization of the market in dehydrated fodder to cover, as of 1 July 1975, dehydrated potatoes unsuitable for human consumption. It is, therefore, too early to assess the effects of the aid provided for by this organization on the level of production of these products in the Community.

### 2. Production

In 1974, Community dehydrated fodder production was 1 568 768 m.t., 3.7% more than in the previous year. This increase is below the 1968-1974 average of 6%.

The main reason for the slowing down in the expansion of dehydrated fodder production in 1974 seems to be the exceptional increase in fuel prices during that year. Since the impact of fuel costs on production costs is exceptionally high with dehydration processes, this sector was one of the hardest hit by the rise in energy prices.

However, the introduction of the common organization of the market, comprising aid for the production of dehydrated fodder which was granted for the first time during the 1974/75 year, undoubtedly helped, despite the simultaneous rise in energy prices, to encourage enterprises to undertake the dehydration of fodder and to prevent a falling-off in this activity for the first time in years.

---

<sup>1</sup>See Tables II.B/6.1 to II.B/6.7 of Part III.

France and Denmark are the two countries which produce most dehydrated fodder in the Community: 725 000 and 360 000 m.t. respectively, i.e., 46% and 23% of Community production. Three other Member States, Italy, the Netherlands and the United Kingdom each produced between 120 000 and 140 000 m.t.

The introduction of the common organization of the market, with its obligation on Member States to communicate certain data, has revealed more about certain aspects of the structure of the Community industry which dehydrates green fodder. Of a Community area of 211 553 ha of green fodder crops intended for the production of dehydrated fodder in 1974, about half, i.e. 100 000 ha, was processed by cooperatives; a third, i.e. 73 000 ha, was covered by contracts concluded between farmers producing green fodder and dehydration enterprises; the remainder, i.e. 38 000 ha or 18% of the total area, was processed by farmers themselves. This breakdown of dehydration activity is only valid for the Community as a whole; the situation varies considerably from one Member State to another.

For instance, in France and Germany more than 80% of the total area of fodder crops is dehydrated by cooperatives for their members, whereas in Ireland, the United Kingdom and Italy, three-quarters of the fodder crop area or even more is dried by the farmers themselves. In Denmark and in the Benelux countries most dehydration enterprises conclude contracts with farmers.

A comparison between the area devoted to green fodder crops grown for dehydration and the quantity of dehydrated fodder actually derived from these areas in each Member State, shows that in the main producer countries (France, Denmark, Italy, United Kingdom and Germany), except the Netherlands, the yield of dehydrated fodder per hectare is fairly constant, between 7 500 and 8 000 kg. The low yield of 4 746 kg of dehydrated fodder per hectare in the Netherlands is explained by the fact that for grass, which covers 90% of the dehydration crop area in that country, there is usually only one cutting, whereas in the other Member States green fodder crops are generally cut at least three times

during the growing year.

### 3. Consumption

In the absence of figures of dehydrated fodder stocks at the beginning of 1974/75 there are no statistical means of arriving at exact consumption figures for that year.

However, disregarding stock changes, Community production of dehydrated fodder represented slightly less than 90% of the quantities available. Since the latter quantities were slightly larger than in the previous year, it can reasonably be concluded that consumption has not fallen.

### 4. Trade

In 1974, about 500 000 m.t. of dehydrated fodder were traded; of this, about 400 000 m.t., or a quarter of the Community production, was intra-Community trade. France and Denmark, the two traditional exporting countries, sent 250 000 and 115 000 m.t. to Germany and the Benelux countries, which rely on imports for a large proportion of their supplies.

Imports from non-member countries were 113 000 m.t. in 1974 against 87 000 m.t. in 1973. These imports, almost all (105 000 m.t.) from certain Eastern European countries (Hungary, Yugoslavia and Poland) went to Germany and Italy.

Exports of dehydrated fodder from the Community to non-member countries are negligible.

### 5. Prices

Prices fell during 1974/75 in line with prices of other protein-rich substances such as soya cakes, fishmeal, etc., which declined as a result of the improvement in protein supplies in the world in general and the Community in particular.



After a slight recovery during the last two months of 1974, dehydrated fodder prices dropped again from March 1975 to relatively low levels, with the result that the crop area covered by dehydration contracts in Denmark was considerably reduced.

## 6. Outlook

Towards the end of September 1975, by which stage most of the 1975/76 fodder has already been dehydrated, forecasts of Community production of dehydrated fodder during this marketing year suggested a drop of 8% on 1974/75. This drop seems to be caused almost exclusively by the much reduced production in Denmark (down one-third), while production in other Member States either dropped slightly or remained at the same level.

The fall in production in Denmark is due to two factors, the drought during the summer of 1975 and the special structure of the dehydration industry in that country. Denmark is the only Member State with a large dehydrated fodder production where a considerable part (75%) of the production is processed under contracts with farmers. It appears that for these reasons the dehydration enterprises in Denmark found themselves in a more vulnerable position in 1975 than their counterparts in the other Member States.

Although the production of dehydrated fodder in the other Member States either did not fall or fell much less than in Denmark, the industry in these countries still found itself in difficulties through the general fall in the prices of protein-rich products, particularly soya cake, which led to a fall in dehydrated fodder prices. In the latter connection it should not be forgotten that the Community dehydration industry must continue to pay the producer of lucerne and grass a price related to the guaranteed price for cereals and certain other products, if producers are not to lose interest in green fodder crops. This being the case, when prices of protein-rich products drop, the Community dehydrator can only follow this trend to a limited extent thereby reducing sales of dehydrated fodder, unless he sells it at a loss.

Lastly, certain enterprises in France which are traditionally exporters of considerable quantities of dehydrated fodder to other Member States had to face additional difficulties. On the markets of Germany and the Benelux countries, in particular, the French exporters had, in the first half of 1975, to compete with low-price offers from non-member countries, amongst which those which were made in dollars had an additional advantage from the weakening of that currency.

The outlook for 1976/77, in view of forecasts of abundant world supplies of proteins during 1976, suggests that Community production of dehydrated fodder is hardly likely to expand.

#### 7. Economic aspects of measures taken

The common organization of the market in this sector provides for no measures other than the annual fixing of a rate of aid for the production of dehydrated fodder.

#### 8. Budgetary costs

Expenditure by the Guarantee Section of the EAGGF for dehydrated fodder in 1974, the first year of the common organization of this market, amounted to 3.6 million u.a. Expenditure for 1975 is estimated at 13.5 million u.a., or 0.3% of the Guarantee Section's total expenditure.

## 7. Flax and Hemp<sup>1</sup>

### 1. Introduction

The area under fibre flax represents less than 1% of the Community UAA; the areas under seed flax and hemp, although on the increase, are no more than an infinitesimal part.

Fibre flax cultivation is confined to certain areas in the Netherlands, Belgium and north-west France and involves between 10 and 15 000 farmers and 300 retting and scutching concerns.

This cultivation is a by no means negligible source of raw materials of which the Community is a net importer (textiles, oils and fats, wood):

65 000 m.t. of long fibre for spinning (flax and others);  
35 000 m.t. of short fibres for spinning, paper and rope manufacture;  
45 000 m.t. of seed for sowing and oilseeds (oil and oil cake);  
200 000 m.t. of chips for chipboard panels used in the building trade  
and the furniture industry.

The production of seed flax, which used to be grown almost exclusively in France and Italy, has been extended in France and started up in the United Kingdom. The production of oilseed provides a relatively small proportion of the Community's substantial oil and oil cake requirements.

Textile hemp is grown only in Italy and on a very small scale; paper hemp, however, which is grown only in France, is increasing in importance every year and currently provides about 42 000 m.t. for the manufacture of paper.

Community production of fibre flax represents only a very small part of world production.

The world production of fibre flax averages about 650 000 m.t. from 1.5 million ha. With a cultivated area of 1.2 million ha and a production of 450 000 m.t., the USSR is by far the largest producer and provides nearly three quarters of the world production. The Community's share represents less than 5% of total world area; as a result of above average yields, however, its share in world fibre production amounts to about 15%.

The Community production of seed flax and hemp represents only a negligible part of world production.

---

<sup>1</sup>See Tables II.B/7.1 to 7.6 of Part III.

## 2. Production

In 1974 there was a definite increase in the Community area under fibre flax, which in 1973 had been very much down on 1972 (47 500 ha compared with 52 200 ha); 56 300 ha were under fibre flax, an increase of 18% over the previous year.

The areas under flax increased more in Belgium and the Netherlands than in France, but for these two Member States the decline observed in 1973 compared with 1972 was much higher than in France. Moreover, in France, the major producer, there has been improved stability in flax growing in recent years.

The increased sowings in 1974 can be explained firstly by the optimism which prevailed in the flax sector from autumn 1973. Moreover, the high price of linseed was a great help in improving profits in the retting and scutching industry.

The yields from the 1974 harvest were very satisfactory and more straw and fibre was obtained than in 1973.

The areas under fibre flax were already quite large in 1973 without, however, approaching the level of 25 000 ha of 10 years ago. This increase was possible because of the very high world price of linseed and of the fact that Community aid, which is the same as for fibre flax, also helped to improve the profitability of this crop.

In 1974 7 500 hectares were under seed flax compared with 5 700 ha in 1973; France was up from 2 150 ha in 1973 to 5 150 ha, but Italy had only sown 2 000 ha compared with 3 600 ha in 1973.

The amount of seed produced from seed flax can be estimated at 7 500 m.t. and that from fibre flax at 50 000 m.t., a total Community seed production of 57 500 m.t. compared with 42 000 m.t. in 1973.

Textile hemp production is still precarious, despite endeavours to modernize processing.

Paper hemp cultivation, on the other hand, which is confined to France, is continuing the regular expansion begun a few years ago. In 1974, areas increased to 5 560 ha compared with 4 120 in 1973, but the production of straw declined,

as the harvest was seriously affected by very bad weather.

### 3. Consumption of fibre flax

Consumption by Community users for 1973/74 has been estimated at 97 600 m.t. This was more than production so that since imports were more or less equivalent to traditional exports, the satisfaction of demand must have involved a running down of stocks.

It is estimated that consumption dropped by about 20% in 1974/75, i.e., to about 78 000 m.t. It could have been satisfied by Community production, estimated at 80 to 85 000 m.t., but the spinning industry drew on its own stocks so that part of the Community production was carried over to the 1975/76 marketing year.

Consumption may decline still further in 1975/76 with Community production from the 1975 harvest amounting to only 60 000 m.t. In such case, unless there is an increase in imports or a reduction in traditional exports, it will again be necessary to draw on existing stocks, which might drop to below normal level.

### 4. Trade

Since flax straw is too bulky for economical long-distance transport, there is no trade with non-member states. Part of the French and Netherlands production is intended for the Belgian retting and scutching industry which bought 73 000 m.t. of foreign flax straw during 1973/74. This quantity is less than the previous year: since the Netherlands harvest was very small in 1973, the Netherlands exports to Belgium were reduced by half and those to France fell slightly.

The following is an outline of the intra-Community trade and trade with non-member countries in flax fibres.

Quantitatively Community production of flax fibre meets the industry's requirements in the enlarged Community. In 1974 the Community exported 27 000 m.t. of fibre and it imported 24 000 m.t.

The large volume of trade in flax fibres with non-member countries can be explained by the difference in quality between Community fibre and the requirement of users. Since the long fibre requirements of users in non-member countries cannot be satisfied by their own production, the Community has been exporting a considerable quantity of long fibres for many years.

The BLEU is the largest exporter and importer of fibres in the Community and this position is due to the important place of the Belgian trade in the international trade in flax fibres.

Trade between the Member States mainly involves exports from Belgium to Italy and the United Kingdom, the latter being large users of fibres with no national production.

As with flax, the requirements of hemp fibre, which is a product with similar outlets, decreased in 1974. Italy and the United Kingdom are the chief buyers.

#### 5. Prices

After a considerable increase in 1972/73 and especially in 1973/74, the prices of fibre flax in the Community began to drop from autumn 1974, as a result of the poor economic situation in the textile industry, which also affected flax spinning.

There was a greater reduction in the demand for water-retted flax than in the demand for earth-retted flax, as was the case of the rise observed previously.

The downward trend seems to have halted towards the end of 1974/75 following implementation of the system of private storage aid for textile fibres and the poor yields of the 1975 harvest.

As a result of the slump, stocks of long fibres in the hands of scutchers and traders, which were only about 4 000 m.t. at the beginning of the 1974/75 marketing year had increased at the end of the same year to 18 500 m.t., which represents about one third of the long fibres from the 1974 harvest. On noting this temporary imbalance on the market, the Commission gave holders of fibres the opportunity, up to 31 July 1975, to sign storage contracts for a period of three or four months. Holders of fibres made considerable use of this intervention measure.

The upward trend in linseed producer prices in the Community which began at the end of 1971, continued until autumn 1974. After that, prices linked with those of the world market decreased considerably until the end of the 1974/75 marketing year. Despite a drop of about 15% on the previous year, the average prices for 1974/75 are still double those of 1971/72.

The contract price for paper hemp straw, fixed by the paper industry in agreement with producers' representatives, had remained at 46.8 u.a./m.t. since the 1971/72 harvest, but increased to 50.4 u.a./m.t. for the 1974 harvest, an increase of 7.7%.

## 6. Prospects

About 58 100 hectares of textile hemp were under cultivation in 1975, which is a similar figure to the one for 1974.

It was broken down as follows: France 43 600 ha (+ 2 000 hectares), Belgium 9 300 ha (+ 300 hectares), Netherlands 5 200 ha (- 2 300 hectares).

Owing to bad weather, the yield of both straw and fibre was far below average: according to trade estimates the harvest should yield only 60 300 m.t. of fibre (37 000 m.t. of long fibres and 23 300 of short fibres), compared with 85 000 m.t. from the 1973 harvest.

Although, in the present economic climate, it is very difficult to make forecasts with regard to market trends, it is nonetheless true that at the beginning of the year in question the increase in stocks of fibres compared with the previous year is adequately compensated for by the fall in availabilities from the new harvest. In these circumstances, it should be possible to dispose of the fibre from the 1974 and 1975 harvests during the 1975/76 marketing year.

However, the possibility of the market situation changing in favour of holders of fibres in the first months of the marketing year cannot be excluded.

Despite the drop in prices for linseed in autumn 1974, the fact that they are still relatively high, combined with Community aid, seems to restore a certain interest to seed flax cultivation in the Community. In 1975 the area under seed flax in France increased to 25 900 ha from 5 150 ha in 1974; in Italy the area was 1 800 ha against 2 000 and in the United Kingdom this crop, which

scarcely existed, was developed over about 2 500 ha, which brings the total area of seed flax to 30 200 ha.

Paper hemp cultivation continues to increase: 7 600 ha were grown compared with 5 600 in 1974. This increase was brought about by the much higher contract price paid by the paper manufacturers (65.4 u.a./m.t.) who needed larger quantities.

#### 7. Forecasts for the 1976/77 marketing year

In view of the mediocre yields of the 1975 harvest which have reminded producers of the risks involved in flax growing, and the drop in prices for fibre in 1975, a fall of 5 to 10% in sowings of fibre flax can be expected for 1976, unless the market in fibres should pick up again before crop plans are decided.

Since an increase in imports from non-member countries cannot be expected, supplies of fibres in the Community will become very limited during the marketing year in question.

Insofar as the textile industry continued to be affected by the bad economic situation, the demand might be met without too much difficulty. If, on the other hand, the flax industry should regain a great many of its previous outlets, any cut-back in sowing and, therefore, in Community fibre production would endanger future supplies and even compromise economic revival.

As regards hemp, despite certain difficulties in marketing production, which they regard as temporary, the paper industry wishes to increase the areas contracted for to 8 500 ha in 1976.

#### 8. Economic aspects of measures taken

Apart from the granting of private storage aid to flax fibres (see para. 5), the only measure taken in the flax and hemp sector was the granting of aid at a flat rate per hectare.

#### 9. Budgetary costs

Since the areas under flax and hemp and the amount of aid (188.15 u.a./ha for flax and 161.90 u.a./ha for hemp) increased in 1975 compared with 1974, and, moreover, private storage aid was granted for flax fibre, expenditure by the EAGGF Guarantee Section in respect of flax and hemp increased. Incurred entirely on price compensatory measures, this expenditure amounted to 6.4 million u.a. in 1973, 11.7 million u.a. in 1974 and is estimated at 12.6 million u.a. in 1975, i.e., 0.2, 0.4 and 0.3% respectively of the Guarantee Section's total expenditure.



## 8. Seeds<sup>1</sup>

### 1. Introduction

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

Dried leguminous vegetables for sowing	CCT 07.05
Hybrid maize for sowing	CCT 10.05 A
Oilseeds and oleaginous fruit for sowing	CCT 12.01
Seeds, fruit and spores, of a kind used for sowing	CCT 12.03

The resulting seed and crop production requires to be studied not only from the harvest angle, but also from that of the place of these crops in crop rotation. Leguminous crops are very important because of the nitrogen enrichment of the land on which they grow.

The Community produces 1.5 million quintals of fodder crop seeds, or about 25% of world production. In 1973/74, the Community was a net importer of about 300 000 quintals of seeds. Hybrid maize production amounted to about 1.3 million quintals. The Community is a net exporter of about 60 000 quintals of hybrid maize.

Some new species have been added to the lists in the Annex to Regulation (EEC) No 2358/71 for the 1975/76 growing year, i.e.: *Pisum arvense* L. and *Cannabis sativa* L. and a variety of *Trifolium repens*, i.e.: *Trifolium repens* var. *Giganteum*.

### 2. Production

The Community's largest producer is Denmark, which provides about 34% of the total production (47% of grasses). France and Italy are the main producers of legumes.

Community seed production was about 1 545 000 quintals in 1974. The increase over 1973 was about 300 000 quintals (24%). The main change in production involved the following species:

<i>Linum usitatissimum</i> L. partim	+ 46 165 qx	= 65%
<i>Festuca rubra</i> L.	+ 27 716 "	= 24%
<i>Lolium perenne</i> L.	+ 140 089 "	= 45%
<i>Vicia faba</i> L.	+ 57 751 "	= 108%
<i>Medicago sativa</i> L.	+ 48 339 "	= 45%
<i>Trifolium pratense</i> L.	35 704 "	= 50%

<sup>1</sup>See Tables II.B/8.1 to II.B/8.3 of Part III.

Compared with 1974 the area certified for the 1975 harvest increased by 6%. In this context it is important to remember that the area sown with *Lolium perenne* increased by 3 989 ha (8%), that of *Medicago sativa* by 5 190 ha (9%), *Trifolium repens* by 3 375 ha (40%) and *Lolium multiflorum* by 6 013 ha (31%).

It is difficult to explain the reasons for this increase in the area under seed in a period in which there has been a fall in market prices. It may be supposed that sowings were carried out at a time when prices were still at a satisfactory level.

### 3. Supply situation

The continued increase in seed production in the Community since 1973 and the accession of three new Member States has meant that the Community is now almost self-sufficient. However, the Community still has to import seeds of certain species from non-member countries in order to meet its requirements. The largest imports come from the United States, Canada and New Zealand. In 1974/75 imports from the United States fell by about 30%.

During the last three years stocks have increased considerably. In 1974 stocks were 441 947 quintals (without Belgium and Germany); in 1975, 648 943 quintals (without Belgium, Germany and Italy).

### 4. Prices

Market prices have been anything but satisfactory during recent years. For some species they have fallen by about 70%.

Prices on the Danish market, which is the main Community market were as follows:

	<u>L. perenne</u>	<u>L. multiflorum</u>	<u>F. pratensis</u>	<u>F. rubra</u>
June 1974	92	94	86	89
July 1975	28	30	30	26

	<u>Poa pratensis</u>	<u>T. repens</u>
June 1974	99	264
July 1975	42	178

The reference price for hybrid maize increased by about 10% for all types.

## 5. Prospects

The market is somewhat oversupplied at the moment because of abundant production (+ 30 000 m.t. in 1974) and large stocks (80 000 m.t. in 1975).

In view of the 6% increase in areas under seed, even larger stocks are expected for 1976 and, as a result, lower prices, particularly for certain species (*Lolium perenne* - *Trifolium repens* - *Medicago sativa*). For the other species (*Poa pratensis* - *Phleum pratense* - *Festuca rubra*) normal stocks may be expected together with a certain stabilization of prices. Demand seems low at the moment. The 1977 situation will depend on plantings in 1976. A reduction in the area under seed is foreseeable, particularly in Denmark (- 20%), which alone represents one quarter of the Community crop area.

## 6. Budgetary costs

Expenditure by the EAGGF Guarantee Section in respect of seed amounted to 14.6 million u.a. in 1973 and 15.2 million in 1974, and the estimate for 1975 is 20.5 million u.a.; these figures represent 0.4%, 0.5% and 0.5% respectively of the Guarantee Section's total expenditure.

## 9. Wine<sup>1</sup>

### 1. Introduction

In 1973, wine represented about 7% of the Community's final agricultural production. The area under vines was 2.8% of the Community UAA.

In 1972/73, the number of farms which included vineyards was 2.1 million, or 33.4% of the total number of farms in the Community. The 2.1 million farms had 2.4 million ha of vineyards in production that year.

In 1973, world production was 355 million hl according to the FAO<sup>2</sup>, of which Community production was 171 million hl, or 48.2%. The total world area under vines was 10.0 million ha of which the Community accounted for 2.4 million ha, or 24%. The difference between the percentage figures for production and area is due to the fact that the average yield in the Community (72.2 hl/ha) is higher than the world average (39 hl/ha).

The largest Community producers are France and Italy, whose output varies between 60 and 70 million hl per annum. Germany (about 7 to 9 million hl) and Luxembourg (about 150 000 hl) supply lesser shares of Community production.

### 2. Production

The 1973 harvest, producing 171 million hl, was very abundant and superior to the harvest of previous years.

Wine production varies widely from one year to another according to weather conditions.

For example, production in 1971 was 13.8% less than in 1970. However, it is evident that there is a long-term tendency for production to rise, especially when one considers the exceptional harvests of 1970 (154 million hl), 1973 (171 million hl) and 1974 (156 million hl). The phenomenon is common to all wine producing Member States.

---

<sup>1</sup>See Tables II.B/9.1 to II.B/9.5 in Part III.

<sup>2</sup>Office International de la Vigne.

### 3. Consumption

In 1973/74 the total internal consumption amounted to 149 hl against 144 million hl in 1972/73. This increase is not due to direct human consumption, which dropped, but to processing (exceptional distillations).

#### (a) Human consumption

Direct human consumption fell from 130 million hl in 1972/73 to 125 million hl in 1973/74.

#### (b) Processing

The quantity processed increased from 12 million hl in 1972/73 to 23 million hl in 1973/74. This extraordinary increase is due to the exceptional harvest in 1973 which necessitated massive distillation measures in order to absorb market surpluses.

#### (c) Self-supply

The Community self-supply rate was 95% in 1971/72, 89% in 1972/73 and increased to 115% in 1973/74 in relation to total internal consumption.

If the distillation of wine reckoned as surplus (6.0 million hl) is subtracted from the total supply figure, however, the self-supply rate for 1973/74 is 119%.

As a result of the poor harvest in 1972/73, production was not sufficient to cover consumption.

The self-supply rate for human consumption was 98% for 1972/73 and 137% for 1973/74.

The difference between supply and demand was covered by drawing on stocks (11.5 million hl) for 1972/73, by increasing stocks by 25.6 million hl for 1973/74 and by a deficit of 4.5 million hl for 1972/73 and 3.6 million hl for 1973/74 (in trade with non-member countries).

### 4. Trade

In 1973/74, imports amounted to 7.2 million hl in the Community compared with 7.9 million hl during the previous year.

This figure represents a reduction of 9.2%. Exports amounted to 3.6 million hl in 1973/74, compared with 3.7 million hl in 1972/73, a decline of 3.2%.

The Community had a deficit of 3.6 million hl in its external trade in 1973/74, against 4.5 million hl in 1972/73. The order of magnitude of net imports has, therefore, not changed during these two years.

## 5. Prices

### (a) Common prices

Guide prices for wine for the 1975/76 marketing year were raised by 8% for table wines of types R I, A I, R III, A II, A III and by 10.8% for table wines of type R II, compared with 1974/75. The higher increase for table wine of type R II aligned it on the price of table wine of type R I.

### (b) Market prices

During the 1974/75 marketing year, prices for all types of table wine were in general lower than the activating price. The drop in prices which was caused by the 1973 harvest and which was already quite large for the 1973/74 marketing year continued. At the beginning of the 1975/76 marketing year, in France, at least, there was a very distinct improvement in prices as a result of forecasts of an average harvest. The gap between market prices and the relevant activating prices was particularly wide for table wines of types A II, A III and R III. The prices quoted for these types of wine were generally about 60% of the activating price. On the other hand, the lowest prices for table wine of types R I, R II and A I were sometimes 75% of the respective activating price. In 1974/75 prices were between + 12.4% and - 36% of the previous year's levels, according to the individual market.

The unsatisfactory price levels during the marketing year just ended were caused by the very large harvest of 1973 and the abundant harvest of 1974, which was also in excess of normal Community requirements.

### (c) World prices

Wine prices on world markets in 1974/75 were generally considerably lower than Community prices in respect of trade with non-member countries. Quotations as low as about 0.90 u.a./°/hl were recorded, i.e., 60% of the lowest activating price in the Community. Consignments were offered to Community countries at cif prices of 2.22 u.a./°/hl or more for ordinary quality red wine, thus respecting the corresponding reference price when customs dues are taken into consideration.

## 6. Outlook

### (a) Short term

Preliminary information suggests that the 1974/75 harvest will give less wine than the previous year. According to preliminary estimates by the Member States, the quantity harvested should amount to 142 million hl, slightly below total foreseeable utilization, which is estimated at 143 to 149 million hl. In view of existing stocks, there is no problem of supply. On the basis of existing supplies, it may be assumed that imports will be small and not exceed past levels. Despite the availabilities on the market, it is unlikely that additional quantities will be exported.

### (b) Medium term

The trend of production and consumption in recent years suggests that structural surpluses may be expected. The increase in production is due partly to higher yield and partly to new plantings. Human consumption per head can be expected at the best to be stable seeing that it is stagnant or declining in France and Italy and rising to some extent in other countries of the Community.

It is unlikely that any substantial change will occur in the quantities processed, which at present amount to 12 to 14 million hl, in theory confined to spirits, aromatized wines and vinegar. This being the case, the self-supply rate may be estimated at considerably above 100%.

## 7. Economic aspects of measures taken

### (a) Levies and refunds

#### 1. Import levies

The import levies, known as "countervailing charges" in the wine sector, had to be reduced slightly in 1974/75 compared with the previous year. The countervailing charges play only a very minor part in the wine sector, since the Community's principal suppliers have undertaken to respect the reference prices, and the countervailing charges are not applied to the 18 countries which have given this undertaking.

#### 2. Refunds

Refunds for the 1974/75 marketing year were unchanged on the previous year, although there was an increase in refunds at the beginning of the 1975/76 marketing year and a less restrictive application than in the past with regard to geographical destination.

(b) Quantities in respect of which intervention measures were taken

In 1974/75, all the intervention measures provided for in the Community's regulations were applied. For example, storage contracts were concluded covering a monthly average of 16.8 million hl (12.5 million hl in 1973/74), with a maximum of 24.8 million hl (33.3 million hl in 1973/74). This average level has never been reached since the establishment of the common organization in this sector. Intervention by subsidized distillation of surpluses was never before carried out on such a scale in this sector. The quantity of wine distilled since the beginning of 1974 had reached about 25 million hl at the end of August 1975, some of which was not covered by a Council Decision.

(c) Stock situation

At the beginning of 1974/75, stocks held by producers and in trade totalled about 75 to 80 million hl. At the end of the marketing year, it may be expected that stocks will total about 70 million hl, which may be regarded as normal carry-over stock.

(d) Unity of prices

Since the new Member States have applied the common prices, their accession has not resulted in the establishment of divergent price levels in the wine sector.

The monetary decisions taken in relation to Italy and France resulted, for the period ending 15 December 1975, in the application of prices which did not correspond to the application of corresponding representative rates.

The application of compensatory amounts was abolished in March 1975 for all the Member States except Germany. In September 1975 a new decision was taken with regard to Germany abolishing compensatory amounts for table wines of types R I, R II and A I.

8. Budgetary costs

Expenditure by the Guarantee Section of the EAGGF amounted to 12.4 million u.a. in 1973, 42 million u.a. in 1974 and are estimated at 209.2 million in 1975, i.e., respectively 0.3%, 1.4% and 4.6% of the Section's total expenditure.

The total amount of 209.2 million u.a. for 1975 breaks down as follows: 1.0 million for export refunds, 52.4 million u.a. for storage, 147.5 million u.a. for distillation and aid for the rehousing of table wines, 3.3 million u.a. for distillation costs relating to the by-products of wine-making and 5.0 million u.a. carried over from 1974.



## 10. Raw tobacco<sup>1</sup>

### 1. Introduction

World tobacco production rose by 6% in 1974 compared with the previous year and reached the record level of 5.1 million metric tons. Virginia flue-cured makes up about 30% of the total and accounts for 50% of all trade. Compared with the 1973 crop ( $\pm$  159 000 m.t.) there was a  $\pm$  2% drop in the Community as 1974 production fell to 156 000 tons. The share of tobacco in the value of final agricultural production by the Community was 0.4% in 1974. Tobacco is mainly grown by small family undertakings: the average area of individual plantations is no more than 0.6 ha; 120 000 planters work about 70 000 ha.

### 2. Production

During the past decade there has been, at world level, a steady trend towards the relocation of tobacco **productions** in the developing countries and the countries with planned economies; inflation and increased production costs (labour in particular) will continue to encourage this trend in the future. Within the Community, since 1970 (when the organization of the market came into force) there has been a considerable increase in production in Italy ( $\pm$  35%) and some slight changes in the other producer Member States. In Italy the determining factors are, of course, the liberalization of tobacco growing and the suitable soil and climatic conditions in most parts of the country.

Another explanation of this situation is the far-reaching changes which the tobacco sector has made in its production and marketing structures to adjust itself to real market requirements.

Although in France the situation has become almost crystallized (SEITA is the sole buyer and processor), in the other Member States there has been a concentration of production (private firms and cooperatives) and of processing (in Italy, for example, the 1 000 processing firms in 1970 have shrunk to just over 100).

---

<sup>1</sup> See Tables II B/10.1 to II B/10.7 of Part III.

This rationalization of initial processing also occurred in France where the number of SEITA processing centres was reduced from 30 to 18 and could shortly be reduced to 14.

With regard to the individual varieties, no great change has occurred since the previous year, except that the area under the dark Badischer Geudertheimer, Philippin and Nostrano varieties and production of these is continuing to decline and that Bright (light tobacco) is increasing. With the other varieties any change is due to the yield.

### 3. Degree of self-supply

#### Consumption

The degree of self-supply in the Community is 20%. Compared with 1973, world tobacco consumption in 1974 increased by about 4% and Community consumption by 1%, this in spite of anti-smoking measures in several countries (warnings on packets, bans on advertising). However, although the increase was only 1 or 2% in the industrialized countries, in other countries and, above all, in the developing countries it was over 5%. Nevertheless, increased taxes in some countries and the effects of a general economic recession could cause consumption to slow down in 1975.

### 4. Trade

World exports in 1974 amounted to 1.3 million metric tons which is 14% up on 1973. Italy had the largest increase (+ 34 000 m.t.) and became the sixth world exporter after the USA, Turkey, Brazil, India and Greece. An increasing share of world trade is going to the developing countries and the countries with planned economies.

Total Community imports in 1974 dropped by about 9% compared with the previous year, Germany (-42%) and Denmark (-50%) offsetting to a large extent the increases in the other Member States. The policy of storing tobacco in customs warehouses and the amendments to the Common Customs Tariff from 1975 (ACP, GSP, etc.) were certainly the cause of this decrease. The first figures for imports into Germany during 1975 show that they have more than doubled compared with the same period in 1974.

This policy of opening up trade to favoured non-member countries whose tobacco is in direct competition with that produced in the Community should be looked at most carefully - Italy, which is the only real Community exporter, seems at present to be facing some difficulty in marketing the Bright (flue-cured) variety which always enjoyed a very stable market in the past.

#### 5. Prices

The world recession and the inflation in costs have led manufacturers and traders to contain their demand for tobacco, with negative repercussions on price levels (decrease in stocks). The prices of flue-cured tobaccos showed a drop of between 3% (USA) and 12% (Malawi). The prices for Burley seem to have stayed at the same level as in 1973 in spite of the major increase in world production. The prices of sun-cured tobaccos rose by between 30% (Turkey) and 50% (Greece). The position of dark air-cured tobaccos is similar to that of Burley, whereas prices of fire-cured tobaccos are rising.

Within the Community in 1974, given the favourable circumstances for sales of domestic production (growth of intra- and extra-Community trade) planters generally reached the norm price.

## 6. Outlook

In the future, the raw tobacco sector on the world market will be characterized by:

- (a) continued growth in production;
- (b) relocation of production in the developing countries and countries with planned economies;
- (c) a fairly limited increase in consumption in the industrialized countries but very steady increases in the developing countries.

Increased production and major investment programmes in some countries point to an expansion in supply (of flue-cured Virginia in particular) which is already causing a drop in prices and, consequently, difficulties in marketing comparable Community varieties.

## 7. Economic aspects of past and future measures

The common organization of the market in the raw tobacco sector which came into force in 1970 created favourable conditions for an upswing in production and a great improvement in intra-Community trade and trade with non-member countries.

A greater emphasis on quality of production, in answer to demand, was also guaranteed by the gradual concentration of production in the regions most suitable for tobacco-growing. The changes which have taken place in production structures (growing number of cooperatives) and in processing (rational concentration of enterprises and introduction of rational processing and packaging methods) has led to an increase in both agricultural and marketing productivity. There was a major decrease in quantities offered for intervention (2 500 m.t. in 1973 against 9 500 m.t. in 1971).

The granting of export refunds for the 1973 and 1974 harvests made it possible to sell to non-member countries certain varieties causing an imbalance between supply and demand within the Community.

8. Budgetary costs

Expenditure by the Guarantee Section of the EAGGF in respect of the tobacco sector amounted to 129.6 million u.a. in 1973, 187.6 million u.a. in 1974 and has been estimated at 216.4 million u.a. in 1975, i.e., 3.4%, 6.1% and 4.7% respectively of the Guarantee Section's total expenditure. Of the total amount of 216.4 million u.a., 198.8 million u.a. were spent on price subsidies, 16.4 million u.a. on storage costs and 1.2 million u.a. on export refunds.

11. Fresh and processed fruit and vegetables<sup>1</sup>

I. Fresh fruit and vegetables

1. Introduction

Community production of fresh fruit and vegetables in 1974, including crops intended for processing, amounted to 28.3% by value of final crop production, or 11.5% by value of final agricultural production, which meant little change from 1973 when the percentages were 28.5% and 11.3% respectively.

In absolute terms however, the value of final fruit and vegetable production was 3.6% greater than in 1973.

The positions occupied by the main fruit and vegetable producing Member States, according to their production expressed in '000 metric tons, are as follows:

1974	1st Member State	2nd Member State	3rd Member State
<u>Fruit</u>	Italy 9 335	France 2 860	Germany 1 142
Apples	Italy 1 850	France 1 390	Germany 679
Pears	Italy 1 474	France 370	Netherlands 130
Peaches	Italy 1 172	France 400	-
<u>Vegetables</u>	Italy 10 445	France 4 470	Netherlands 2 090
Cauliflowers	Italy 608	France 454	United Kingdom 340
Tomatoes	Italy 3 637	France 552	Netherlands 371

<sup>1</sup> See Tables II.B/11.1 to II.B/11.21 of Part III.

## 2. Production

Commercial fruit production in the Community in 1974 amounted to almost 15 million m.t., which was a drop of 10% compared with production in the previous year and brought production back to the 1972 level. Although the decrease varied considerably, it occurred in all Member States except the Netherlands, where there was a slight increase in production of 1.6%.

These variations in the size of the harvest are due to the well-known phenomenon of alternation but the annual rate of change of -1.1% confirmed that between the 1974 harvest and that of "1968" production in the original Community was fairly stable.

As regards the main products:

- (a) Apples, the production of which decreased in 1974 by almost 20% accounted for only 33% of total fruit production as against 37% in the previous year.

The decrease in production occurred in all Member States: it was only slight in Luxembourg (less than 2%) but 40% in Germany.

- (b) Pears, which in 1974 represented 15.2% of Community fruit production were harvested in more or less the same quantities as in 1973, since the drop was less than 1% on average, while varying from one Member State to another. In Italy, France and Germany production was 4 to 24% down on 1973, whereas in the other Member States there were major increases, particularly in the case of Belgium, which almost tripled its production. However, the developments from 1973 to 1974 are exactly the opposite of those which occurred between 1973 and 1972 and for the original Community the annual rate of change between 1974 and "1968" was very slight, so that production was stable.

- (c) Peaches account for about 11% of fruit production; in France the 1974 harvest was well down on 1973 (-26.2%), a drop which was not compensated for by the 6.4% increase in Italy.

Over the period "1968" to 1974 the annual rate of change was +1% which also indicates stable production.

- (d) Citrus fruits, at 2.78 million m.t., account for 18% of commercial fruit production and have shown an annual rate of change of +2.8% since "1968".

The figures for the total production of vegetables in the United Kingdom are not yet available for 1974 and it is therefore impossible to make an analysis for the whole Community.

However, limiting the analysis to the original Community, 1974 production was the same as 1973 with fairly slight decreases or increases in individual Member States.

For the period "1968" to 1974 the annual rate of change of -0.7% is indicative of a certain degree of stability.

As regards the two main products:

- (a) cauliflowers, production of which has been more or less constant over the last three years at around 1.24 million tons for the original Community (varying by  $\pm 2\%$ ) and around 0.35 million tons for the three new Member States together.
- (b) Tomatoes account for between 18 and 21% of total vegetable production; the 1973 harvest was 9% up on 1972, and the 1974 harvest 7.2% up on 1973. Over the longer period "1968" to 1974, for the original Community the annual rate of change was only +0.9%. Thus, there have been fairly wide fluctuations from one year to the other around a relatively constant average.

### 3. Consumption

Domestic utilization of vegetables in the Community rose to 28.6 million metric tons in 1973/74 which, although it was an increase of 4.1% compared with 1972/73, only brought the figure back to the 1971/72 level.



This domestic utilization, which includes preserved vegetables expressed in fresh product weight, was mainly accounted for by human consumption (88.8%); the remainder is made up mainly of market losses (10.5%), with animal feedingstuffs accounting for only 0.7%

The Community 1973/74 figures for fruit are not yet available.

For the original Community, as in the case of vegetables, there was an increase in domestic utilization in 1973/74 over 1972/73 which brought figures back to the level of 1971/72.

Human consumption absorbed 87.5%, industrial uses other than food manufacture 3.4% and animal feed 1.5%. The remaining 7.6% was accounted for by market losses.

(a) Human consumption

The consumption of fruit in the original Community, apart from annual fluctuations, is fairly stable since the annual rate of change for the period "1967/68" to "1972/73" is very close to zero.

With citrus fruit the situation is different, the rate of change for the same period being + 4.0%, which indicates a regular increase in consumption.

In absolute terms, the average consumption per capita is about 100 kg per year, that is, 24 to 26 kg of citrus fruit and 70 to 74 kg of other fruit, not including tropical fruit - bananas, pineapples, etc. - or dried fruit. Naturally, individual consumption may vary considerably from one Member State to another.

As regards vegetables, human consumption in the original Community was fairly stable for the period "1967/68" to "1972/73". During 1973/74 it amounted to 107.5 kg per capita per year but, as with fruit, it varies from one Member State to another (70 kg in Germany, 153 kg in Italy).

Consumption in the three new Member States, amounting to 51 kg in Denmark, 74.5 kg in the United Kingdom and 76 kg in Ireland, brought the Community average down to 98 kg.

(b) Animal consumption and industrial uses

Only very small quantities of fruit and vegetables are absorbed by these two outlets, and the uses are for the most part fortuitous.

(c) Rate of self-supply

The Community's self-supply rate is particularly high for vegetables, reaching 93% in 1973/74; on the basis of the figures available for the original Community, it is 86% for fresh fruit and 49% for citrus fruits.

4. Trade

Since the tables analysing foreign trade were not available when this report was drawn up, it was impossible to finalize the foreign trade table as in previous years. Therefore, Table II.B/11.3 reproduces Table II.B/11.5 from the 1973 report and is supplemented for 1974 by another table on foreign trade drawn up from national statistical publications.

Calculated on this basis, the Community's total imports of fresh vegetables in 1974 amounted to almost 3 million metric tons and those of fresh fruit to just under 6.5 million tons. For the original Community the figures were 2.5 and 5.1 million tons respectively. In both cases the figures are more or less the same as those for imports in 1972 and 1973.

Citrus fruits, at 3.3 million tons, are the most imported fruit, followed by apples, imports of which amount to 1.3 million tons (including intra-Community trade in both products).

Tomatoes are the only vegetable for which the overall position can be assessed. Imports of tomatoes amounted to 700 000 metric tons, i.e. about 23% of the total for fresh vegetables.

Total Community exports amounted to 2.3 million tons of fresh vegetables and 3.1 million tons of fresh fruit; these figures are very close to those for 1973, which were 2.3 and 1.9 million tons respectively.

At 400 000 metric tons each, onions and tomatoes are the principal vegetables exported while apples make up almost 40% of fruit exports, with citrus fruits and pears accounting for 16% and 12% respectively.

## 5. Prices

### (a) Common prices

The basic prices and buying-in prices for the 1975/76 marketing year have been increased so that the resulting average withdrawal prices, at which producer groups buy back their members' unsold produce, are about 11% higher than the withdrawal price for the 1974/75 marketing year except in the case of apples and pears, for which the increase is only about 9%.

This increase was in addition to the 5% decided on by the Council in October 1974 and was only actually applied for part of the 1974/75 marketing year.

Therefore, compared with the withdrawal prices resulting from the first basic and buying-in prices fixed for an entire season (1967/68), those for 1975/76 are higher by about 85% for lemons, 76% for tomatoes, 81% for peaches, 76% for mandarins, 60% for table grapes, 50% for cauliflowers, 48% for oranges, 41% for pears and 37% for apples.

The figures given above refer to average increases; as the basic prices and buying-in prices are seasonally adjusted, the increase may be greater or smaller, depending on the periods and the products.

The reference prices, which determine the minimum level of entry prices for imported products, showed an average increase between 1974/75 and 1975/76 of about 26% for cucumbers and tomatoes grown up to July in heated glasshouses and of 13% and 14% respectively for the following period, 10% for cherries and plums, 8.5% for peaches, lemons, pears and apples and 5% for table grapes, an increase which also varied according to the period.

Between 1973/74 and 1974/75 the reference prices went up by about 10% for tomatoes, cherries, plums, peaches and lemons and by 4.5 to 6% for cucumbers, grapes and pears and apples.

(b) Market prices

Of all agricultural products, fruit and vegetables probably vary the most in price from one time of the year to another and from one place to another or - on one and the same market - from one batch to another and it is not always possible to explain these differences.

An individual analysis of the main products leads to the following conclusions based on average prices for pilot products:

- (i) Apples (Golden Delicious variety, quality class I, size not less than 70 mm)

The relatively low production of apples in 1974/75 had a favourable effect on prices which, compared to 1973/74, rose by 12 to 60% depending on the Member State. The increase was lowest in Ireland, Denmark and Italy (11.6, 12.9 and 17.0% respectively) and highest in Belgium, Germany and France (51.8, 59.9 and 60.4% respectively).

Average monthly prices, with rare exceptions, are always appreciably higher than the corresponding basic prices. Only in Belgium from November to February inclusive and in Luxembourg in December, January and February were prices between 88 and 98% of the basic price.

- (ii) Pears (various varieties, quality class I, size not less than 60 mm or 70 mm according to the period)

Apart from France where the prices of pears were 7.6% up on 1973/74, in all Community countries prices were reduced, relatively slightly in Germany, Italy and the United Kingdom (2.5 to 4.5%) but by 30% in the Netherlands, 35% in Denmark and 40% in Belgium.

In spite of this, monthly prices were generally higher than the basic prices except in Belgium in August, September and October and in Italy from November to February inclusive.

- (iii) Table grapes (various varieties, quality class I)

The prices for the 1974/75 marketing year showed an increase of 14.6% in France and a drop of 5% in Italy compared to 1973/74 prices.

The average monthly prices in Italy in September and October were 91% and 86% of the basic price, respectively.

- (iv) Peaches (various varieties, quality class I, size 51/61 mm or 61/67 mm according to the period)

The prices for the 1974/75 marketing year were 41.4% up in France and 21.5% down in Italy compared to 1973/74.

However, the average monthly prices in the two producer countries were above the basic price.

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

The average annual price for lemons in the 1974/75 marketing year was more than 36% down on that of the previous marketing year.

Depending on the markets and the periods, the average monthly prices were higher or lower than the basic prices but they never fell below the buying-in price.

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

The average price for the 1974/75 marketing year showed an increase of 7.2% over the 1973/74 price although the average monthly prices were generally lower than those of the previous year and were often even below the basic price.

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

The average price of oranges in 1974/75 was down by about 10% on 1973/74.

The average monthly prices were practically always below the basic price and sometimes only 10% above the buying-in price.

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

Depending on the country, the average annual prices for tomatoes in 1974 varied from those of 1973; although in the United Kingdom there was practically no change, in France, Denmark, Ireland and Germany there were increases of 5.9%, 10.0%, 13.2% and 57.6% respectively, whereas in Belgium, the Netherlands and Italy prices fell by 6.1%, 13.3% and 39.8% respectively.

The average monthly prices were, with few exceptions, higher than the basic prices, sometimes considerably higher.

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

In Italy and France the average prices for cauliflowers in 1974/75 were respectively 9.0% and 24.3% lower than in 1973/74; as for other countries of the Community, prices showed an increase of 4.8% in Denmark, 5.8% in Germany, 8.1% in Belgium, 10.4% in the United Kingdom and 16.1% in the Netherlands.

On all markets, except in Italy from November 1974 to February 1975, the average monthly prices were higher, sometimes considerably higher, than the corresponding basic prices.

Obviously, the often rapid change in daily prices and the conversion factors applied to products which differ from the pilot products may explain why, despite average prices higher than the basic price, some products fell short of the withdrawal price and were withdrawn from the market by the producer groups.

Moreover, as a result of the depreciation of certain currencies, price changes expressed in u.a. sometimes differ from those expressed in national currencies in the countries concerned.

(c) World prices

Strictly speaking there are no world markets for fresh fruit and vegetables, the prices for products being fixed more or less independently on the main existing markets.

Thus, in order to limit competition from abnormally low-priced imports from non-member countries, certain measures have been taken under the system of reference prices and under the preferential arrangements enjoyed by certain Mediterranean countries in respect of citrus fruits.

(d) Consumer prices

According to the indexes, consumer prices in 1973 showed an increase of 12% to 22% compared with those of 1972. This increase was considerably more than that which occurred between 1971 and 1972 which only amounted to between 3% and 8%.

For 1974, the increase was only slight in Germany (2.4%), in Luxembourg (2.8%), and in Ireland (3.8%); Italy and the United Kingdom experienced the greatest increases with 20.4 and 20.0% respectively; for the other Member States the increases were between 7.8 and 12.3%.

6. Prospects

In considering the changes in commercial vegetable production over the last few years, and in particular the rate of change between "1968" and "1973" which for the original Community amounted to -0.95%, no major changes are to be expected in the immediate or distant future. At any rate, the rapid succession of crops on the same land, which often enables two harvests to be obtained per plot, and the possibility of using fixed (greenhouses) or movable (frames, mobile glasshouses) means of protection are factors which enable production to adapt itself rapidly to demand.

As regards fruit, the initial survey to determine the production potential of plantations of certain types of fruit trees (Council Directive 71/286/EEC) has enabled some conclusions to be drawn although the various Member States carried out the survey at different times.

As regards apples, orchards planted less than 10 years ago account for more than 60% of the area under apple-trees in France, the Netherlands and Belgium, for 44% in Germany and 36% in Italy; but in each of these Member States the proportion of orchards aged less than 5 years was less than that of orchards aged between 5 and 9 years.

One may therefore expect over the next few years an increase in apple production followed by a slowing down or stagnation.



As regards pears, the situation is fairly similar except that the proportion of orchards aged under 10 years is still smaller. Only in France, where it amounts to 57%, is there a very young production potential.

As regards peaches, orchards aged under 5 years accounted for 36% of the total area in France and 38% in Italy; orchards aged 5 to 9 years represented 37% and 35% respectively. Seeing that a peach orchard has a productive life of about 15 years, one may conclude that renewals are being made regularly in both countries and that no great change in production is to be expected.

As regards oranges, the survey revealed that the youngest orange groves (less than 5 years) account for only 11.6% of all orange groves, which is a lower percentage than for any of the higher age categories. It seems that there is a decline in new plantations and this will reduce production in the future.

## 7. Economic aspects of the measures adopted

### (a) Import and export measures

#### (i) Countervailing charges on imports

##### Abolition of the preferential customs duty

During the 1974/75 marketing year the following measures were taken:

- introduction of a countervailing charge on cucumbers from Spain, Greece and Bulgaria;
- introduction of a countervailing charge on tomatoes from Spain, Bulgaria and Rumania;
- introduction of a countervailing charge on peaches from Spain and Greece;
- introduction of a countervailing charge on table grapes from Rumania and Bulgaria;
- introduction of a countervailing charge on certain varieties of oranges from Algeria;
- abolition of the preferential customs duty for certain varieties of oranges from Spain.

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

(ii) Export refunds

Export refunds were fixed during the 1974/75 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, fresh table grapes, nuts with and without shell, shelled hazelnuts, apples other than cider apples, peaches and tomatoes.

These refunds, which vary according to the product and are generally fairly low, were fixed only for destinations which afforded real export outlets and if justified by difficulties in effecting exports.

(iii) Protective measures

From 4 to 11 July 1974, it was decided to suspend the free circulation in France of peaches originating in non-member countries, as a protective measure.

(b) Withdrawals from the market

At 34 000 m.t. the quantities of apples withdrawn from the market were much lower than usual and could be considered negligible since they only amounted to 0.70% of Community commercial production; even in Italy, where in absolute terms the withdrawals were greater, they only represented 1.77% of production.

As regards pears, withdrawals were also lower than in most years, but to a lesser extent than with apples. Italy accounted for 85.5% of the withdrawals where they amounted to 9% of production but for the Community as a whole, withdrawals totalled a mere 200 000 m.t., i.e., 4% of commercial production.

However, withdrawals of peaches amounted to almost 80 000 m.t., i.e., 4.75% of Community production, and were thus at the highest levels recorded for this product. As with pears, withdrawals were principally in Italy.

In contrast to previous years, for withdrawals have not exceeded 130 m.t. since 1970/71, 181 000 m.t. of oranges were withdrawn during the 1974/75 marketing year, i.e., about 11% of Community production.

Withdrawals of mandarins amounted to 1% of production and, for the first time since the introduction of the intervention system, there were withdrawals of lemons and table grapes in minimal quantities, amounting to a mere 0.16% and 0.01% respectively of commercial production.

As regards cauliflowers, withdrawals in 1974/75 were the highest since the 1968/69 marketing year, but they only amounted to 1.7% of production. Of the 26 000 m.t. withdrawn, 71% was in France and 28% in Italy.

Withdrawals of tomatoes, which amounted to 14 600 m.t., were around the average for the last six marketing years, accounting for only 0.3% of Community production. Of the withdrawals, 64% were made in the Netherlands and 35% in Italy.

(c) Uniformity of prices

(i) Accession compensatory amounts

With effect from 1 February 1973, accession compensatory amounts were introduced for certain products and certain periods. These amounts are reduced by 20% each year in accordance with the Treaty of Accession.

(ii) Monetary compensatory amounts

No monetary compensatory amount was fixed for fruit and vegetables.

(d) Measures to promote the marketing of Community oranges and mandarins

Measures to promote the processing of oranges

For the 1974/75 marketing year, the financial compensation - that is, the penetration premiums provided for by Council Regulation (EEC) No 2511/69 of 9 December 1969, laying down special measures for improving the production and marketing of Community citrus fruit - was maintained at the previous levels, i.e., 4.0 u.a. per 100 kg net for mandarins; 5.0 u.a. per 100 kg net for oranges of the Moro, Tarocco, Ovale calabrese, Belladonna, Navel and Valencia late varieties; 4.0 u.a. per 100 kg net for oranges of the Sanguinello variety and 3.0 u.a. per 100 kg net for oranges of the Sanguigno and Biondo comune varieties.

In application of 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 prices to be paid by processors to producers of oranges and the financial compensation payable to these processors were fixed at the following levels for the 1974/75 marketing year:

Class of product	Minimum price per 100 kg net	Financial compensation per 100 kg net
I	6.5 u.a.	3.2 u.a.
II	5.4 u.a.	2.1 u.a.
III or mixed	4.2 u.a.	1.1 u.a.

8. Budgetary costs

The expenditure of the Guarantee Section of the EAGGF for fruit and vegetables, including processed fruit and vegetables, amounted in 1973 to 34.9 million u.a. and in 1974 to 66.9 million u.a., while for 1975 it is estimated at 83.5 million u.a., i.e., 0.9%, 2.2% and 1.8% respectively of the total expenditure of the Guarantee Section. The sum of 83.5 million u.a. can be broken down into 27.2 million u.a. of expenditure on export refunds, 44.6 million u.a. on withdrawals from the market and 11.7 million u.a. for price compensatory measures.

## II. Processed fruit and vegetables

### 1. Production

Between 1973 and 1974 production of the main processed fruit and vegetable products changed in various ways. Generally, there was a large increase in the production of tomato-based products, while there was practically no change for preserved peaches, citrus fruit juices and preserved mushrooms. Community production of these products was as follows:

- (a) Tomato concentrates: production was 181 800 m.t. in 1974, an increase of 19% compared to 1973.
- (b) Peeled tomatoes: production increased by 30%, rising from 459 000 m.t. in 1973 to 595 600 m.t. in 1974.
- (c) Tomato juice: production was 33 000 m.t. in 1974, 18% above the 1973 level.
- (d) Preserved peaches: production was 75 000 m.t. in 1974, slightly less than in 1973.
- (e) Citrus fruit juices: production in some Member States is based on the reconstitution of imported citrus fruit juices, Italy being the only Community country which produces these juices from fresh home-grown citrus fruits. The production of orange juice in Italy was unchanged at 70 000 m.t. in both 1973 and 1974. The production of lemon juice was 37 500 m.t., an increase of 4% compared to 1973.
- (f) Preserved mushrooms: production was 153 300 m.t. in 1974, 2% below the 1973 figure.

2. Consumption and trade

In 1974, the available quantities of tomato concentrates were 269 200 m.t. This is a drop of 11% compared to the 301 400 m.t. available in 1973. Total imports amounted to 148 000 m.t. in 1974 compared to 199 400 m.t. in 1973. Exports on the other hand increased from 51 200 m.t. in 1973 to 60 600 m.t. in 1974. The drop in imports was due in part to the increase in Community production and in part to the drop in consumption caused by higher world prices during much of 1974.

In spite of the spectacular increase in Community production of peeled tomatoes in 1974, imports rose from 66 300 m.t. in 1973 to 76 300 m.t. in 1974. Exports also rose, from 48 700 m.t. in 1973 to 53 650 m.t. in 1974. Thus, the net quantities available on the Community market increased from 613 200 m.t. in 1973 to 728 200 m.t. in 1974, an increase of 19%.

The increased quantities of tomato juice available for consumption in the Community are the result of an increase in Community production, which amounted to 46 750 m.t. in 1974, an increase of 11% compared to 1973. Imports have remained at about 16 000 m.t. over the last few years and exports increased slightly, from 2 100 m.t. in 1973 to 2 600 m.t. in 1974.

As regards preserved peaches, imports fell from 198 100 m.t. in 1973 to 144 100 m.t. in 1974, a drop of 37%. Exports also dropped, from 3 400 m.t. in 1973 to 1 400 m.t. in 1974. Thus, the quantity available for consumption was 273 700 m.t. in 1973, but 217 700 m.t. in 1974.

The availabilities of orange juice in the Community dropped from 280 100 m.t. in 1973 to 254 000 m.t. in 1974. Imports fell back from 218 100 m.t. in 1973 to 201 500 m.t. in 1974, while exports rose from 8 000 m.t. in 1973 to 17 500 m.t. in 1974. Intra-Community trade during the two years amounted to about 90 000 m.t.

There was an increase not only in the production of lemon juice but also in imports and exports. This resulted in a slight increase in the availabilities of lemon juice for consumption. Imports, which were 4 500 m.t. in 1973, rose to 83 000 m.t. Exports increased by 1 000 m.t. in 1973 to reach 3 950 m.t. in 1974.

There was a slight increase in the availabilities for Community consumption of preserved mushrooms, at 194 200 m.t. in 1974 compared with 192 000 m.t. in 1973. Imports rose from 41 200 m.t. in 1973 to 46 200 m.t. in 1974, while exports dropped slightly from 5 700 m.t. in 1973 to 5 300 m.t. in 1974.

### 3. Prices

During 1973 and 1974 the prices of tomato concentrates remained at a fairly high level, even reaching 700-800 u.a./m.t. These price levels led to the abolition of export refunds for tomato-based products in October 1974.

For most other processed fruit and vegetable products, prices remained at satisfactory levels during this period. However, the market in preserved mushrooms was disturbed by large quantities of very low-priced imports. To remedy this, the Commission introduced protective measures in August 1974. These measures are still applicable.



#### 4. Prospects

In 1973 and 1974 Member States continued to apply their own national policies with regard to trade with non-member countries in all the products in this sector. Council Regulation (EEC) No 1927/75 of 22 July 1975 established a Community policy on trade in these products, applicable from 1 September 1975 for tomato-based products and from 1 October for the other products. This Regulation provides for a general liberalization of trade with non-member countries, the introduction of a minimum import price for tomato concentrates, the introduction of a system of import certificates for certain sensitive products and a monitoring system to be applied to imports of certain products from the state-trading countries. It is still too early to assess the effect of these measures on Community production as a whole or on trade either within the Community or between the Community and non-member countries.

The current market situation and its short-term development vary according to the product. The market in tomato-based products, which is weak at present, necessitated the re-introduction of export refunds in June 1975 and a further adjustment in October 1975. The prices for preserved peaches in syrup and certain other preserved fruit such as apricots in syrup are higher than before as a result of a poor crop in 1975. Application of the protective clause should allow the market in preserved mushrooms to recover.

#### 5. Budgetary costs - see I. 8.

11a. Live plants<sup>1</sup>

1. Introduction

The live plants sector includes bulbs, flowers, pot plants and nursery seedlings. These different products, which, with a total output valued at 2 million u.a., represent 3% of the total value of agricultural production of the Community, do not necessarily show a parallel development. The production of bulbs has fallen off recently compared with the other lines of production.

2. Production

The figures for 1974 are not available. 1972 and 1973 figures are compared below:

	Bulbs	Nursery products	Cut flowers Pot plants	
1972	167	305	I 389	million u.a.
1973	160	324	I 498	million u.a.
<u>1973</u> 1972	- 4%	+ 7 %	+ 7 %	

3. Consumption

Consumption in 1973 was 6% up on 1972.

4. Prospects

This sector depends largely on glasshouse production. In the face of the increased production costs and the hesitation of consumers, as a result of the general economic climate, to buy non-essential products, a reduction in the activity of the sector may be expected.

<sup>1</sup> See Table III B/11.22 of Part III.

## 12. Hops<sup>1</sup>

### 1. Introduction

Hops are a world-wide market, with considerable trade between countries. They are very sensitive to variations in climate, to disease and to parasites, and the market thus fluctuates widely from one year to the next. In 1974, world production was about 111 000 m.t., a decrease of 6% on 1973.

During the period 1969-73, the world's hop-producing areas increased to a greater extent than demand, the result being a drop in prices. The imbalance between supply and demand results from, among other factors, the increasing use of hop extracts in the brewery industry and from the high demand for varieties rich in alpha acids. This has resulted in the use of less hops per unit of beer. In addition, new techniques for the manufacture of hop powders and extracts enable these products to be stored for several years. Thus, even though in 1974 demand and production balanced out in theory, as a result of a poor yield, merchants' and brewery stocks from the excessive harvest of 1973 weighed upon the market and contractual and non-contractual prices increased very little over 1973.

### 2. Structure

In 1974, the Commission recorded that there were 9 784 hop growers in the Community, including 7 102 members of recognized producer groups, the setting up of which is encouraged under Regulation (EEC) No 1696/71, as well as 451 members of non-recognized groups, and 2 231 independent growers.

### 3. Production

Community production was 47 900 m.t. in 1974, or about 43% of world production of hops; this represents a reduction of 9% on 1973 from roughly the same area under hops (about 29 000 ha).

---

<sup>1</sup> See Tables II.B/12.1 - II.B/12.5 of Part III.

The increasing demand for varieties rich in alpha acid has led to large-scale replantings with those varieties in all the Member States. After the excessive harvest of 1973, merchants' and brewery stocks before the 1974 harvest represented six months' production (about 20% above normal) and they may be expected to remain at the same level with the 1975 harvest.

#### 4. Consumption

The brewing industry is the only consumer of hops. The annual increase in the demand for beer is 4% in the world (the highest increase in beer production is in the Third World countries) and 1-2% in the Community. For the reasons stated above, the demand for hops is increasing less rapidly, by 2-3% in the world, and is stationary in the Community.

#### 5. Trade

In 1974, the Community exported 42% of its production to non-member countries. Imports of cones from non-member countries, particularly from the United States, decreased on 1973, whereas imports of extracts remained fairly constant. Exports of cones and extracts to non-member countries increased. In 1973 and 1974, however, exports from the Community, which came largely from Germany, were disrupted by the high production in the United States, and the devaluation of the dollar against the Deutsch mark.

#### 6. Prices

In 1973, average prices dropped by 17% on 1972. In 1974, however, they were up 1.7% for hops sold under contract and by 9.8% for hops not sold under contract, and thus did not reach their level for 1972, a year of relative balance on the market. With a world surplus, strong inflation, and Community production well in excess of internal demand, the tendency of producers to sell on the open market explains the drop in prices since 1972. The conclusion of contracts between members of producer groups and buyers is essential in order to achieve a more balanced market and to ensure a certain degree of

stability. It is for this reason that Community legislation encourages the setting up of producer groups.

#### 7. Medium-term forecasts

For the 1975 and 1976 harvests, in view of the market structure, the world area under hops is likely to be unchanged. The yield for the 1975 harvest will be lower than in 1974, for climatic reasons, and may bring about a reduction in world stocks. In view, however, of the high level of stocks in 1975, no major increase in prices should be expected, unless the main producer countries pursue a market stabilization policy in the immediate future.

In 1976, owing to the stagnation in world acreage and to the reduction in stocks resulting from the poor 1975 harvest and the increase in beer consumption (3-4%), the existing imbalance between supply and demand may be expected to lessen.

In 1977, if the increase in areas under hops does not exceed 1-2% and provided that there is an average yield, stabilization of the market may be expected.

#### 8. Budgetary costs

The expenditure of the Guarantee Section of the EAGGF was 4.6 million u.a. in 1973, 4.4 million u.a. in 1974 and is estimated at 7.2 million u.a. in 1975, i.e., 0.1%, 0.1% and 0.2% respectively of the total expenditure of the Guarantee Section.

13. Milk and milk products<sup>1</sup>

1. Introduction

(a) In 1974, milk production represented 18.5% by value of the Community's final agricultural production; total world output of milk in 1974 may be estimated at about 380 million m.t. The Community's share, more than 91 million m.t., represented a substantial proportion of world production, namely 24%.

(b) There have been considerable changes in the structure of milk production in recent years. There are some 2.2 million milk producers in the Community owning about 25.2 million dairy cows. About 1.5 million producers own fewer than ten cows, accounting for about 20% of the total dairy cow numbers. The average size of herd varies from five cows in Italy, to 23 in the Netherlands and 70 in Scotland. In general, it may be said that in the typical dairy regions of the Community (regions where permanent pasture occupies more than 50% of the UAA), the number of dairy cows has increased by about 25% in the last ten years, whereas in regions which are not specifically given over to dairy farming (regions where permanent pasture occupies less than 25% of the UAA), the number of dairy cows has decreased by almost 20%.

The restructuring of milk production seems to be continuing; it has even increased in recent years and has taken the following forms:

- drop in the number of milk producers;
- increase in the average number of cows per herd;
- standstill and even slight decrease in the total number of dairy cows;
- continuous improvement in the average milk yield per cow - seasonally adjusted;
- increasing transfer of milk production to regions where there is a high proportion of permanent pasture;
- maintenance of the slight growth in milk production as a whole.

---

<sup>1</sup>See Tables II.B/13.1 to II.B/13.26 in Part III.

(c) The preparation and processing of milk in the Community is carried out by some 7 500 firms with about 8 800 establishments, almost half of which are in Italy.

Average quantities of milk prepared and processed per establishment in the Member States in 1973:

	million kg
Italy	1.7
France	9.1
Denmark	14.0
United Kingdom	16.1
Germany	19.2
Ireland	26.7
Belgium	28.9
Netherlands	39.0
Luxembourg	56.4

With concentration and modernization, the number of establishments is continuing to decrease. The aim of the rationalization measures is to lower processing costs considerably and make more effective use of modern techniques for the production of high-quality products.

## 2. Production and use of milk

(a) In December 1974 the number of dairy cows was 25.2 million, i.e., 1.4% less than in the previous year. Trends differed, however, from one Member State to another. The total population of dairy cows increased only slightly in the Benelux countries and in France. In all the other Member States, the decrease was 1-4%. The latest figures available point to a further slight reduction in dairy herds in the Community as a whole.

(b) The sharp rise in milk production and sales in 1972 did not continue in 1973 and 1974. In 1974, milk production (91.3 million m.t.) was equal to that of 1973. In 1975, milk production is not expected to change, but to stabilize at the level of the previous years.

On the other hand, deliveries of milk to dairies continued to increase (81.3 million m t.) in 1974, being almost 1% up on 1973.

Deliveries decreased only in Ireland and the United Kingdom. In both these Member States, this trend is due mainly to the increase in the costs of milk production, and in particular the prices paid for feedingstuffs. Income from milk has not risen to the same extent, so that the overall profitability of milk production has fallen.

### 3. Production and consumption of the principal milk products

#### (a) Milk for human consumption

The production and consumption of milk rose slightly in 1974, since total consumption was 25.8 million m.t., 3% more than in 1973. A further decrease was recorded in the consumption of drinking milk. The consumption of whole milk continued to decrease, whereas that of semi-skimmed and skimmed milk increased. Sales of cream rose slightly. The consumption of fresh milk products (yoghourt and milk-based beverages) has not increased as rapidly as in recent years.

For 1975, no significant structural change is expected in the consumption of milk for human consumption.

#### (b) Butter

Total butter production in 1974 amounted to 1 661 000 m.t. At the beginning of the year, the Community butter market was not burdened with excessive stocks. Account being taken of imports, total supply was 240 000 m.t. less than in 1973. Since both per capita and absolute consumption increased at the same time, a balance was achieved on the Community market in 1974. Stocks fell to their lowest level in absolute terms (148 000 m.t.) at the end of 1974.



The situation has changed in the meantime. Production will probably be 2% higher in 1975 than in 1974. The upward trend in consumption recorded in the previous year will not continue and butter consumption in the Community is likely to fall again in 1975. This applies both to consumption at market prices and to sales made as part of special measures. This reversal in trends is due mainly to two increases in butter prices in the absence of any readjustment of the consumer subsidies granted in some Member States and the recent drop in the price of margarine, which has affected the position of butter on the market.

Exports to non-member countries have continued to fall since the massive special sales, effected at considerable financial cost, eased the situation on the butter market in 1973.

As a result, stocks at the end of 1975 will be about 220 000 m.t. and will not exceed the stocks at the end of 1973.

(c) Skimmed milk powder

Production of skimmed milk powder amounted to 1 826 000 m.t. in 1974, 1.6% less than in 1973. Community consumption dropped by about 70 000 m.t. (4.8%) from the 1973 level to 1 400 000 m.t. Only about 18% of the tonnage utilized in the Community was sold at market prices for human consumption, whereas 72% was sold at a reduced price as a result of substantial subsidies for the manufacture of animal feedingstuffs, especially for the rearing and fattening of calves. Despite the quantities exported in 1974, stocks rose by more than 100 000 m.t.

The skimmed milk powder sector will reveal an imbalance in 1975. Although production increased by 6% over 1974, sales for utilization in animal feedingstuffs continued to fall in the Community. Exports in 1975 will fall very short of the level for previous years, so that stocks will amount to more than 1 million m.t. at the end of the year. Most of these stocks are likely to be public, since the private stocks held by manufacturers, traders and processors will have been greatly reduced.

(d) Cheese

In 1974, cheese production in the Community amounted to 2 878 000 m.t., 7.7% more than in 1972, and it is expected to rise to about 2 960 000 m.t. in 1975.

Production and consumption of cheese are clearly no longer showing the high rates of expansion seen in preceding years. Overall cheese consumption appears to have reached a level which is unlikely to rise appreciably in the near future. Per capita consumption reached 11.5 kg in 1974.

On the other hand, the trends noted in recent years relating to the consumption of the various types and qualities will probably continue.

(e) Whole milk powder

In 1974, production of whole milk powder was 345 000 m.t., 5.7% less than in 1973. About 60% of total production is utilized in the Community, whilst about 40% is exported to non-member countries.

No appreciable change is expected in 1975. Production will probably continue to fall slightly.

(f) Condensed milk

Condensed milk production (1 400 000 m.t.) declined slightly in 1974 (- 1.5%). Lower internal consumption was only partially counterbalanced by increased exports. Consumption is not expected to increase in 1975; similarly, the general outlook for sales on the world market cannot be considered favourable.

(g) Casein

In 1974, Community production of casein and caseinates (60 500 m.t.) was 9.2% higher than in 1973.

In 1975, production was cut back drastically, resulting in a marked drop in casein production, particularly in Ireland and France.

This was due to the reduction in demand and low-priced imports from non-member countries.

#### 4. World Market Situation and International Trade

##### World market

In 1974, the world market in milk products once more moved from a state of balance to a state of imbalance. In 1975, this trend continued, resulting in a reduction in the world trade in butter, skimmed milk powder, casein and cheese.

In the United States, milk production remained stable in 1974 and 1975. This change from the previous downward trend, combined with a drop in the consumption of liquid milk and skimmed milk powder, meant that considerably fewer milk products needed to be imported than in 1973. Imports of skimmed milk powder consequently fell from 121 000 m.t. in 1973 to 52 000 m.t. in 1974. In 1975, owing to increased production and reduced consumption, US intervention stocks of skimmed milk powder rose to over 200 000 m.t. The US cheese market posed considerable problems for exporting countries in 1974 and 1975 as a result of the increase in US production in 1974 and the threat that the United States would levy compensatory duties on certain cheese imports. During the first six months of 1975, US cheese imports fell by 69% in relation to the same period in 1974. Deliveries from the Community, which account for about 45% of total US imports of cheese, decreased to the same extent.

In New Zealand, milk production started to increase at the end of 1974, since the weather had returned to normal after the periods of drought which had occurred during the two previous milk marketing years. Production and export possibilities increased considerably, especially for butter and skimmed milk powder. Since the market in casein remained poor throughout 1974 and 1975 and there were fewer dealings in skimmed milk powder in 1975, stocks of skimmed milk powder began to increase.

In Australia and Canada, there were also slight increases in milk production, in the quantities available for export and in stocks, particularly in the case of skimmed milk powder.

Imports by Japan, mainly of butter and skimmed milk powder, continued to increase in 1974, but decreased in 1975.

Generally speaking, the world market in 1974 and 1975 reflected the increases in the production of milk and the trend towards using milk for the production of butter, and, more especially, skimmed milk powder.

The consumption of most milk products was hindered by the international economic recession.

The situation regarding skimmed milk powder changed radically during the period in question. In 1973, there was a decline in deliveries of soya and fish meal and prices for skimmed milk powder increased, but the situation was reversed in late 1974 and early 1975. The available quantities of soya and fish meal increased, the use of skimmed milk powder declined, prices on the world market fell by more than 50% between December 1974 and September 1975 and stocks increased. In the same way, buyers have shown increasing reluctance to renew their operating stocks.

#### Community exports

In 1974 total Community exports of butter amounted to 162 000 m.t. (including food aid), representing about 41% of world trade, as against 61% in 1973. However, apart from special sales and food aid, normal commercial exports rose from 86 000 m.t. in 1973 to 130 000 m.t. in 1974, an increase of 51%, due mainly to deliveries of butteroil for reconstitution.

In 1974, Community cheese exports increased by 31 000 m.t., or 20%, taking the Community share of world trade from 37% in 1973 to 44% in 1974. The total Community exports of skimmed milk powder increased by 47 000 m.t., or 18%, and the Community share of the world market thus progressed from 37% in 1973 to 42% in 1974. While Community exports of whole milk powder decreased by 5%, those of condensed milk increased by 5%, so that the Community share of the world market in these products is much the same as in 1973. In 1974 Community exports of casein increased by 9 000 m.t., or 75%, over 1973.

Generally speaking, most of the increases in exports in 1974 reflect the market situation in the first six months of the year. At the end of 1974 and in the first three quarters of 1975, Community exports fell considerably.

#### Community imports

In 1974, the Community imported 132 000 m.t. of butter, including 117 358 m.t. supplied to the United Kingdom by New Zealand under Protocol No 18 to the Treaty of Accession. The quantity delivered by New Zealand in 1974 was in fact 41 000 m.t., or 26%, less than the quota allowed by the abovementioned Protocol No 18.

The United Kingdom's cheese imports from New Zealand fell from 47 000 m.t. in 1973 to 48 000 m.t. in 1974, about 43 000 m.t. less than the quantity allowed by Protocol No 18. Community imports of cheese from non-member countries other than New Zealand rose in 1974 by 4 500 m.t., or 7.5%, a rate of increase almost double that of 1973. The increase was mainly in the group of cheeses covered by agreements on consolidated duties.

## 5. Prices

### (a) Milk: target price and producer prices

The target price for milk was fixed in two stages at 15.59 u.a./100 kg for the 1975/76 marketing year. This represents an increase of 10.7% over the previous marketing year, and of 32.5% since 1 February 1973, the date of the entry into force of the common rules on agriculture in the enlarged Community.

The intervention prices for butter, skimmed milk powder and certain Italian cheeses were raised to try to ensure that the milk target price would be obtained for the entire tonnage sold by producers during the marketing year.

Producer prices for milk varied appreciably during the reference period, not only between one Member State and another but also from one dairy or region to another within individual countries.

By and large, producers did receive higher prices in 1975, despite the increase in treatment and processing costs. However, whereas in previous years the average producer price in the Community has invariably been higher than the target price, in 1974 and 1975, it was about the same as the target price.

### (b) Wholesale and consumer prices

Trends in these prices in the Member States have been running more or less parallel to the intervention price. However, as a result of the continuing inflationary pressure in all Member States, the indices of both wholesale and consumer prices for milk and milk products have in certain cases risen more rapidly than delivery prices to dairies, since increased

charges at the various marketing stages have been passed on to the consumer.

Owing to the stagnation of the demand for milk and milk products and the generally slower increase in purchasing power, sellers have sometimes had difficulties in imposing price rises on the market. This explains to a large extent the increased quantities, particularly of skimmed milk powder, offered to the intervention agencies.



## 6. Outlook for 1976/77

The general stabilization of production and deliveries of milk in 1974 has in all probability continued in 1975. Cow numbers, however, have fallen more than expected, mainly as a result of early slaughterings (situation in the feedingstuffs sector in spring and summer, difficulties on the market in beef and veal, conversion from milk to beef production). Even so, the yield per cow has increased so that total production remained the same and deliveries to dairies were 1% more than in 1974. In 1976, there should be a less marked reduction in the number of cows and a greater increase in yields than in 1975 as a result of the abundance of supplies and the competitive prices of concentrates for animals. Milk production could thus increase by 0.5 to 1.5% and deliveries of milk by 1 to 3%. If cow numbers become stable in 1977 and if the weather is favourable, this trend towards increased production and deliveries will continue. General utilization of milk in the form of liquid milk and of fresh products levelled off in 1975 and will probably decrease in 1976 and 1977, thereby releasing a greater quantity of milk for manufactured products, mainly butter and skimmed milk powder, which will show annual increases of 2-4% and 3-6% respectively. With both these products, the gap between production and consumption will widen as a result of increased prices and structural changes (United Kingdom market in the case of butter and the feedingstuffs market in the case of skimmed milk powder). Cheese production will continue to reflect the commercial possibilities of the market. Exports, which fell considerably in 1975, will probably remain at the same level or will increase slightly in 1976-77. The rate of the increase in cheese consumption in the Community fell in 1974 and 1975. However, it could increase more rapidly in 1976-77, depending mainly on the general level of incomes and the economic environment. As for the other milk products which can be stocked, including casein, production will reflect above all the world market situation. It will continue to be difficult for exporters to gain access to the world market, owing to the increase in milk production, mainly in New Zealand, and the ensuing increase in the production of skimmed milk powder and, probably, of butter. Intervention stocks of butter and skimmed milk powder will consequently tend to increase in the Community during the next few years as a result of developments in production and consumption and on the world market.

7. Economic aspects of the measures taken

(a) Import levies

In accordance with Article 14 of Regulation (EEC) No 804/68, the levy must be equal to the threshold price less the free-at-frontier price.

The free-at-frontier price must be determined on the basis of the most favourable purchasing opportunities in international trade.

For the principal milk products, the trend of this price has been as follows:

(i) **skimmed milk powder:**

Prices declined steadily in 1974 and 1975, falling from 60.50 u.a./100 kg in January 1974 to 37.20 u.a./100 kg in October 1975.

(ii) **butter:**

During the same period, prices varied between 63 and 71 u.a./100 kg.

(iii) **cheese (Gouda and Cheddar):**

In 1974, prices for Gouda increased from 58 u.a./100 kg in January to 72 u.a./100 kg in December. In 1975, however, prices remained stable at 72 u.a./100 kg.

Prices for Cheddar increased from 80 u.a./100 kg in January to 93 u.a./100 kg in September 1974. In October, prices began to fall, dropping to 77 u.a./100 kg and eventually 67 u.a./100 kg in April 1975. Prices have since risen, reaching 78 u.a./100 kg in October 1975.

In general, it may be said that import levies made it possible to continue traditional imports of certain special types, such as Emmentaler, Tilsit, Butterkäse and sheep's milk cheeses.

The Community production of basic products such as butter, skimmed milk powder and cheeses for processing was sufficient for internal consumption.

As a result, the trade showed no great interest in importing these products.

(b) Export refunds

In accordance with Article 17 of Regulation (EEC) No 804/68, to the extent necessary to enable products to be exported, the difference between Community prices and world market prices may be covered by an export refund.

In fixing the refund, particular account has to be taken of the objectives of the common organization of the market in milk and milk products, as well as the economic aspects of the exports concerned.

The refunds, established in accordance with these criteria, showed little change during 1974.

In 1975, the refunds were increased to take account of higher prices in the Community.

The refund of 8 u.a./100 kg on skimmed milk powder was abolished in March 1974 and reintroduced at the level of 4 u.a./100 kg in July 1974. Since that date, it has increased regularly, reaching 48.48 u.a./100 kg in October 1975.

The refunds on exports of cheese to the USA were abolished on 12 July 1974 in order to prevent the application of countervailing duties. Following discussions with the US authorities, they were reintroduced in February 1975 for most cheeses.

(c) Subsidies for skimmed milk, skimmed milk powder and casein

Subsidies for skimmed milk utilized in animal feedingstuffs are granted in the following cases:

- skimmed milk obtained as a by-product of farm butter production (361 000 m.t. in 1974);
- skimmed milk obtained on delivery of cream to dairies (231 000 m.t. in 1974);
- skimmed milk sold by dairies (3 742 000 m.t. in 1973).

The quantities of liquid skimmed milk used in animal feedingstuffs continue to decline. For 1975, this amount may be estimated at 4 million m.t. for the Community.

In 1974, subsidies were granted for 1 143 000 m.t. of skimmed milk powder used in animal feedingstuffs, a decrease of 4.6% in relation to 1973. The quantities for which aid was requested during the first six months of 1975 continued to rise. The upward trend noted in previous years gave way to a decline owing mainly to the reduced amounts of skimmed milk powder used in special feedingstuffs for the raising and fattening of calves.

Subsidies for skimmed milk converted into casein were adjusted very cautiously during the years 1973 and 1974. An appreciable increase was recorded in 1974. The quantities for which subsidies were granted amounted to 2 395 000 m.t. in 1974 as against 1 869 000 m.t. in 1973, an increase of 28%.

(d) Intervention measures

In the framework of the common organization of the market in milk and milk products, four types of intervention measure relating to storage can be employed:

- public and private storage of butter;
- public storage of skimmed milk powder;
- public and private storage for certain Italian cheeses;
- private storage for certain types of long-keeping cheeses.

Butter

At the beginning of 1974, public stocks of butter amounted to 117 500 m.t. From September 1973 onwards, however, this amount had been declining steadily - falling to about 53 500 m.t. by the end of 1974.

In 1974, about 110 000 m.t. were sold at cut prices and 43 000 m.t. were released from storage for supply as food aid following processing into butteroil.

The special measures concerning sales within the Community related mainly to sales to the ice-cream and confectionery industries (about 7 000 m.t. per month) and to the armed forces and non-profit-making bodies (about 2 000 m.t. per months).

Private stocks of butter qualifying for subsidies amounted to 225 000 m.t. in 1974.

Finally, the following measures were applied to boost sales of fresh butter and butter from private stocks:

- sales at reduced prices for social welfare purposes (32 600 m.t. in 1974, as against about 15 000 m.t. in 1973);

- national and Community subsidies for the consumption of fresh butter (applied only in the UK and Ireland).

#### Skimmed milk powder

At the beginning of 1974, public stocks of skimmed milk powder amounted to about 166 000 m.t. Since then, stocks have increased, particularly from April 1974 onwards; total stocks amounted to 365 000 m.t. by the end of 1974.

Destocking has been effected mainly in connection with food aid and amounted to about 52 500 m.t. in 1974. A further amount of about 15 000 m.t. was sold for animal feedingstuffs (at 2 u.a./100 kg above the intervention price) and 3 000 m.t. for export.

#### Italian cheeses

In 1974, no Italian cheeses were offered for intervention (public storage). From January 1974, however, certain quantities came under the system of private storage aid; the total quantities in respect of which contracts were concluded were about 27 000 m.t. for Grana Padano and 5 300 m.t. for Parmigiano Reggiano.

#### Long-keeping cheeses

Certain long-keeping cheeses, especially those consolidated under GATT and sheep's milk cheeses requiring at least six months for maturing, may qualify for private storage aid. In 1974, the total amount was about 15 000 m.t. (Emmentaler type).

#### (e) Food aid

Since 1970, food aid measures by the Community have included measures concerning skimmed milk powder and butter in the form of butteroil. It was not possible to deliver the entire quantities promised for 1974, i.e., 55 000 m.t. of skimmed milk powder and 45 000 m.t. of butteroil. The balance, about 39 000 m.t. of skimmed milk powder and 18 600 m.t. of butteroil, was delivered in 1975.

(f) Price uniformity

Accession compensatory amounts

In accordance with Article 86(1) and (2) of the Treaty of Accession, the compensatory amounts for the milk and milk products sector should have been calculated on the basis of the difference between market prices in the original Community and those in the new Member States.

Given that it was not possible to determine representative prices for milk products and that such prices would have led to abnormal price relationships, the accession compensatory amounts were calculated, in accordance with Article 86(3), on the basis of the compensatory amounts applicable to butter and in respect of the butterfat content in each individual product. No special problems were encountered in the application of the accession compensatory amounts.

From 1 January 1975, Denmark applied the common price level for butter. The accession compensatory amounts between Denmark and the original Community were therefore abolished.

Monetary compensatory amounts

All milk products with the exception of casein are subject of the system of monetary compensatory amounts<sup>1</sup>.

In general, the application of monetary compensatory amounts in the milk products sector did not give rise to any particular difficulties.

8. Budgetary costs

Expenditure by the Guarantee Section of the EAGGF in respect of milk products amounted to 1 497 million u.a. in 1973, 1 221 million u.a. in 1974, and have been estimated at 1 153 million u.a. for 1975, i.e., 39.2%, 39.3% and 25.2% respectively of the Guarantee Section's total expenditure. Of the total amount of 1 153 million u.a., 304.8 million will be spent on export refunds, 197 million for storage and 651.7 million for price subsidies.

---

<sup>1</sup>Regulation (EEC) No 974/71, OJ No L 106.

14. Beef and veal<sup>1</sup>

1. Introduction

The share of beef production (adult bovine animals and calves) in the value of final agricultural production has fallen in recent years: 16% in 1972, 15% in 1973 and 14.4% in 1974.

The number of farms engaged in beef production is about 3.3 million, i.e., nearly two-thirds of all farms in the Community. The area growing animal fodder in 1974 represented nearly 60% of the Community's UAA. Since beef production is dependent on land, it is not surprising that the larger Community countries are also the main producers of beef and veal, with France at the top of the list.

The Community, with 15% of world production, holds second place, before the USSR, among world producers of beef and veal, but is well behind the USA.

---

<sup>1</sup>See Tables II.B/14.1 to II.B/14.8 in Part III.



2. Production

(a) The cattle count

After the considerable increase noted in December 1973, the cattle count in December 1974 reached a record level of 79.3 million head, an increase of 0.6% over the previous year. The drop of about 0.8% in the number of cows was to a large extent confirmed by the interim inquiries in May/June 1975 in certain Member States, such as Ireland and the United Kingdom.

The number of calves, especially males, is also falling. The medium-term increase in cattle numbers has been about 0.8% per year, but the count is expected to fall in the next two years since beef producers have become somewhat discouraged by the drop in prices since 1973.

(b) Production of beef and veal

Slaughterings

Since autumn 1973 the beef and veal market has seen a considerable increase in the numbers of adult bovines and calves slaughtered.

In 1974 more than 21 million adult bovine animals were slaughtered in the Community, a figure some 21% higher than in 1973; in the first half of 1975 the number of slaughterings was still about 9% higher than the figure for the same period in 1974.

The number of slaughterings appears to be levelling out at present, and the number of young bulls slaughtered is slowing down. Thus, the average increase in slaughterings of adult bovine animals for the whole of 1975 is only about 3%.

Since the beginning of 1975, no doubt because of shortages of fodder and the high price of feedingstuffs and because high premiums were granted at the beginning of 1975, animals have been slaughtered at an earlier age and in particular at a less advanced stage of fattening.

The number of adult bovines slaughtered, in particular in Ireland and the United Kingdom, will probably drop considerably in 1976.

Slaughterings of calves have shown a different trend from slaughterings of adult bovine animals in past years; whereas the latter have increased by about 2% per year, slaughterings of calves have fallen by 3 to 4% per year.

In 1974, however, slaughterings of calves, at over 7 million head, were more than 9% up on 1973; a further increase was recorded in the first half of 1975 and the number of calves slaughtered in 1975 will probably be about 1% higher than in the preceding year.

Slaughterings of adult bovine animals and calves in 1974 and 1975 totalled about 29 million head, i.e., 4 million head more than in 1972 and 1973.

Slaughtering coefficient

The slaughtering coefficient dropped considerably in 1972 and 1973, but increased considerably in 1974 and will no doubt do so in 1975. This suggests that the replacement of breeding stock will be curtailed, and that there will be a drop in the number of young bovine animals fattened, and therefore that the development of beef production will be less marked in future years.

Average slaughter weight

The average slaughter weight of adult bovine animals increased considerably in 1972 and 1973, but fell in 1974 and 1975.

It would therefore appear that breeders are sending younger and lighter animals to market. Likewise, the average slaughter weight of calves, which showed a substantial increase in 1972 and 1973, increased less rapidly in 1974 and fell considerably in 1975.

Production of beef and veal

Although varying considerably from one year to the next, production of beef and veal increased steadily until 1971, and in 1972 fell sharply by about 8 to 9%, with the result that in 1972 and 1973 the level was below that of 1968.

In 1974 beef and veal production jumped by 18.6%.

In 1974 beef production increased by about 20%, i.e., one million m.t., by comparison with 1973. It was up again by about 5% in the first half of 1975, but is expected to level out in the second half of the year.

Veal production, very low in 1972 and 1973, increased by about 10% in 1974. In the first half of 1975 it dropped by about 5% compared with the same period of 1974; for 1975, therefore, a drop in production is likely.

Total beef and veal production, which amounted to 6.6 million m.t. in 1974, will thus be slightly higher in 1975.

Over the medium and long term, the production of beef and veal rises on average about 2% a year.

In recent years stockrearing structures have greatly changed:

- fewer stock-farmers, mainly because of the disappearance of small farms;
- more animals per farm.

In December 1973 the average size of cattle herds per farm was 24 head for the Community as a whole, being about 10 in Italy and nearly 70 in the United Kingdom.

Beef production takes three main forms corresponding to the three main categories of animals slaughtered, namely:

- culled cows and young calves (milk production);
- grass-reared adult bovine animals (beef animals).

- Young male bovine animals fattened in special production units (maize silage).

The marketing of young male animals (young bulls), which percentage-wise increased sharply until 1974 (20% of all adult bovine animals slaughtered), is down on last year.

### 3. Consumption

#### (a) Consumption of beef and veal

Meat consumption is affected by the following factors:

- increase in population which in recent years has slowed down considerably;
- expansion of the economy, and in particular of private expenditure;
- the availability of competing meats on the market, and above all the level of market prices of meat;
- the size of the trading margin between producer and consumer prices.

The per capita consumption of beef and veal increased steadily from 1964 to 1971; in 1972 and 1973, however, it stabilized in the Community at around 24.5 kg, about one kg less than the maximum attained in 1971. In 1974, per capita consumption was much higher throughout the Community, except in Italy where it fell considerably. This was due largely to tax measures adopted by the Italian Government.

An increase of about 0.5 kg in per capita consumption is expected for 1975, which will bring its level back to the 1971 figure.

Bearing in mind the increase in population, world consumption of beef and veal increased even more markedly between 1964 and 1971, but fell in 1972 and 1973 by about 0.2 million m.t.

In 1974, at close to 6.5 million m.t., and no doubt in 1975, human consumption of beef and veal in the Community will once again be above its 1971 level.

Although per capita consumption increased by an average of more than 1% per year in the last decade, which was marked by considerable economic expansion, this figure appears now to have fallen below 1% as a result of the present economic difficulties.

Moreover, on the medium term view, the per capita consumption of beef increased by about 2 kg while consumption of veal dropped by about 0.5 kg.

In 1974 per capita consumption of beef amounted to 22.5 kg while consumption of veal was only 2.7 kg.

The annual rise in world consumption of beef and veal will probably be less than in the past ten years because of the drop in the birth rate and in economic activity. A very slight increase is, however, likely in 1976 because of a relative shortage of pigmeat, in particular in the first half of 1976.

(b) Degree of self-supply

In 1972 and 1973, the Community's degree of self-supply for beef and veal was about 85%, reflecting a deficiency of the order of 0.9 million m.t.; this percentage is much lower than that of 1971 which was 91% (deficit in the order of 0.5 million m.t.).

In 1974 the Community became almost self-sufficient in beef and veal and in 1975 it will again have a slight deficit. In the late 1970s the degree of self-supply will continue to fall without, however, reaching the level of 1972/73.

The large-scale buying-in by intervention agencies in 1974 and 1975 left a certain amount of beef and veal in storage at the end of these years. In mid-October 1975 there was still over 0.25 million m.t. of intervention beef and veal in storage and it is likely that there will still be a considerable quantity in storage by the end of the year.

4. Trade

In 1972 and 1973 intra-Community trade in beef and veal amounted to 0.88 million m.t. The figure for 1974 was about 10% up at 0.96 million m.t.

Imports of beef and veal from non-member countries reached the record level in 1972 and 1973 of about 0.95 million m.t. against 0.65 million m.t. in 1971; the quantity of frozen beef and veal imported from non-member countries increased from 0.33 million m.t. in 1971 to about 0.55 million m.t. in 1972 and 1973. In 1974, as a result of the decision taken in July 1974 to suspend temporarily the issue of import licences, the Community imported only 0.17 million m.t. of frozen beef and veal from non-member countries.

The Community's external trade

Trade	('000 m.t.)				
	1971	1972	1973	1974	1975 (estimate)
<b>Imports from non-member countries:</b>					
<b>Beef and veal</b>	652	943	951	356	200
<b>of which live animals ('000 head)</b>	170 (952)	190 (1046)	168 (846)	102 (517)	35 (170)
<b>fresh or chilled meat</b>	153	203	235	83	65
<b>frozen meat</b>	329	550	548	171	100
<b>Exports</b>	110	58	75	178	130
<b>Net trade balance</b>	542	885	876	178	20

In 1974 exports of beef and veal to non-member countries amounted to some 0.18 million m.t.; the figure will probably be the same in 1975.

The Community's external trade deficit in beef and veal rose in 1972 and 1973 to a record level of about 0.88 million m.t. This deficit is mainly attributable to Italy (about 40% of total imports). The USA, the Community and in recent months the USSR have been the world's main beef and veal importers.

The main suppliers of beef and veal to the Community are:

- Argentina and Uruguay, which supply more than a third of total imports and 40-50% of imports of frozen meat,
- Eastern Europe, which supplies more than a fifth of total imports, and two-thirds of the live animals imported, in particular Poland (40%),



- Australia and New Zealand,
- Yugoslavia, which supplies nearly a fifth of the fresh and chilled meat imported,
- Austria, which supplies about 100 000 head of live animals.

## 5. Prices

### (a) Common prices

The guide price for adult bovine animals for the 1975/76 marketing year has been fixed at 109.94 u.a./100 kg live weight for the Community, excluding Ireland and the United Kingdom for which the price fixed is 97.55 u.a./100 kg live weight.

The guide prices fixed for calves are 128.74 u.a./100 kg and 114.21 u.a./100 kg live weight respectively.

In addition the Council fixed the intervention price for 1975/76 for the Community at 99.42 u.a./100 kg live weight (88.22 u.a./100 kg live weight for Ireland and the United Kingdom, i.e. at 90.43% of the guide price.

In mid-October Community market prices for all qualities of animals were about 86% of the guide price for adult bovines and more than 110% of the guide price for calves.

### (b) Market prices

In 1973 there was a reversal in the general price trend for beef and veal; this was upward from the 1968/69 marketing year, but a downward trend began in 1973/74.

Community market prices have gone up on average by about 10% in 1975, in line with the rate of inflation.

It should be noted that market prices still vary greatly from one Member State to another, being extremely low in Ireland and the United Kingdom. The market price for adult bovine animals is at present about 86% of the guide price, whereas a year ago it was about 80%.

Adult bovine prices

(u.a./100 kg live weight)

Price	Period	72/73	73/74	74/75	75/76	Change
						75/76/74/75
Guide price		75.00/ 78.00	86.20	96.50/ 101.33	109.94	+ 13.9 %/ + 8.5 %
Market price		92.11	89.24	86.35	95.95*	+ 11.3 %
Market price as percentage of guide price		118.1 %	103.5 %	85.2 %	87.3 %	
Import price		70.63	77.50	58.80	57.00*	- 5.9 %

\* March to September 1975

(c) Import prices

The import prices recorded for live animals and fresh or chilled meat in 1973 and 1974 showed a similar downward trend to that of market prices in the Community, but to a more marked degree.

In 1975 import prices remained relatively stable at a level some 30% below the figure for spring 1973.

Market prices for frozen meat also continued to fall in the period 1973-75.

(d) Consumer prices

Consumer prices increased considerably in 1972 and 1973; the average increase in 1974 was again in the region of 4.8%.

Since the increase in private spending will be about the same in 1975 as in 1974 and producer prices will rise by some 10%, a relative reduction in the trading margin, which rose considerably in 1974 because of the drop in producer prices, is to be expected in 1975.

(e) Cost of animal feed

After a very sharp rise in prices in 1973/74 the cost of feedingstuffs was stabilized in 1974 because of a drop in the price of oilcake and protein-rich meal on the world market.

6. Outlook

- (a) The fall in cattle numbers, especially breeding animals in the Community since the end of 1974 means that in the coming months there will be a slower increase in beef and veal production followed by a drop.

In 1975, because of a reduction in the average slaughter weight, in particular of adult bovine animals, beef and veal production will increase by about 2%; consumption of beef and veal will still increase considerably as in 1974, but no doubt at a slightly lower rate.

Beef and veal production is expected to fall by about 3% in 1976 and will probably fall again in 1977.

Consumption of beef and veal in 1976 will no doubt be higher than in 1975; however, this increase will slow down in the second half of 1976 because of a recovery in pig production, and in 1977 because of the upward trend in prices of beef and veal.

Allowing for likely production and consumption of beef and veal, and for the stock remaining at the end of this year, import requirements may be assessed as follows:

1976:	0.15 - 0.25 million m.t.
1977:	0.40 - 0.50 million m.t.

The degree of self-supply, which was nearly 100 in 1974, will continue to fall until the end of the 1970s, without however reaching the level of 1972/73. Figures for 1976 and 1977 will be 95 and 93% respectively.

Since supplies of beef and veal will fall off again in the face of more stable demand, the rise in prices in 1976 will probably be higher than the rate of inflation. The upward trend in prices will be much more marked from 1977 onwards.

- (b) As in 1974, production of beef and veal in the main non-member countries which produce and consume it is likely to increase. As the development in production causes a considerable drop in prices on the world market, production in the countries directly affected by this fall in prices is likely to drop in the medium term. Production will, however, probably continue to increase in the next two years in some countries of Eastern Europe.

7. Economic aspects of the measures taken under the common organization of the market in beef and veal

(a) Unity of prices

Since Ireland and the United Kingdom have not yet aligned their guide prices on the common level, fairly high accession compensatory amounts still apply to trade with those countries (12.39 u.a./100 kg live weight as the basic compensatory amount for adult bovines for the 1975/76 marketing year compared with 15.23 u.a./100 kg live weight for 1974/75).

(b) Market support measures

In order to mitigate the fall in prices resulting from the surplus, the Community has introduced a number of measures to rebalance supply and demand.

- protective measures at frontiers; the issue of import licences for beef and veal from non-member countries, was suspended in July 1974. This measure was relaxed in April 1975 and September 1975 by the EXIM procedure and by authorizing the import of a specific number of calves and young bovines for fattening;
- market clearance measures:
  - . granting of export refunds
  - . direct purchases by public intervention agencies (0.02 million m.t. in 1973, 0.47 million m.t. in 1974 and 0.31 million m.t. in 1975, with provision for deboning);
  - . granting of private storage aid for beef and veal (21 000 m.t.) in 1974, and for carcasses (69 000 m.t.) and forequarters of adult bovine animals (70 000 m.t.) in 1975;
- measures to stimulate consumption (publicity campaigns, sale at reduced prices to social organizations and recipients of public assistance;
- from the end of 1974 until spring 1975, granting of premiums for deferred marketing of 5.2 million beef animals and, in certain areas, premiums for retention of beef herds;
- lastly, during the 1975/76 marketing year, granting of a slaughter premium for adult bovine animals except cows (clean cattle) in all Member States except France and Italy, a premium for the retention of cows (8.1 million head) in France and a calving premium in Italy.

In order to facilitate the improvement of the beef and veal production structures, the Community also introduced in 1973, and retained in 1974, the system of premiums for converting daily cattle to meat production and premiums for the development of specialized stock rearing for meat production.

(c) International agreements

Under the GATT agreement, the Community agreed to the following annual import quotas:

- 38 500 m.t. (in terms of boned meat) of frozen beef and veal, at the rate of 20%;
- 30 000 heifers and cows of certain Alpine breeds, and 5 000 head of certain Alpine breeds other than those intended for slaughter, at the rate of 4%.

Under the ACP/EEC Lomé Convention, a special system was established for the import of beef and veal from Botswana, Kenya, Madagascar and Swaziland. In addition to exemption from customs duties, the agreement also provides for the reduction of other import charges.

Under an agreement concluded with Austria, Sweden and Switzerland, individual levies were fixed on imports of live bovine animals and fresh and chilled beef and veal from these countries.

Reduced levies are also applicable to certain imports from Yugoslavia (baby beef).

Owing to the length of time required for sea transport, the Community agreed to the advance fixing of the levy for chilled meat imported from Argentina and Uruguay.

The practical effects of these three agreements were limited in 1975 by applying the safeguard clause.

8. Budgetary costs

Expenditure by the Guarantee Section of the EAGGF on beef and veal was 16.6 million u.a. in 1973, 320.8 million u.a. in 1974, and is estimated at 848 million u.a. for 1975; i.e., 0.4%, 10.4% and 18.6% respectively of the total. The sum of 848 million u.a. includes 160 million u.a. for the cost of export refunds, 278.5 million u.a. for storage and 429.5 million u.a. for price subsidies.

## 15. Pigmeat<sup>1</sup>

### 1. Introduction

In 1974, pig production accounted for 12.4% by value of final agricultural production in the Community. The pigmeat sector covers all products obtained from the domestic pig, ranging from the live animal itself to lard and canned meat.

In spite of their importance, pure-bred breeding pigs are not covered by the market regulations.

The sanitary, genetic and zootechnical aspects of the trade in these animals, however, are governed by national and Community rules.

In December 1974 there were 8.2 million breeding pigs - including 7.9 million sows - in the Community, held by 894 000 farms.

Pigs are reared on more than 2.8 million farms, together holding 69.7 million pigs (December 1974).

Pig production structures still differ very widely from one country to another; in 1973, the average number of pigs per farm in the Community was 25, the figures ranging from 140 in the United Kingdom to 10 in Italy.

It should be noted that pig production is undergoing a process of specialization, accentuated by the disappearance of marginal holdings.

Production is still mainly concentrated in the areas bordering the North Sea and the English Channel, and in Northern Italy.

---

<sup>1</sup>See Tables II.B/15.1 to II.B/15.7 in Part III.



Since certain regions specialize in pig production, there is a tendency for slaughtering and investment in new pigmeat-processing plant to take place in or near production areas rather than consumption areas.

Quantitatively, pigmeat is in first place in meat production (about 43% of all meats produced).

Outlets for pig production in the Community of Nine concern two sectors, which are roughly equal in size:

- . trade in fresh meat, including bacon for direct consumption;
- . curing and processing.

## 2. Production

In the Community, price levels entered their upward phase in the "pig cycle" in early summer 1975, which means a drop in production and therefore in supply.

On 1 August 1975 there were 69.9 million pigs in the Community, i.e., a reduction of 4.5% over the same period in 1974. The number of sows - particularly covered sows - fell considerably (by 3.1%).

This drop in production potential means that the decline in the supply of home-produced pigs will continue at least until the end of the first half of 1976.

The number of slaughterings in 1974 was about 103.7 million head, 2.7% more than in 1973; for 1975, however, a decline of about 1.1% may be expected.

In 1974, average weight at slaughter was 82 kg in the enlarged Community and 88 kg in the original Community. This figure has remained relatively stable in the original Community (87.2 kg in 1973 and 1972) and appears to have stabilized in the new Member States after increasing considerably in 1973 (1972: 64 kg, 1973: 66 kg, 1974: 66 kg).

In 1974, pigmeat production amounted to 8.47 million m.t., an increase of 3.2% over 1973; estimates for 1975, however, are about 2% lower.

Trends vary from one Member State to another; in the United Kingdom, production fell by 18% in the period January-July 1975 compared with the same period in 1974; at the same time, production in Belgium fell by nearly 9% and in Denmark by about 6%, while in Ireland production in the first half of the year was about 37% lower. Production in the Netherlands remained stable, while it increased in Germany and France by 3%; a considerable increase also occurred in Italy.

### 3. Consumption

8.5% million m.t. of pigmeat were consumed in the Community in 1974, an increase of 2.8% over the figure for 1973.

The low prices in the downward phase of the "pig cycle" appear to have had a favourable effect on per capita consumption, which increased from 32 kg per head in 1973 to 32.6 kg in 1974. This rise appears to have been greater in the original Community, where per capita consumption increased from 32.5 kg in 1973 to 34.4 kg in 1974.

In the original Community, the long-term trend (1962 to 1974) showed an average increase of 4.2% per annum. In the same period per capita consumption rose by 3.2% per annum.

The highest per capita consumption was recorded in Germany, with 50.5 kg and the lowest in Italy, with 16.9 kg. The other Member States, with the exception of the United Kingdom, remained fairly close to the Community average of 26.1 kg.

Although Germany is the largest consumer, it is only 87% self-supplying.

The countries with the lowest self-supply rates are the United Kingdom (67%), Italy (72%) and France (87%), whilst those with the highest rates are Denmark (427%), the Netherlands (210%), BLEU (176%) and Ireland (134%). For the Community as a whole, the self-supply rate was close to 100% as usual.

#### 4. Trade

Intra-community trade has increased considerably since the common market organization was introduced; in 1974 it rose by a further 6.9% (1.6 million m.t.) on 1973.

The increase was even greater in the original Community (10.5%, 883 000 t).

The deficit countries in pigmeat in 1974 were:

		% change 74/73
- United Kingdom	- 627 000 t.	- 1.6
- Germany	- 363 000 t.	+ 4.9
- Italy	- 241 000 t.	+ 29.6
- France	- 226 000 t.	+ 10.2

The surplus countries:

- Denmark	+ 581 000 t.	- 0.9
- Netherlands	+ 501 000 t.	+ 8.4
- BLEU	+ 292 000 t.	+ 6.2
- Ireland	+ 23 000 t.	- 42.5

Intra-Community trade in the first half of 1975 fell by comparison with the same period in 1974 (726 000 t. against 747 000 t.).

External trade in 1974 totalled 645 000 m.t., i.e., 353 000 m.t. of imports and 292 000 m.t. of exports.

Compared with 1973, imports from non-member countries in 1974 increased by 13.5% and exports by 3.9%. The trade deficit doubled in 1974 (30 000 m.t. in 1973 against 61 000 m.t. in 1974).

In the first half of 1975, imports from non-member countries increased by about 13.1% over the same period in 1974, while exports to these countries fell by 24.3%.

The trade deficit with non-member countries in 1975 will undoubtedly be much greater than in 1974.

Imports from non-member countries are made up as follows: 60%, live pigs and fresh or salted meat; 20%, lard; 8-10%, tinned pigmeat; the remainder, offal.

Community exports on the other hand were for the most part processed products (nearly 70%), while fresh or salted meat accounted for about 20%.

The Community's principal non-member trading partners are:

suppliers:

- USA
- Eastern Europe
- Sweden
- China

customers:

- USA
- Republic of Cuba
- Japan
- Sweden

5. Prices

(a) Common prices

The basic price in the pigmeat sector, fixed annually for the marketing year from 1 November to 31 October, applies to carcass pigs from Class II of the Community pig carcass classification scale.

Its principal function is to act as a threshold for setting in motion intervention measures on the market and a basis for the calculation of buying-in prices. It is an important stabilizing factor, helping to ensure equilibrium between supply and demand in the pig production sector.

When prices on the reference markets fall below 103% of the basic price, intervention measures may be set in motion, and where buying-in becomes necessary, the buying-in price for a standard quality carcass is fixed at 85-92% of this basic price.

To allow for the various elements in the rise in production costs, the Council has decided to increase the basic price for pig carcasses in this marketing year. This price, which was fixed at 97.65 u.a./100 kg on 1 August 1975 for the period 7 October 1974 to 31 October 1975 has been increased to 106 u.a./100 kg, thus anticipating the entry into force of the new basic price applicable until 31 October 1976. It should be stressed that the basic price has not affected the economies of pig production as regards production costs - in particular, the cost of feedstuffs.

(b) Market prices

1974 marked the cyclical down-turn in pig carcass prices.

After reaching their lowest level in summer 1974, prices rose slightly - partly because the intervention measures applied from 10 July 1974 onwards were beginning to take effect. This trend strengthened in the winter of 1974/75, becoming general in spring 1975.

Intervention measures remained in force until 15 June 1975, after which high price levels were maintained in summer and autumn. The year 1975 therefore forms part of the upward swing in the cyclical movement of pig carcass prices.

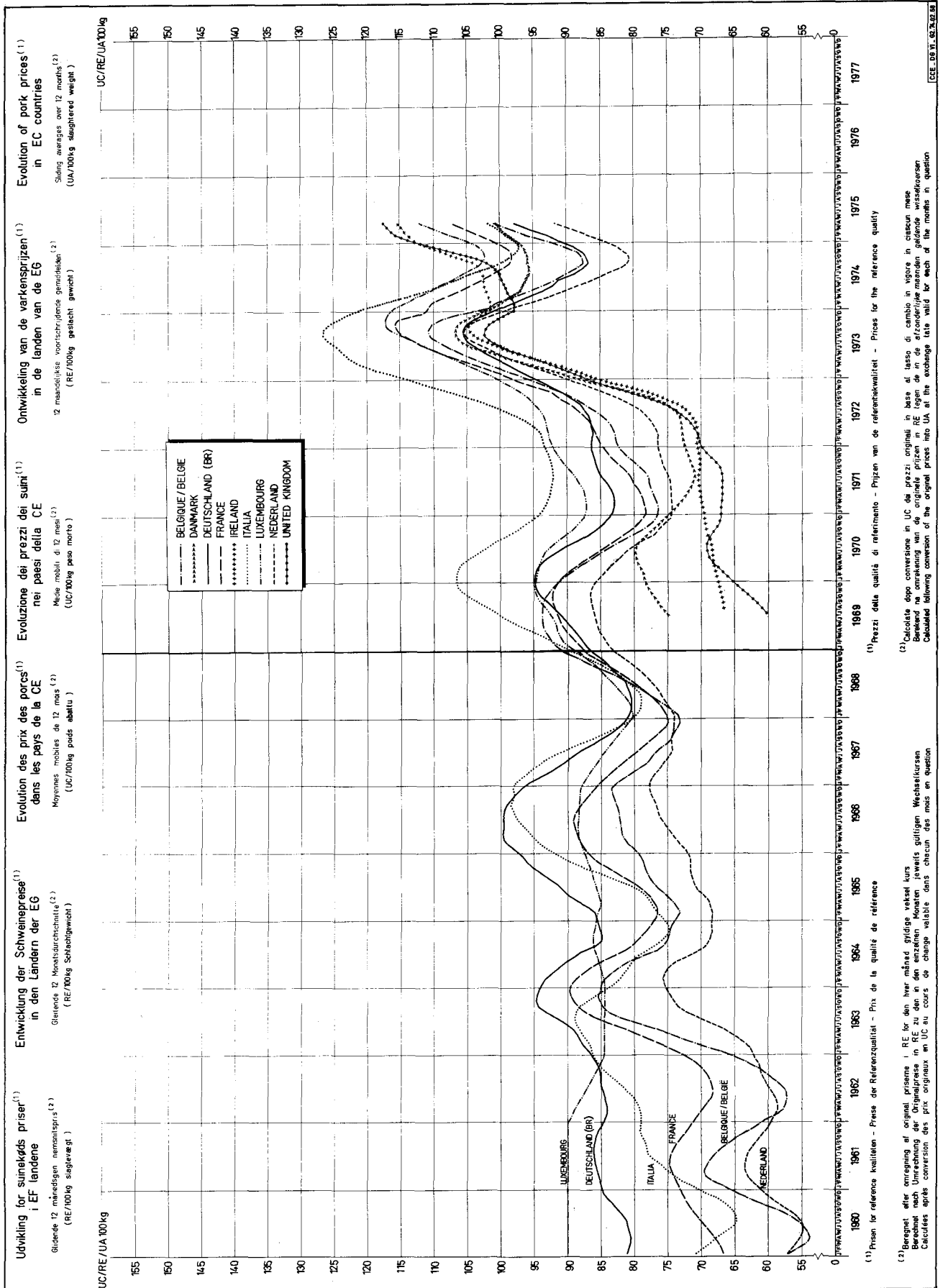
Pig carcass prices

u.a./100 kg

	August - Oct. 1974	Nov. 1974 - Jan. 1975	February - April 1975	May - July 1975	August - Oct. 1975	Nov. 1975 - Jan 1976
Sluice-gate price + levy	99.61	101.41	101.41	107.13	108.63	104.76
% change	100	101.8	101.8	107.5	109.1	105.2
Basic price	86.00	97.65	97.65	97.65	106	106
% change	100	113.5	113.5	113.5	123.3	123.3
Market price at slaughter	90.58	97.13	99.34	105.98	112.37	
% change	100	107.2	109.7	117.0	124.1	
Ratio, Market price/ basic price	105.3	99.5	101.7	108.5	106.0	
% change	100	94.5	96.6	103.0	100.7	

Change, August/October 1974 and August/October 1975

Sluice-gate price plus levy	+ 9.1%
Basic price	+ 23.3%
Market price for pig carcasses	+ 24.1%
Price of piglets	+ 41.0%



In the long term, there is a tendency for "pig cycle" fluctuations to decline in amplitude and for the price disparities between the various production zones to narrow.

(c) World prices

In the United States, pigmeat prices followed the same lines as in the Community, but the cyclical fluctuations were wider.

The price collapse in 1974 (32.5% between January and June 1974) was matched by the substantial rise in 1975 (31.5% between January and June 1975 and 67% between January and October 1975).

Prices in the other important pigmeat-producing countries rose in accordance with the cyclical trend, but to a lesser degree than in the United States.

(d) Consumer prices

The movement of consumer prices in this sector shows a different trend from that of producer prices.

Cyclical changes are hardly detectable; in the long term, Community retail prices for the most widely marketed cuts have risen almost continuously, failing to reflect the overall downward trend in producer prices.

The drop in pig carcass prices in 1974 was not followed by a **proportional** drop in retail prices; in some Member States the prices of certain cuts even rose. Similarly, in 1975 retail prices in the Community rose as soon as the price of pig carcasses began to rise.



(e) Price of animal feedingstuffs

At the beginning of 1975, feed grain prices on the world market were stable or even tending to fall.

This situation was reversed in July, when all feed grain prices rose considerably.

Within the Community, however, prices of pig feed cereals were fairly stable, subject to the usual seasonal fluctuations.

The cost of the standard grain ration was almost constant in relations to the reference price for pig carcasses.

In 1975, the feed ration cost increased by about 10%; however, it declined slightly in relation to the basic price.

6. Outlook

After poultrymeat, pigmeat has the lowest grain-meat conversion index when compared to other animal products. It is also one of the most popular raw materials for processing.

Because of the likely effect of the new economic situation on Community - and above all, world - cereal production and since demand for all processed products is showing a general upward trend, it would appear logical to expect a substantial long-term increase in both production and consumption.

In the short term, production in the first half of 1976 should run at about the same level as in the first half of 1975. A drop of at least 1% will occur in non-member western countries, whilst in the USA the fall should exceed 10%.

In this context, market prices for pigmeat will continue their upward trend until spring 1976; they will then stabilize at high levels throughout the year.

7. Economic aspects of the measures taken under the common organization of the market in pigmeat

(a) Levies and refunds

Trade arrangements with non-member countries provide for the fixing of levies and, if necessary, additional amounts and applying to imports; export refunds can also be granted.

The fixing of levies depends on the trend of feed grain prices.

The fixing of additional amounts for certain products in this sector throughout the year became necessary because sluice-gate prices were not being adhered to by suppliers of pigmeat in non-member countries. A substantial reduction in these amounts was made in stages during the second half of 1975.

The protection offered by the simultaneous application of these two amounts was an essential element in the recovery of pig carcass prices.

Export refunds were maintained for the more sensitive products, particularly processed products, at levels designed to allow for differences in costs and prices between Community and world markets. The aim was to maintain established trade patterns, especially for processed products.

(b) Intervention measures on the market

Intervention on the market, in the form of private storage aid, was applied from 10 July 1974 until 15 June 1975.

Aid was granted for the following products:

Fresh meat:

- Carcasses
- Boned hams, shoulders and loins
- Back fat

Dried products:

Dried and/or smoked hams

Processed products:

Cooked hams and shoulders, tinned.

Between 10 July 1974 and 15 June 1975, private storage aid was granted in respect of 112 393 m.t. of pigmeat, of which 85.49% was fresh meat, 11.49% dried and/or smoked hams and 3.02% tinned hams and shoulders; this figure represents about 1.3% of Community production in 1974.

No further intervention measures have been necessary since the "pig cycle" entered its upward phase in June 1975.

#### 8. Budgetary costs

Expenditure by the Guarantee Section of the EAGGF in respect of pigmeat amounted to 97.6 million u.a. in 1973, 67.1 million u.a. in 1974 and is estimated at 55 million u.a. for 1975; that is, 2.5%, 2.2% and 1.2% respectively of the total expenditure of the Guarantee Section. The amount of 55 million u.a. includes 40 million u.a. for expenditure on export refunds and 15 million u.a. for storage expenditure.

16. Eggs<sup>1</sup>

1. Introduction

Recent estimates of the relative value of egg production in the Community reveal little change, though this does underline the important position of this sector.

	<u>1974</u>	<u>1973</u>
Eggs/livestock production	7.9%	7.8%
Eggs/value of final agricultural production	4.5%	4.6%

As in 1973, the process of farm mergers has picked up and integration of all types has spread in order to cope with the requirements of a difficult market.

The large number of difficulties in 1974 led those engaged in this sector to take concerted action and sometimes form genuine inter-trade organizations.

2. Production

Egg production in 1974 amounted to about 3.7 million m.t., which represents an increase in the Community of 0.5% compared with 1973. However, this figure does not mean that there was an increase in all the Member States; instead, it is the net effect of increases and slight decreases in the different countries.

Although this increase was small and much less than the 3% to 4% expected, it has resulted in fresh pressure on a sensitive market and this increased imbalance between supply and demand has created a crisis situation.

3. Consumption

The egg prices consumers were offered in 1974 were relatively attractive for the housewife as the price of many foods rose steeply. It was thus reasonable to expect an increase in consumption which would have served to maintain a certain degree of market stability. This hope was disappointed and there

---

<sup>1</sup>See Tables II.B/16.1-II.B/16.8 in Part III.

was a fresh decline in average per capita consumption. There was an appreciable divergence from the 14 kg per capita expected, as average consumption totalled 13.6 kg, compared with 13.8 kg in 1973. Recent information suggests that consumption will continue to decline despite the efforts being made to increase the quality of eggs offered for sale.

The consumption of egg products remains unchanged. It may always be reckoned that 5-10% of eggs in shell are processed into products intended for the manufacture of pasta products, mayonnaise, etc.

#### 4. Supplies and trade

Community supplies are largely provided by the production of the Member States. Trade with non-member countries is very limited and totalled less than 90 000 m.t. in 1973 (imports: 46 000 m.t. - exports: 42 000 m.t.). Consignments imported from Eastern European countries usually benefit from the application of Article 8 of Regulation No 122/67/EEC, i.e. with the undertaking to respect the sluice-gate price.

As in the previous year, some concerns, especially in the Community's northern areas, have handled eggs in shell under the inward processing system. The main products re-exported are still egg products and certain products with an egg basis (pasta, biscuits, mayonnaise).

The Community exports only small quantities of eggs in view of the gradual disappearance of markets and the competition of Eastern countries on the few markets that remain open such as the Middle East, Austria and Switzerland.

The granting of reduced refunds has enabled the demands of non-member countries' markets to be met in part.

The Community's egg supply balance is one of 100% self-supply. That explains why the least change in production or trade disturbs the Community market.

## 5. Prices

The production prices established are in general much lower than in 1973. Only two Member States register an increase.

These differing trends are difficult to analyse. As the prices are expressed in national currencies, the comparisons are falsified by variations in exchange rates. These discrepancies should disappear with greater fluidity of intra-Community trade.

Though there has been a considerable increase in most means of production, producer prices are often below prime costs and the regions most affected have run up debts whose effects continue to be felt in 1975.

Consumer prices have not moved in the same way. The costs of collection, packing, transport and often the commercial margins increased in 1974 and the consumer has not seen reductions similar to those suffered by producers. The effects of inflation have created situations where it is difficult to compare the prices applied in the Member States.

## 6. Prospects

### Eggs

As supply was relatively greater in 1975 than in 1974 whereas consumption seems to have declined, prices fell and consequently fewer chicks were reared. The laying stock in 1976 will probably be down on 1975.

A number of difficulties may thus be expected at the beginning of 1976 but towards the middle of the year prices will reach a relatively high level as production drops. This will once again provide a reason for gradually increasing the rearing of laying hens.

7. Measures adopted in the context of the common organization of markets

- (a) The components for calculating sluice-gate prices and levies were adjusted in 1974 to take account of technical progress and the increase in production costs.
- (b) Market-protection mechanisms underwent major changes at the end of 1974 and beginning of 1975. There were continual rises on the world market in the prices of maize, barley and oats, involving each quarter an increase in sluice-gate prices. Furthermore, component 'a' of the levies, calculated from the difference between these prices and those of the Community, either disappeared or was very much reduced in the third and fourth quarters. It was not until 1 August 1975 that the increase in Community cereal prices led once again to the appearance of component 'a' of the levy.
- (c) The export refund was in 1974 paid only in respect of eggs in shell. At the beginning of the year it was limited to the value of component 'a' of the levy and was abolished on 1 May 1974. Market needs led to its reintroduction on 1 August 1974 at a higher level. However, the provisional and restricted nature of the measure is underlined by the suspension of advance-fixing of the refund and by the limitation of the right to export with refund to certain destinations (Middle East, European non-member countries). The amount of the refund has been several times altered since that date, but the list of recipient countries has remained unchanged. The advance fixing of the refund (three months) was authorized once again from 1 June 1975.
- (d) Accession compensatory amounts are applied, in respect of the United Kingdom and Ireland, to all products in the egg sector and are based on the amounts calculated for feed grain. The "applicable" amounts, taking account of the cereals market, remained fixed at 0 between 1 February 1974 and 30 April 1975.

8. Budgetary costs in respect of eggs and poultrymeat

The expenditure of the Guarantee Section of the EAGGF amounted to 23.3 million u.a. in 1973, to 16.9 million u.a. in 1974 and is estimated at 16 million u.a. for 1975; these figures represent 0.6%, 0.6% and 0.4% respectively of the total expenditure of the Guarantee Section. The amount of 16 million u.a. is all earmarked for export refunds.



## 17. Poultrymeat<sup>1</sup>

### 1. Introduction

The value of poultrymeat production continues to be considerable and roughly identical to that of eggs, at present accounting together for 15.5% of livestock production and 8.9% of the value of final agricultural production. The figures for poultrymeat alone are:

	<u>1974</u>	<u>1973</u>
Poultrymeat/livestock production	7.6%	7.5%
Poultrymeat/value of final production	4.4%	4.4%

The development of the poultrymeat sector is marked by a concentration of enterprises and ever-increasing integration. More than 90% of chicken and turkey production is integrated.

As was stated to be the case in the egg sector, all those engaged in the poultrymeat sector made an effort to get together in 1974 and seek solutions designed to mitigate the repeated crises. Organizations of an inter-trade nature were set up in some Member States.

### 2. Production

The total production of poultrymeat throughout the Community in 1974 may be estimated at 3.1 million m.t., which represents a slight increase of 0.2% over the 1973 total. However, it must be noted that production is on the decline in certain Member States. The production increases are difficult to analyse in view of the way structures have developed. One of the possible causes is the need to show a profit on the vast amount of equipment installed, to seek some compensation in the volume produced for the low prices obtained and to make a fresh approach as regards overrated outlets. The overproduction of turkey meat in 1974 is a good example of this latter finding.

---

<sup>1</sup>See Tables II.B/17.1 - II.B/17.7 in Part III.

### 3. Consumption

The efforts to offer consumers better-quality products presented in such a way as to make housewives buy them appear to be paying off, particularly in the large towns.

Poultrymeat consumption is rising in the large towns. Advertizing campaigns for poultry cuts and ready-cooked dishes have been a real success.

However, some consumers complain about the flavour of poultry and this curbs the increase. The per capita consumption for 1974 is estimated at around 12 kg compared with 11.8 kg in 1973.

### 4. Supply and trade

For several years the Community's degree of self-supply has fluctuated between 102% and 103%. Trade with non-member countries plays a very limited role in the overall balance.

Imports totalled 62 000 m.t. for the whole sector in 1974, 30 000 m.t. of which were geese and ducks from Eastern European countries and 13 000 m.t. poultry cuts from the United States and various non-member countries.

Exports increased slightly compared with 1973, totalling 141 000 m.t., 107 000 m.t. of which are slaughtered chickens and 20 000 m.t. derived products.

Trade within the Community is conducted above all in chickens (200 000 m.t. ducks (6 000 m.t.) and turkeys (12 000 m.t.). The main trade flow is still that in chickens from the Netherlands to Germany. Most poultry exported by other Member States is also sent to Germany.

Health, veterinary or zootechnical difficulties at frontiers thwart normal trade between the Member States.

#### 5. Prices

Prices dropped in 1974 and, apart from the first few months, they were lower than the production costs. This state of affairs did not improve until June 1975 and a regular rate of increase was noted in the following months.

More or less appreciable rises at consumer level reflected higher marketing costs. However, consumer prices for chickens are difficult to analyse because of currency changes.

#### 6. Outlook

The changes in the amount of poultrymeat produced in the Community are also found in most non-member countries. The unbalanced situation in 1974 has led to reduced production in 1975 with a resulting improvement in prices during the second half of the year.

Data on breeding stock suggests that supply could be higher in 1976 than 1975.

#### 7. Measures taken under the common organization of markets

- (a) The components for calculating sluice-gate prices and levies were adjusted in 1974. As stated in the previous report, account was taken of technical progress and increased production costs.
- (b) The measures taken each quarter to follow the development of feed grain prices on the world market and in the Community are identical to those mentioned in the chapter on eggs and have led to the same results.

- (c) The difficulties several times encountered on the Community market, especially the chicken market, have led to several changes in the amount of the refund.

Between February and April it was equal to component 'a' (cereals) of the levy and was then fixed at a higher level in May and June. This was followed by a period of  $1\frac{1}{2}$  months during which the refund was abolished; a period of crisis then began and a new amount was fixed on 15 August 1974 though advance fixing was suspended and a list of countries of destination was drawn up to limit the scope of the measure. There was then another period without refunds (from 1 November 1974 to 30 May 1975).

The refund was not re-established until 1 June 1975, when the list of countries of destination remained unchanged but advance fixing (three months) was allowed.

- (d) As stated in the chapter on eggs, accession compensatory amounts were fixed for the poultrymeat sector and the amounts applicable remained fixed at 0 from 1 February 1974 to 30 April 1975.
- (e) The application of monetary compensatory amounts is also based on the amounts fixed for feed grain and calls for no comment.

## 8. Budgetary costs

See para. 8 of Chapter 16.

## 18. Fishery products<sup>1</sup>

### 1. Introduction

Landings of fish in the eight maritime Member States again rose above the level of the previous year from 4 556 600 to 4 795 400 m.t.<sup>2</sup>. The value of the fish caught by the EEC fisheries sector also increased by about 150 million u.a. bringing the total returns for the Community to about 1.56 milliard u.a.<sup>2</sup>. Nevertheless, several Member States recorded a reduction in landings, and the United Kingdom reported a lowering of the value of fish caught. The increase in value for the EEC was proportionately far less than that for the previous year, since a high proportion of the 1974 catch was sold for reduction.

Although final figures are not yet available for all countries, it is reasonably certain that the world catch for 1974 was higher than in the previous year, and is estimated at about 66.5 million m.t. compared to 65.7 million m.t. for 1973. This increase was again largely made up of fish destined for reduction, while the supply of fish for direct human consumption showed little change and may even have decreased. The proportion of the world's production represented by the Member States rose slightly in 1974 from 7.0 to 7.2%.

The level of production declined in two of the three major EEC fisheries in 1974. French production was slightly lower in 1974 than in the previous year (from 685.700 to 681.000 m.t.) while UK landings decreased by 47 200 m.t. to 966 000 m.t. A very large expansion in the activities of the Danish industrial fishery brought the total landings for 1974 to 1 804 400 m.t., an increase of 364 800 m.t. on the previous year's production.

### 2. Production

Three Member States recorded an increase in fish production in 1974, Denmark, Italy and Germany. In Denmark, fish production for human consumption declined slightly, while landings in Italy rose to the production level of 1972, prior

---

<sup>1</sup>See Table II.B/18.1 - II.B/18.5 in Part III.

<sup>2</sup>Review of OECD Fisheries, 1974.

to the cholera epidemic of 1973 which had a disastrous effect on landings. Only in Germany was there a substantial increase in the production of fish for human consumption over that recorded for the previous two years.

The continuing growth of the fish meal sector was a result of increased demand for this product brought about by the failure of the Peruvian anchovetta fishery in the early 1970s. The rise in production was particularly pronounced in Denmark (30% higher than in the previous year) while the UK industrial fishery landed nearly 20% more fish for reduction than in 1973.

For the leading products of the fisheries sector, the landings of the Member States in metric tonnes is as follows<sup>1</sup>:

Species	1973	1974	Percentage change 1974/73
Cod	472 347	432 856	- 8.36
Redfish	44 585	45 967	+ 3.09
Plaice	139 137	128 601	- 7.51
Mackerel	83 043 <sup>1</sup>	93 615 <sup>1</sup>	+12.73
Whiting	84 127	96 068	+14.20
Herring	380 461	328 156	-14.01
Haddock	177 360	144 523	-18.51
Coalfish	174 652	165 086	- 5.48
Prawns	16 049 <sup>2</sup>	18 584	x

<sup>1</sup>Figures from Italy not available.

<sup>2</sup>Figures from the United Kingdom not available.

The decline in cod production continued through 1974, and was accompanied by a lowering in the catches of coalfish. Haddock landings were again lower in 1974 than in the previous year, with whiting remaining the only important gadoid fish to be caught in larger quantities than in 1973. With the exception of herring and plaice, catches of the remaining species in the list of leading products either improved or remained at about the same level as in 1973.

### 3. Prices

The very steep rate of increase in the value of fish in 1973 did not continue throughout 1974, and increments in fish prices lagged behind the average increase in the cost of living in most Member States. Returns were 10.9% higher in 1974 than in the previous year, but in many cases the increased value of the catch failed to cover increases in the cost of fishing which were experienced in nearly all sectors of the fishing industry in 1974. As in 1973, there was a marked disparity between Member States in the increase in the mean value of fish per unit weight, Denmark having the lowest increment (since the bulk of the catch is converted to low-value fish meal) of less than 1% and Germany the largest with an increase of more than 30%. All Member States with the exception of Denmark and the United Kingdom experienced a rise in mean value per unit weight of fish of at least 10%. The poor return for the UK resulted from a straightforward lowering of the demand for fish on the market.

The total value of landings for 1973 and 1974 is shown below:

	Total value of landings in '000 u.a. <sup>1</sup>	
<u>Member State</u>	<u>1973</u> <sup>2</sup>	<u>1974</u>
Germany	121 700	173 600
France	397 420	439 200
Italy	256 910	289 120
Netherlands	117 720	123 020
Belgium	26 450	27 520
United Kingdom	302 830	287 920
Ireland	16 080	16 080
Denmark	168 620	205 680
EUR 9	1 407 620	1 562 140

<sup>1</sup> Review of OECD Fisheries, 1974.

<sup>2</sup> Amended figures.

The increase in returns for the world is not known, but apart from Iceland, the USA and Canada it is likely that the value of landings was well above that for 1973. The rise in price of the EEC pilot species can be assessed from the development of guide prices during 1974.

#### 4. Producers' organizations

The first producers' organizations (POs) gained recognition in 1971 following the publication of Regulation (EEC) 2142/70 of the Council of 27 October 1970 on the organization of the market for fishery products. The number of POs increased rapidly from a total of seven in 1971 to 35 in 1974. By 1974, over 80% of the fish produced in four Member States was landed by the members of POs.

Several different types of association, which were already in existence in a number of Member States at the entry into force of the Community provisions in 1970, adapted themselves to the requirements of Regulation (EEC) 2142/70 and asked for recognition as POs. It has proved far more difficult to persuade individual fishermen to join together in POs however, but it is hoped that given the growing number of producers' organizations in all Member States it will become clear that the advantages of belonging to an organization outweigh the supposed disadvantages.

#### 5. Consumption

The consumption figures for 1974 are not yet available.

#### 6. Trade

The trade figures for 1974 are not yet available.

#### 7. Outlook

Although there have been a few small improvements in the fisheries products sector since mid-1975 (e.g., a certain decrease in quantities of fish stored, and an increase in sales of shellfish) the immediate situation leaves much to be desired. Unless the economies of the Community show an upturn in the near future, it seems probable that there will be little change in the present state of the market for fish products. Structural burdens on the fishing industry continue to increase, while the market prices of most species of fish show no sign of any significant rise. Fish sales are tied to a large extent to those of other sources of protein, and unless there are upward movements in the price



of meat it is unlikely that the demand for fish will increase. While the prospects for the fishmeal sector are apparently better, since world output is still considerably below that of the peak years of 1969-70, it seems more likely that increases in production will occur in non-members countries rather than within the Community.

In the medium-term, the prospects for the industry are good, assuming that the present recession comes to an end and that the demand for fishery products improves. With the quota restrictions at present in force, it is unlikely that any large increase in food fish production will occur, and inevitably there will be an increase in fish prices. If this is accompanied by a basic rationalization of the fisheries sector, with a reduction of the number of men engaged and an increase in the efficiency of the remainder, the profitability of the industry should be assured.

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

The measures taken in 1974 comprise the establishment of reference prices for carp and the temporary suspension of customs regulations in respect of several species of fish. These measures had a liberating effect on the import system and tended to encourage an increase in the trade in fishery products. The regulations fixing the reference prices for certain products had the effect of protecting Community producers and the fixing of withdrawal prices for "basic" products has helped guarantee fishermen adequate profitability.

#### 9. Budgetary costs

Expenditure of the Guarantee Section of the EAGGF amounted to 1.3 million u.a. in 1973, 1.2 million u.a. in 1974, and are estimated at 7.5 million u.a. in 1975, representing 0.03%, 0.04% and 0.16% respectively of total expenditure by the Guarantee Section. The amount of 7.5 million u.a. is broken down as follows: 2.5 million u.a. for export refunds, 3 million u.a. for storage costs and 2 million u.a. for market withdrawal expenditure and similar operations.

19. Silkworms<sup>1</sup>

Sericulture, or silkworm rearing, represents only a negligible part of agricultural production in the Community, and the Community production of cocoons is minute compared with world production.

Although a production nucleus is tending to develop in France, this activity is practically limited to Italy where it occupies some 3 000 persons.

The upturn in Italian sericulture from 1973 onwards after a long period of decline continued in 1974 because of the increased raw silk prices on the world market and the Community aid of 33.18 u.a. per box fixed for the 1974/75 marketing year, compared with 31 u.a. for the 1973/74 marketing year.

However, the slump in cocoons from the autumn of 1974 onwards due to a considerable reduction in raw silk prices on the world market as a result of the export policy pursued by some non-member countries has led again to reduced production. Only 15 100 boxes were cultivated in 1975, producing 388 m.t. of cocoons compared with 19 300 boxes and 563 m.t. of cocoons in 1974. Furthermore, the sale of cocoons produced in 1975 is proving difficult as market prices are not profitable for the producers.

The expenditure of the Guarantee Section of the EAGGF on silkworms rose to 0.3 million u.a. in 1973, 0.5 million u.a. in 1974 and is estimated at 2 million u.a. for 1975.

---

<sup>1</sup>See Table II.B/19 in Part III.

20. Products not subject to common market organization

(a) Agricultural alcohol<sup>1</sup>

1. Introduction

The agricultural alcohol sector is not yet governed by a common market organization. Each Member State may still apply its own policy in this sector. The methods employed differ considerably (monopolies in France and Germany, special fiscal arrangements in Italy, trade organizations in Benelux, etc.).

2. Production

The 1974 financial year was marked by a considerable increase in the production of agricultural alcohol (up by 13%), hitherto relatively stable.

The increase was mainly in the molasses alcohol sector (up by 14%) and in the wine alcohol sector (up by 70%). Molasses alcohol is 48% of Community production of agricultural alcohol. The wine alcohol sector is affected by the special distillation measures adopted by the Community in order to solve this sector's difficulties.

It should be noted that, apart from vinous alcohol, this special distillation has resulted in unusual quantities of wine distillates (933 000 hl in 1974).

The production of alcohol from other raw materials (cereals, potatoes, fruit) is either slightly up or unchanged.

France is still the Community's main producer of agricultural alcohol, with 34% of the market, followed by Italy (27%) and Germany (15%).

Because of increased production and a slight reduction in the demand for alcohol due to the recession, stocks have increased, particularly those of vinous

---

<sup>1</sup>See Table II.B/20.a of Part III.

alcohol in the wine-producing countries. Distilling operations have continued and even increased in the 1974/75 marketing year. The existence of considerable stocks of alcohol and wine distillates also presents the intervention agencies with a marketing and financing problem in respect of the stocks they hold.

### 3. Consumption

The increase in the use of alcohol recorded in preceding financial years slackened slightly during the 1974 financial year. As the Member States pursue a policy of self-supply, the quantities used correspond roughly to the quantities produced, except in France where there has been a slight increase in stocks.

### 4. Prices

Following the large price increases recorded in the previous period, there was a return to balance marked by a slump in the prices for molasses alcohol which was indeed more appreciable on the external markets than on the Community market. This means that the previous discrepancy between the price of synthetic alcohol and that of molasses alcohol has been reduced considerably.

### 5. Trade

Since the Member States are generally still self-supplying, the volume of trade is low.

However, in 1974 France continued to occupy an important position as exporter in this situation.

6. Prospects

The producers of agricultural alcohol have been waiting expectantly since the Court of Justice reached a verdict (case 48/74 Charmasson) which, if applied, could throw current production policy into confusion in some cases.

7. Costs

Only a proportion of wine distillation was Community financed. During the 1973/74 financial year Italy and France each distilled around 2 million hl of wine under national provisions. France distilled a further 900 000 hl of wine and Italy a further 1 200 000 hl during the same financial year under Community provisions.

Community expenditure on these distillation operations came to a little above 14 million u.a.

(b) Potatoes<sup>1</sup>

1. Introduction

There is still no common organization of the market in potatoes. However some products - potato starch<sup>2</sup> and dehydrated potatoes<sup>3</sup> - are subject to a common organization of the market. A Council Directive<sup>4</sup> governs the marketing of seed potatoes.

The organization of national markets varies from country to country:

- the market is very competitive in the Netherlands, Denmark and Italy;
- the market is very organized in the United Kingdom and Ireland;
- a system of minimum prices exists in France, Germany and the BLEU.

2. Production

In 1974 the value of potato production was 5.5% of crop production and 2.3% of total agricultural production in the Community.

The number of farms in the Community growing potatoes is about 2.5 million. Statistics vary greatly from country to country; there are around 37 000 British producers farming 202 000 hectares (1974) and around 900 000 French producers farming 310 000 hectares (1970).

The average area of the farms also varies greatly, ranging from 6.3 hectares in the United Kingdom to 0.5 hectares in France and 0.4 hectares in Italy.

During the past 20 years, the area under potatoes in the Community has declined by about 60% from 3 512 000 hectares in 1951-55 to 1 448 000 hectares in 1974.

Because of increased yield, production was only reduced by around a third from 61 957 000 m.t. in 1951 to 41 036 000 m.t. in 1974.

---

<sup>1</sup>See Tables II.B/20.b.1 to II.B/20.b.2 of Part III.

<sup>2</sup>Regulation (EEC) No 120/67 of 13 June 1967, OJ No L 117, 19 June 1967, p. 2209.

<sup>3</sup>Council Regulation (EEC) No 1420/75 of 26 May 1975, OJ No L 141, 3 June 1967, p. 1.

<sup>4</sup>Codified version of the Council Directive of 14 June 1966, OJ No C 66, 8 June 1974, p. 35.

In 1973 world production was about 312 million m.t. according to FAO statistics. Community production amounted to around 40 million m.t. or 13% of world production.

The average yield in the Community is almost double the world yield per hectare.

The Community's net exporters are the Netherlands, France, Denmark and Ireland. The other countries are importers.

### 3. Consumption

#### (a) Human consumption

Per capita consumption of fresh potatoes has dropped somewhat in the last few years from 109 kg in 1956/57 to 78 kg in 1972/73. At present there is a certain increase in some Member States owing to high inflation while the drop continues in other Member States.

On the other hand, the processing industry (crisps, mashed potato, chips) is growing steadily.

#### (b) Animal consumption

Animal consumption is particularly high in Germany (5 750 000 m.t. in 1973/74), less high in France (651 000 m.t.), Ireland (524 000 m.t.) and the Netherlands (403 000 m.t.) and low in the other countries.

#### (c) Industrial use

The quantities absorbed by the processing industry are rising. France, Germany and the Netherlands processed a total of 417 500 m.t. in 1962/63. In 1973 the Community, excluding Denmark, processed 2 499 838 m.t. The most important products are:

- dehydrated products
- crisps
- fresh pre-cooked chips
- deep-frozen products.

### 4. Trade

The potato trade within the original Community accounts for about 4% of total Community production. The percentage of trade in seed potatoes and early potatoes accounts for between 10% and 12%.

## 5. Prices

Prices are very irregular and vary from year to year. In order to understand these variations account must be taken of weather conditions, the inelasticity of demand, the perishable nature of the product and the structure of production. Indeed, in certain regions of the Community the smallness of farms and the lack of market organization encourage considerable price variations on the market.

## 6. Short-term prospects

The last marketing year was one of extremely low prices. As a result the area under potatoes in 1975 was lower than last year:

1974: 1 268 000 hectares (excluding Italy)

1975: 1 119 000 hectares (excluding Italy)

(or a drop of 149 000 hectares)

Because of the dry summer in Europe in 1975, production was rather low in several Community regions. The marketing year therefore began with high prices. Because of export opportunities, prices may rise in the next few months.

This is the usual fluctuation of the market: prices are on the upturn for two to three years and then on the downturn for two or three years.

The reasons for this state of affairs are:

- the effect of weather conditions on production;
- the inelasticity of demand;
- the perishable nature of the product;
- the structure of production.

Because of the special nature of potato production it is difficult to adjust supply to demand.



(c) Sheepmeat<sup>1</sup>

I. Production

Community domestic production increased considerably in 1973 and 1974. It rose from 441 000 m.t. in 1972 to 499 000 m.t. in 1974. (Production also fluctuated within these limits in the period from 1962 to 1972.)

The United Kingdom, the major producer, accounted for about 50% of the Community total. France and Ireland contributed 27% and 6% respectively of this total (on the basis of the 1974 production figures).

Sheep numbers have been increasing steadily in all Member States since 1972 (1974 where Ireland is concerned). With the exception of the United Kingdom where the number of ewes is falling (at the rate of about 2%), this trend should continue in 1975.

In 1975 Community production should be about 510 000 m.t., an increase of about 4.3% (United Kingdom +4%, France +1%, Ireland +4%, Germany and Netherlands +10%).

This increase is largely due to a marked rise in production in the United Kingdom as a result of fewer lambs being kept for breeding and more ewes being culled.

The level of Community production in 1976 should be lower than in 1975 (2%) because of a considerable drop in production in the United Kingdom (6%), partially offset by a slight production increase in France, Germany and the Netherlands (2%).

---

<sup>1</sup>See Tables II B/20 c.1 to II B/20 c.7 in Part III.

## II. Consumption

Consumption of sheepmeat has decreased over recent years. It dropped from 810 000 m.t. in 1972 to 750 000 m.t. in 1974 as a result of the considerable decrease recorded in the United Kingdom where consumption accounts for 60% of the Community total.

The continuing fall in consumption in the United Kingdom since 1967 was particularly marked in 1973 (-10% compared with 1972) and in 1974 (-10% compared with 1973). This was the result of changes in the price relationships between sheepmeat and other meats and lasting changes in the habits of United Kingdom consumers (demand for meat containing a minimum of fat).

In France, Germany and Belgium, consumption is increasing steadily. It is relatively stable in the other Member States.

Community consumption should increase in 1975 following a recovery in the United Kingdom (+5%). In France, Germany and Belgium, consumption should continue to rise (about 2%), so that the Community total should increase by 3.6% thus bringing the 1975 figure to about 780 000 m.t., i.e., a return to the 1973 level.

## III. Supplies

Thus, in 1974 there was a net deficit of 250 000 m.t. between production and consumption (as against 315 000 m.t. in 1973), including 210 000 m.t. or 84% in the United Kingdom alone (237 000 m.t. in 1973).

The degree of self-supply in the Community in 1974 (66.6%) is higher than in 1973 (59.4%).

The net deficit between production and consumption for 1975 is estimated at about 270 000 m.t., which means that the degree of self-supply will be about 65%.

#### IV. Market price trends

##### (a) Wholesale prices

With the exception of Italy, market prices expressed in national currencies rose very steadily throughout the Community in 1973, particularly in the United Kingdom (+30%). In 1974 they continued to increase only in the United Kingdom (4.5%) and, more especially, in France (14%). Because the market price in the United Kingdom rose more slowly than the rate of inflation (26%), deficiency payments were granted from July 1974 onwards, for the first time since November 1972. They represent between 6.7% and 28% of the market price for the period August–November 1974.

The steady increase in the market price in France can be attributed to the frontier protection arrangements introduced within the context of the national market organization (minimum prices system). The frontier, which had not been closed since November 1972, was closed on four occasions, amounting to twelve weeks in 1974 (in July, August, November and December 1974).

(b) Retail prices

During the period from June 1973 to June 1974 retail sheepmeat prices rose much more quickly than those for other categories of meat.

In France, taking an index of 100 for the average of 1973, one obtains the following results:

	<u>pork</u>	<u>veal</u>	<u>beef</u>	<u>lamb</u>
<u>June 1974:</u>	105.3	107.7	109.1	116.4

This situation may be explained by the relative firmness of wholesale prices for sheepmeat contrasted with the fall in prices for beef and veal and pigmeat.

In the United Kingdom between June 1973 and June 1974 movements were as follows:

<u>beef</u>	<u>pork</u>	<u>lamb</u>	<u>imported lamb</u>
+5.0%	+7.2%	+16.0%	+18.8%

To the reasons given above can be added the fact that dealers have been forced to increase their profits on sales of imported lamb, firstly to compensate for the effects of the fall in consumption of the frozen product as a result of competition from the domestic product and secondly because they are forced to store New Zealand lamb privately in order to honour buying agreements.

V. External trade

(a) Imports

Intra-Community trade, which amounted to about 62 000 m.t. in 1973 and 1974, was dominated by sales from the United Kingdom to France (25 800 m.t. in 1973 and 23 500 m.t. in 1974).

The second largest trade flow was from the Netherlands to France (8 700 m.t. in 1973 and 13 500 m.t. in 1974).

Ireland also exported considerable quantities to France (6 300 m.t. in 1973 and 3 500 m.t. in 1974). The drop in 1974 was offset by increased exports to Belgium (3 600 m.t. in 1973 and 5 100 m.t. in 1974).

In 1974 Community imports from non-member countries amounted to 247 000 m.t. (live animals and all meat categories) compared with 314 000 m.t. in 1973, including 209 000 m.t. from New Zealand (as against 251 000 m.t. in 1973).

In 1974 the United Kingdom imported 87%, or 212 000 m.t., of this total (compared with 85% or 265 000 m.t. in 1973).

The contraction in trade with non-member countries must be attributed mainly to the fall in consumption in the United Kingdom itself as a result of the sharp decrease in production in New Zealand (-35% in 1974 as against 1973 and -25% in 1973 as against 1972) and in Australia.

Thus, by comparison with the two previous years, Community imports fell considerably, as can be seen in Table A.

**Table A: Community imports from non-member countries**

	1972		1973		1974	
	tonnage	breakdown	tonnage	breakdown	tonnage	breakdown
New Zealand	303 287	81.3	251 097	80.1	209 271	84.7
Australia	34 521	9.2	24 418	7.8	17 939	3.2
Hungary	8 725	2.3	10 150	3.2	8 530	3.5
Bulgaria	77 454	2.0	5 707	1.8	3 596	1.5
Argentina	5 116	1.4	8 406	2.7	6 932	2.8
Yugoslavia	2 964	0.8	2 520	0.8	2 448	1.0
Romania	2 315	0.8	3 032	1.0	1 570	0.6
German Democratic Republic	1 475	0.4	1 645	0.6	1 918	0.8
Others	6 558	1.8	6 604	2.0	4 782	1.9
Total	372 815	100	313 629	100	247 066	100

In 1975, the Community imports from non-member countries will increase as a result of the considerable upswing in consumption recorded in the United Kingdom.

Accordingly, Community imports for 1975 can be estimated at 270 000 m.t.

(b) Exports

The Community continued to export very small quantities to non-member countries: 2 900 m.t. in 1973 and 3 500 m.t. in 1974. The situation will be the same in 1975.

VI. Summary

	(in metric tons)			
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u> (estimate)
Production	440 900	466 000	499 000	510 000
Consumption	808 500	781 000	749 000	780 000
<u>Difference between production and consumption</u>	<u>- 376 600</u>	<u>- 315 000</u>	<u>- 250 000</u>	<u>- 270 000</u>
<u>Degree of self-supply</u>	54.5	59.4	66.6	65.4
Imports	372 800	313 600	247 000	270 000
Exports	2 500	2 900	3 500	4 000
<u>Net Deficit</u>	<u>370 300</u>	<u>310 700</u>	<u>243 500</u>	<u>266 000</u>

From 1972 to 1974 the difference between production and consumption was greater than the net deficit (import-export), which meant a reduction in stocks (frozen sheepmeat in the United Kingdom).

## VII. Outlook

Community production in 1976 should amount to about 500 000 m.t., which would be 2% down on 1975, as a result of a considerable drop in production in the United Kingdom (6%), partly offset by a slight production increase in France, Germany and the Netherlands (2% in each of these Member States).

The upturn in United Kingdom consumption in 1975 is not expected to continue into 1976. Imports of frozen New Zealand meat will not increase to any great extent in 1976 and will not offset the anticipated drop in production.

Consumption should at most remain stationary, if not fall slightly, in the United Kingdom in 1976. It should, however, continue to increase in 1976 at the same rate as in 1975 (+ 2%) in France, Germany and Belgium.

Under these circumstances Community consumption should rise by about 0.7% in 1976, thus amounting to about 785 000 m.t.

The difference between production and consumption in the Community could be about 285 000 m.t. in 1976, representing a degree of self-supply of 63.7%



VIII. Proposal for a Regulation of the Council on the transitional common organization of the market in sheepmeat

Following the judgment delivered by the Court of Justice in case 48/74 (Charmasson versus French State), the Commission considers that from 1 January 1978, the end of the transitional period under the Act of Accession, the French national system can no longer be applied against the new Member States.

In order therefore to avoid a considerable disturbance of trade the Commission proposes to introduce on 1 January 1976 a transitional common organization of the market designed to facilitate a smooth changeover from the present system to the single market system (1 January 1978)<sup>1</sup>.

Structure of the transitional common organization

During the period from 1 January 1976 to 31 December 1977 the free movement of goods in the pigmeat sector will be progressively achieved by applying the following general rules:

- (a) trade: levying of compensatory amounts on imports to France of live sheep or sheepmeat originating in Ireland or the United Kingdom;
- (b) quantitative restrictions: abolition of protective measures applied by France in respect of sheepmeat products originating in the new Member States;
- (c) production aid: application in full to the sheepmeat sector of Articles 92 to 94 of the EEC Treaty (and in particular the procedure for infringements in respect of aid); maintenance of the deficiency payments insofar as a considerable gap remains between the UK price and that of the original Member States; possible Community aid to help producers adjust production to demand;

---

<sup>1</sup>Document COM(75)446 final of 10 September 1975.

- (d) trade arrangements with non-member countries: maintenance by the Member States of the national arrangements existing on 1 August 1975 until Community import arrangements are applied;
- (e) protective clause: a protective clause similar to that for beef and veal would enable the Commission to put an end to any disturbances or deflections of trade which might arise.

As in the case of the other common organizations of agricultural markets, a Management Committee would advise the Commission on the decisions to be taken.

The common organization of the market would not affect the provisions laid down by the Accession Treaty with regard to the progressive abolition of intra-Community customs duties during the transitional period.

(b) Sectoral summaries

21. Meat<sup>1</sup>

The summary covers all meats including edible offals and cutting room fats.

1. Gross domestic production in the Community

Gross domestic production of meat increased by 8.2%, rising from 18.8 million m.t. in 1973 to 20.4 million m.t. in 1974. By comparison with 1974 production is expected to be stabilized in 1975.

Production of the various meats in 1974 can be broken down as follows:

pigmeat	41.4%
beef and veal	31.8%
poultrymeat	15.4%
sheepmeat and goatmeat	2.4%
horsemeat	0.3%
rabbit and game	2.5%
offals	6.2%
	<hr/>
	100.0%

The relative share of each type of meat is often greatly influenced in the short term by profound changes in the beef and veal and pigmeat sectors, which between them account for three quarters of total production. Several important trends can, however, be discerned over recent years:

- (a) a larger increase in grain-fed meat: pigmeat and poultrymeat;
- (b) the beginning of a change in beef and veal production structures, with the fattening of male calves in specialized production units;
- (c) continued expansion in pigmeat, goatmeat, rabbit and game production and a drop in horsemeat production.

---

<sup>1</sup>See Tables II.B/21.1 to II.B/21.3 in Part III.

(a) Production trends in grain-fed meat

(i) pigmeat:

More pigmeat is produced than any other type of meat. In 1974, pigmeat production rose to 8.4 million m.t. compared with 8.2 million m.t. in 1973.

It is noteworthy that pigmeat production increased each year up to 1974; in 1975, for the first time in six years, it fell slightly (1%). It seems therefore that at Community level the cycle concept sometimes takes the form of a slowing down of production and sometimes an actual decrease. It is also possible that the low level of beef and veal production acted as an incentive to pigmeat production at the time of the enlargement of the Community;

(ii) poultrymeat:

Poultrymeat production has increased remarkably for 15 years. It has more than doubled since the beginning of the Sixties, reaching 3.1 million m.t. in 1974, a very slight increase over 1973.

Because of the crisis in the poultry sector in 1974 and early 1975, however, poultrymeat production will probably fall by 2 to 4% in 1975.

Pigmeat and poultrymeat, the grain-fed meats, thus decreased in absolute and relative value terms in 1975.

(b) Expansion of beef and veal production

Beef and veal production is now at the peak of its cycle: 6.5 million m.t. in 1974, a 21% increase over 1973, with an expected production of 6.6 million m.t. in 1975.

In recent years beef and veal production has expanded considerably, at the rate of about 2% per year. It reached a high level in 1970 and 1971, fell in 1972 and 1973 and since autumn 1973 has been rising so rapidly that the Community became almost self-sufficient in 1974 and 1975.

The trend towards higher production capacity is the result of a general increase in the bovine herd and improved utilization, for meat production, of the existing reserves of calves, of which the numbers slaughtered have fallen by 3.6% per year on average.

(c) Production of other types of meat: production trends appear increasingly well defined:

(i) Other meat (rabbit and game): production has increased steadily since the beginning of the Sixties and in 1974 amounted to 0.5 million m.t. i.e. 2.5% of total meat production.

A slight slowing down in its rate of growth was recorded in recent years, however, with the result that, although increasing in absolute terms, production of other meats (rabbit and game) is at a relative standstill;

(ii) Sheepmeat and goatmeat: production is rising slowly and amounted to 0.5 million m.t. in 1974, more than half of which was produced in the United Kingdom;

(iii) horsemeat: production is falling steadily both in absolute and relative terms; it amounted to only 50 000 m.t. in 1974, almost half of which was produced in France;

(iv) edible offals: production is closely correlated to that of beef and veal and pigmeat; 1.3 million m.t. was produced in 1974 as against 1.1 million m.t. in 1973, an increase of 11.6%.

## 2. Meat consumption in the Community

Between 1973 and 1974 per capita meat consumption in the Community increased by 2.7%, going from 79.0 kg to 81.1 kg. It should be remembered, however, that for the first time since the early Sixties a slight drop in per capita consumption had been recorded in 1973 compared with 1972 and 1971.

It is to be noted that differences in per capita meat consumption are smaller but steadier from year to year than those in total meat production.

Trends in per capita meat consumption between 1973 and 1974 include:

- (i) a new upswing in pigmeat consumption and no increase in poultrymeat consumption;
- (ii) the return of beef and veal consumption to its 1971 level despite a drop of more than 10% in Italy;
- (iii) a slight decrease in sheepmeat, goatmeat and horsemeat consumption, with relative stability in the consumption of the other categories of meat.

In 1974, consumption of offals picked up following a drop in both 1972 and 1973; this was due to increased production of beef and pigmeat much more than to the net balance of external trade which was declining steadily from almost 200 000 m.t. in 1973 to about 166 000 m.t. in 1974.

(a) Consumption of grain-fed meat: after a steady increase up to 1972, consumption remained stationary in 1973 and 1974, accounting for about 55% of total meat consumption.

(i) pigmeat: in recent years per capita consumption of pigmeat has risen steadily, except for a slight drop in 1963/64, 1966/67, 1969/70 and 1973; in 1974 the per capita consumption of pigmeat was 32.6 kg, an increase of 1 kg over 1973.

It is to be expected that the relative share of pigmeat in per capita meat consumption will be maintained or even increased in coming years;

(ii) poultrymeat: since the early sixties the per capita consumption of poultrymeat has practically doubled, levelling out at about 12 kg in 1972, 1973 and 1974.

(b) Beef and veal consumption:

During the 1960's, a period marked by vigorous economic expansion in the Community, the average growth in per capita consumption of beef and veal exceeded 1% per year. As in the case of pigmeat, consumption rose steadily, except for a slight drop in 1965/66 and 1972/73. In 1974 per capita consumption of beef and veal again reached the 1971 level with 25.2 kg and will probably continue to increase in 1975 and 1976, years of low pigmeat production.

(c) Consumption of other categories of meat:

(i) rabbit and game: although there was a steady increase in the 1960's, consumption has tended to settle around 2.1-2.2 kg per capita since 1971;

(ii) sheepmeat and goatmeat: almost six times more is consumed per capita in the UK and Ireland than in the other member countries, thus accounting for almost two-thirds of the tonnage consumed in the Community.

Since 1971 there has been a decline, in the Community as a whole, in the per capita consumption of sheep and goat meat; it fell from 3.4 kg in 1971 to 2.9 kg in 1974 with a corresponding drop from 4.3% to 3.6% in its share of the value of total per capita meat consumption.

(iii) horsemeat: since 1971 the per capita consumption of horsemeat has been fluctuating between 0.8 and 0.9 kg and the relative share is around 1%;

(iv) edible offals: per capita consumption increased from 5.4 kg in 1971 to 5.5 kg in 1974; the relative share in total per capita meat consumption fluctuates around 6.8%.

3. The net external trade balance in meat:

The net external trade balance in meat equals gross domestic production  $\pm$  variations in stocks - total human consumption. From this equation it results that:

- the crisis in beef and veal production led to increased imports in 1972 and 1973 and accordingly the net external trade deficit in meat exceeded one and a half million m.t. in those years, the degree of self-supply of the Community being about 92%; in 1974 with a deficit of only about 750 000 m.t. the degree of self-supply climbed to 97.5%;

- while, in the past, net imports of beef and veal have been the largest item by far in total net imports, net imports of other categories of meat should still not be disregarded. Although the Community became a net exporter of grain-fed meat (poultrymeat and pigmeat) in 1974, net imports of sheepmeat and goatmeat (about 250 000 m.t.) outstripped beef and veal imports. Imports of horsemeat (about 160 000 m.t.) and of rabbit and game (about 75 000 m.t.) have been relatively stable since 1971.

Net imports of edible offals also occupy an important position, running at about 166 000 m.t. in 1974;

- with regard to the breakdown of net imports into live animals (in dead weight equivalent) and slaughtered animals, about two-fifths of imports in 1974 were in the form of live animals and three-fifths as meat or offals.



22. The balance sheet for oils and fats in the Community

In the report on the Agricultural situation in the EEC of 1973 an examination of the oils and fats sector was featured. This examination covered the developments within the original Community from 1968/69 to 1971/72. This section was omitted from the Report of 1974, as the updated information was not available.

Exact details are still lacking for many products in this sector, therefore a global balance sheet analysis is still impossible. However, the Commission considers necessary, in view of the importance of the products concerned, to outline by product group the general trends which have emerged since 1971/72, and is determined to continue the analysis in the future.

Oils and fats can be subdivided into four groups of products: olive oil, other vegetable oils, butter and other animal fats. These products are all to some degree substitutable, from a consumer point of view, and hence are competitive; but they are subject to different market organizations, which influence this trend differently. Furthermore, sufficient data do not exist for all products.

For this reason the situation of animal fats other than fish oil and butter will not be examined and the situation of olive oil and other vegetable oils will be examined separately.

1. Vegetable oils (excluding olive oil)

(a) In the sector of vegetable oils, the Community only produces the oilseeds for 11% of total consumption of oil; imports of all oilseeds are unrestricted in respect of quantity and liable to no import duty whatever; and imports of oil for human consumption are subject only to a duty of up to 10% for unrefined oils and 15% for refined oils. The consequence is a free and open market with high dependence on imports; furthermore, price levels within the Community are not a result of internal policy but reflect the trend on the world market. Similarly, supplies of raw materials to industry are a function of export supply of the different products throughout the world.

(b) Within the original Community, total utilization of vegetable oils increased by 3.7% between 1971/72 and 1972/73 continuing the trend existing since 1968. In the same period, human consumption of vegetable oils rose by 7.9%, to a total of 3 484 000 m.t. A large part of this increase was provided by soya oil, of which the consumption rose from 600 000 to 728 000, but the consumption of groundnut and coconut oil also rose, while the figure for rape oil fell markedly from 461 000 m.t. in 1971/72 to 357 000 m.t. in 1972/73. Imports of oil rose by 54 000 m.t. while exports fell by 30 000 m.t. Stocks were also diminished, by 139 000 m.t.

Consumption per capita rose from 17 kg to 18.2 kg. In 1973/74, however, a decline in total utilization of the order of 1% took place, a decline which, though small, was significant. Human consumption also fell slightly, in marked contrast to the increase by almost 8% noted the previous year.

The reason for this decline appears to lie in the notable increase in the prices quoted for vegetable oils between 1972 and 1974, an increase which was mainly the result of a worldwide shortage of certain oil-rich seeds. Consumption of soya oil continued to increase, but supplies of groundnut and coconut oil were particularly deficient and their consumption fell, as did that of rape oil. Imports fell by a small amount, though exports rose. Stocks again declined slightly, and consumption per head decreased marginally, to 18.0 kg per capita.

In 1973/74 the statistics available include the three new Member States for the first time. Total utilization in the three new Member States totalled 904 000 m.t. of which some 349 000 came from domestic production, the remaining 550 000 coming mainly from imports from non-member countries. No figure for per capita consumption in the UK, Ireland and Denmark is shown in the balance sheet.

#### Fish oil

No official data are at present available for fish oil. However, this oil appears to follow exactly the trend of the vegetable oil market. From the few details available it may be deduced that supplies and consumption of fish oil rose gradually until 1973, but demand fell greatly in 1974 in spite

of the fact that the price of fish oil rose less than those of vegetable oils. This may be due to the fact that it is a complementary product rather than a substitute for vegetable oils.

### Margarine

Although no official balance sheet exists for margarine, its importance as a competitive product in the oils and fats sector suggests that some reference to developments in its consumption would be appropriate. The consumption of margarine in the original Community, according to statistics available by calendar year, fell between 1973 and 1974, and in 1973 consumption was already slightly lower than in 1972/73. The drop may be due, as for vegetable oils in general, to the considerable price increases from 1973. Consumption per head of population fell from 6 kg in 1973 to 5.6 kg in 1974 in the original Member States, or from 1 114 to 1 090 million m.t. This represents a drop of some 2%. In the three new Member States a far larger drop occurred, from 537 000 to 490 000 m.t., or 8.8%.

The magnitude of this drop, which is almost totally due to the UK, is closely linked with policies practised with regard to butter in that country.

## 2. Olive oil

(a) In the olive oil sector, the Community supplies 65-80% of its needs. This range is explained by the nature of the crop, which fluctuates each year, a good harvest normally being followed by a small production the following year. The regularity of this fluctuation means that if the Community production can be said to average 500 000 m.t., it may fall as low as 350 000 or rise to 700 000 m.t. It represents some 35% of world output, and its price level evolves independently of the world market when prices on the world market are below the threshold price fixed by the EEC. This has not been the case in the last three years. On the other hand, however, the import needs of the Community represent 60% of world imports, and hence the EEC is both susceptible to, and has a role in determining the developments on the world market.

(b) Although a balance sheet does exist for olive oil, it has been thought wiser to make only general observations on this product.

The level of consumption of olive oil can be assumed to have increased gradually within the Community since 1968. In 1974, prices for olive oil were high, but nevertheless consumption was stabilised. This was partly due to a drop in the consumption of colza oil in Italy (by far the largest consumer of olive oil), but also to the fact that the prices of all other vegetable oils had risen so dramatically.

It may be true to say that in 1974 demand may have increased as purchases were made in anticipation of higher future prices.

In general, the factors which affect the demand for olive oil are its absolute price level on the one hand, and on the other, its relationship with prices of all substitutable vegetable oils. Given that the latter have been falling swiftly since the end of 1974, there is reason to suppose that the consumption of olive oil in 1975 will fall below its 1974 level.

### 3. Butter

(a) Within the EEC the production of butter normally exceeds consumption. It is equal to some 30% of world production, but as with olive oil, world external trade as a proportion of world production is small and therefore the 120 000 m.t. (approximately) which the Community imports (under Protocol 18) represents up to 30% of world imports. Price formation within the EEC takes place largely independently of world market forces.

An intervention price for butter is fixed in relation to the target price for milk, and protection is provided by a threshold price on the basis of which import levies are calculated. Export refunds may be granted taking into consideration the price obtaining on the world market.

(b) Production of butter in the original Community, which fluctuated around 1 million tons up to 1971/72, stood at 1 179 million tons in calendar year 1973 and remained at the same level in 1974. Consumption rose slightly, from 4.9 kg per head in 1971/72 to 5.1 kg in 1974 - a period in which consumption of margarine dropped. For 1973 and 1974 figures for the three new Member States were included for the first time; their impact may be judged from the fact that in 1973, the degree of self-supply for the original Community was 121 %, whereas for the enlarged Community it dropped to 104 %. In 1974 the corresponding figures were 116 % and 93 % respectively. For the enlarged Community consumption of butter rose between 1973 and 1974 by almost 7 % and consumption per capita rose from 5 kg to 5.8 kg.

Thus, during the period when vegetable oil prices rose significantly, consumption of butter, which had been falling over time, stabilised, and even increased in some Member States, particularly the United Kingdom, but this increase can primarily be attributable to the consumer subsidies granted there. The outlook for butter consumption in 1975 suggests that no further increase can be expected in view of the intervention price fixed for butter and the marked fall in vegetable oil prices.

## 23. Animal feedingstuffs<sup>1</sup>

### 1. Introduction

The raw materials entering into animal feed are of two main kinds: "marketable" raw materials (cereals, feedcake, animal meal etc.) and raw materials termed "normally not marketed" (green fodder including grasses, fodder beet, silage etc.)

It was estimated<sup>2</sup> that in 1973 green fodder covered 57% of the feed requirements of animals in the Community. It may be assumed that this share of the total requirements varies little from year to year.

This chapter will be confined to an analysis of the position of the main "marketable" feedingstuffs, namely cereals<sup>3</sup> and proteins. Special attention will be paid to proteins since most of them are imported in large quantities to the Community and do not yet receive support at Community level.

### 2. Consumption

It appears that the position as regards animal consumption of cereals and proteins in the Community in the 1973/74 marketing year can be explained as a combination of two very specific factors.

For the first time for many years overall animal consumption of cereals and of the main protein products (feedcake etc.) did not increase; it remained at 91 million m.t. as in 1972/73. It is estimated that in the previous decade consumption increased at the rate of 3.75% per year. The absence of increase in 1973/74 can only be explained by the deterioration in the economic situation generally, the first signs of which became apparent in the second half of 1973.

---

<sup>1</sup> See Tables II.B/23.1 to II.B/23.10 in Part III.

<sup>2</sup> See "The Agricultural Situation in the Community, 1974 Report, Part II". COM(74)2000 final of 27 November 1974, p. 180.

<sup>3</sup> For a more detailed analysis of animal consumption of cereals see Chapter 1 on cereals.

A second, equally new phenomenon appeared in 1973/74: cereals were used to replace protein substances, albeit to a very limited extent.

The amount involved was about one million m.t. i.e., 1% of the feedingstuffs under consideration. Thus, cereal consumption increased from 71.1 to 72.2 million m.t. while consumption of protein substances decreased from 19.8 to 18.9 million m.t. Of the latter substances animal consumption decreased between 1972/73 and 1973/74 as follows: feedcake from 14.3 to 13.8 million m.t.; fishmeal from 1 to 0.8 million m.t.; milk powder from 1.3 to 1.2 million m.t.; leguminous vegetable seeds (field beans etc.) from 0.8 to 0.5 million m.t. Only consumption of dehydrated fodder increased: from 1.52 to 1.66 million m.t.

It is certain that the reduction in animal consumption of protein products other than dehydrated fodder and their partial replacement by cereals was brought about by the general rise in protein prices in 1973. It should also be noted that in 1973/74 greater quantities of certain synthetic nitrogenous and amino products, which became available at competitive prices, were incorporated into compound feedingstuffs, thereby restoring the feedingstuffs balance which the replacement of protein substances by cereal would have made too rich in energy and too low in protein.

Finally, although the consumption of feedcake in general went down, that of soya cake went up from 7.99 million m.t. in 1972/73 to 8.45 million m.t. in 1973/74. The explanation is that the large soya bean crop in the United States in 1973 enabled the Community to crush more soya in the first half of 1974, whereas Community supplies of feedcake other than soya from certain African and Asian countries, in particular groundnut and copra cake, were very inadequate in 1973/74.

### 3. Degree of self-supply

The degree of Community self-supply of cereals used as animal fodder fell slightly from 82.5% in 1972/73 to 81.9% in 1973/74. Animal consumption of imported cereals, in particular maize in Germany and the Benelux countries, increased more than that of domestic cereals. Of a total consumption of

72.2 million m.t. in 1973/74 13 million m.t. were imported from non-member countries and 59.1 million m.t. were of Community origin.

In order to estimate the degree of self-supply of the Community with regard to proteins it is necessary to express protein-rich plants in terms of a common denominator such as crude protein. From these data it emerges that the Community imported 77.6% of its total requirements of proteinic concentrates in 1973/74, compared with 78.9% in 1972/73. The increase from 21.1% to 22.3% in the Community's self-supply of protein substances used in animal feedingstuffs is not due so much to the (very slight) expansion in Community production as to the drop in imports. Animal consumption in the Community of protein substances expressed as crude protein decreased by 224 000 m.t. between 1972/73 and 1973/74 to 7.4 million m.t. whereas imports fell by 272 000 m.t. in the same period.

Feedcake, most of which is imported, remains the main source of protein for the Community. The degree of self-supply of the Community in feedcake, which was 4.4% in 1972/73, barely changed in 1973/74 with 4.5%. Of a total consumption of 13.8 million m.t. of feedcake, 626 000 m.t. is of Community origin and breaks down as follows: 559 000 m.t. of colza cake, 45 000 m.t. of sunflower cake, 22 000 m.t. of linseed cake. In 1973/74 soya cake accounted for 67% of the imports and 52% of the animal consumption in the Community of protein substances expressed as crude protein.

Following a considerable drop in fishmeal imports and in spite of a slight reduction in Community production, Community self-supply of fishmeal increased to 47.5% in 1973/74 as against 39.7% in 1972/73.

Imports of other products, such as dehydrated fodder, meatmeal and milk powder, represent only a very small proportion of consumption.



#### 4. Feed requirements of livestock and compound feedingstuffs

While the data available on consumption of all feedingstuffs (see 2 and 3 above) relate to the 1972/73 and 1973/74 marketing years, the data on the numbers and feed requirements of livestock and the production of compound feedingstuffs relate to the calendar years. The data on the latter are thus not altogether comparable with those used in the preceding paragraphs 2 and 3.

Bearing in mind that there was a protein crisis in 1973 and that 1974 was the first year in which the economic recession had its full effect on the demand for feedingstuffs, so that these two phenomena coincided in the 1973/74 marketing year, the following points can nevertheless be made.

It was estimated<sup>1</sup> that in 1973 the "marketable" feedingstuffs taken together covered 43% of the total feed requirements of Community livestock. This 43% breaks down as follows: 23.2% compound feedingstuffs and the remainder i.e., 19.8% straight feedingstuffs which were most often directly consumed on the farm.

Although the proportion of the feed requirements of Community livestock supplied by compound feedingstuffs in 1974 cannot be calculated or compared with the 1973 situation on the basis of the data available at present, certain useful comparisons relating to other data can be drawn between 1973 and 1974.

By expressing the different livestock sectors (bovines, pigs, etc.) in terms of livestock units (LSU) it is possible to calculate total feed requirements expressed in fodder units (FU). Between 1973 and 1974 the total requirements of Community livestock increased from 248.5 to 251.9 million FU i.e., 1.4% while production of compound feedingstuffs fell, for the first time since the fifties, from 58.5 to 57.8 million m.t. i.e., 1.2%. It seems, therefore, that firstly, the general economic recession in 1974 also depressed the level of production of compound feedingstuffs and secondly that farmers reverted to some small extent to the feeding methods which they had abandoned in previous years. A sector by sector analysis of the FU requirements of livestock and of the production of compound feedingstuffs shows that this last conclusion needs to be qualified for individual sectors.

---

<sup>1</sup>See "The Agricultural Situation in the Community, 1974 Report. Part II". COM(74)2000 final of 27 November 1974, p. 180 et seq.

In the bovine sector feed requirements increased by 1.1% in 1974 while the production of compound feedingstuffs decreased by 4.9%. Given its very high level of feed requirements this sector consumes little compound feedingstuffs compared with the pig and poultry sectors. Moreover, it was mainly the number of dairy cows which increased, i.e., the very category which consumes the least amount of compound feedingstuffs. There was a drop in the numbers of other bovine animals (less than one year) and animals for fattening.

In the pig sector feed requirements in 1974 decreased by 0.4% compared with 1973 while production of compound feedingstuffs increased by 3.4%. The reduction in requirements was brought about by a decline in the number of breeding stock, the number of pigs for fattening (expressed in LSU) remaining at almost the same level as in 1973. It must thus be accepted that in this sector the percentage use of compound feedingstuffs continued to increase.

In the poultry sector 1974 saw a bigger drop, compared with 1973, in the production of compound feedingstuffs (-2.8%) than in feed requirements expressed in FU (-0.4%). It should be noted here that in 1973 the high price of protein plants was responsible for a change in the feed formulas. The replacement, small as it was, of certain raw materials by others had an adverse effect on conversion factors, which may have increased, involving additional production of compound feedingstuffs. The fact that the supply situation began to return to normal in 1974 may explain the beginning of the return to traditional formulas. To this should be added that the increasing use of synthetic raw materials in feeding had the effect of reducing the conversion factors.

With regard to the category "other animals" the feed requirements in 1974 increased by 9.2% while the production of compound feedingstuffs decreased by 6%. The sheep sector which has a low consumption of compound feedingstuffs was mainly responsible for the increase.

##### 5. Utilization of certain raw materials in compound feedingstuffs

In para. 2 (consumption) it is stated that following the rise in the price of protein substances in 1973 these substances were replaced on a small scale in animal feed by cereals. It would be interesting to know to what extent that statement, which applies to "marketable" feedingstuffs as a whole, whether

straight or compound, would also be valid for the last category of feedingstuffs alone.

The available data on compound feedingstuffs seem to confirm the fact that, at any rate as regards those produced in the Community as originally constituted, feedcake was replaced to a certain extent by cereals at the manufacturing stage. It is a generally recognized fact that before 1973 feedingstuffs in the original Member States contained a higher percentage of feedcake than those used in the three new Member States and that inversely the percentage incorporation of cereals was higher in these countries than in the countries of the original Community.

Between 1972 and 1973 the percentage incorporation of cereals into compound feedingstuffs increased from 40.8 to 42.8% in the Community of six while the percentage for feedcake dropped from 23 to 20.9%.

## 6. Outlook

In 1974/75 the easier Community supply situation for feedingstuffs, and more especially proteins, was determined mainly by demand factors. The general recession already affecting the world economy in 1973/74 continued to have an adverse effect on demand for feedingstuffs in 1974/75. Thus, in spite of the considerable reduction in the soya harvest in the United States in 1974 the level of demand for feedcake at world level proved inadequate to reverse the trend towards lower protein prices from November 1974 onwards. Following a short period in autumn 1974 when the price of soya cake rose sharply following some short-lived fears of soya shortages, prices were relatively low in the first half of 1975.

Although the data on animal consumption of all "marketable" feedingstuffs in the 1974/75 marketing year are not yet available, certain forecasts suggest a reduction of 2.7% in the production of compound feedingstuffs in the Community in 1975 compared with 1974.

With regard to the 1975/76 marketing year, it is certain that more protein and fodder cereals will be available than in the previous year as a result of an increase in the soya bean and maize harvest in the main producer countries.

The level of demand for feedingstuffs will continue to be determined by the economic situation especially in developed countries. If current forecasts can be taken to mean that there is no danger of difficulties of protein or cereal supplies in the near future, certain indices, in particular the anticipated increase in certain livestock numbers (pig herds throughout the world, feedlots in the United States), suggest that it cannot be ruled out that there will come a time, perhaps as early as 1977/78, when, because protein is cheaper than cereals, the production of it will no longer be able to meet demand and that it will be necessary to begin drawing on stocks.

C. STRUCTURES

I - Agricultural structures<sup>1</sup>

I - 1. Land utilization<sup>2</sup>

In 1974, total utilized agricultural area in the Community amounted to 93 400 000 ha, a decline of 0.3% in relation to 1973. This decline, although to differing degrees, occurred in all Member States with the exception of Ireland, where the UAA increased steadily as a result of the reclamation, by the Land Reclamation Commission, of barren and waste land.

During the period 1970-74, the decline in utilized agricultural area was greatest in the Netherlands (- 4.4%) and least in the United Kingdom (- 1.1%).

The opposite occurred as regards the total area of woods and forests in the Community, which increased by 1.5% during the period 1970-74. With the exception of Germany, where there was a reduction in forest area, and in Luxembourg, where the situation remained constant, this expansion continued in the other Member States during the period, though at varying rates. Specially high rates of increase were recorded in Ireland (6.1%) and the United Kingdom (5.6%).

During the past year there has been a change in the trend of land utilization; the steady decline in arable land area in the Community as a whole has been halted. In 1974 the total area of arable land in the

---

<sup>1</sup>See Tables II. C/1 to II.C/8 in Part III.

<sup>2</sup>The data for Italy for 1970-74 should be treated with caution because of a change in the statistical method in 1971. For this reason, this paragraph does not take the medium-term trend for Italy into account.

original Community expanded by 0.3% as a result of increases in France (0.8%) and the Netherlands (0.5%); in the other Member States, however, the area continued to decline. In the Netherlands, this increase corresponded to a fairly large expansion of the areas under green fodder (+ 23.5% in 1974) and dry pulses (+ 33.3%). In France, the increase corresponded to a rise in the areas under cereals, sugarbeet and dry pulses.

Meadow and permanent pasture (which accounts for 45% of total UAA in the Community) continued to decrease in area in 1974. In the original Community, the decline during the past year amounted to more than 1% on 1973 and 2.3% for the period 1970-74. This decrease was particularly marked in the Netherlands and Germany, where it amounted to 5.2% and 5.4% respectively over the same period. The decrease in the area of permanent grassland was less marked in Belgium (1.8%) and in the United Kingdom (1.3%).

In Denmark there was a significant change in the area of permanent grassland in 1974 as against 1973; it decreased by 12.9% to the benefit of sugarbeet, potatoes and oilseeds.

In 1974 there was no change over 1973 as regards the area under permanent crops in the original Community; it accounts for more than 5% of the utilized agricultural area. However, trends varied from one Member State to another. Thus in 1974 the area under permanent crops decreased by 16% in the Netherlands and 5% in Belgium, while it increased by 1% in Germany, 0.2% in France and 0.1% in Italy; there was no change in Luxembourg. In Denmark, too, there was a considerable decline during the year under review (6.2%).

In 1974, the area under cereals (including rice) in the Community, which accounts for more than 28% of total UAA, was 26 600 000 ha. This represents an increase of only 0.3% over 1973 and is roughly equivalent to the 1970 level. The trend in 1974 results from an increase in the areas under cereals in Italy (2.6%), France (0.3%) and Germany (0.2%) and a decrease in the Netherlands (10.9%), Belgium (2.7%), Denmark (1.6%) and the United Kingdom (0.1%). It may be noted that since 1970, the area under cereals in the Netherlands has decreased by more than 28% in favour of green fodder, oilseeds and sugarbeet.

Root and tuber crops<sup>1</sup> account for 4.5% of the Community's utilized agricultural area; this proportion is falling steadily, and decreased by 2.4% from 1973 to 1974.

This trend was very marked in Italy (- 10.2%) and Ireland (- 13.2%), while in the other Member States the decline ranged from 0.5% to 2%.

---

<sup>1</sup>Root and tuber crops consist mainly of potatoes, sugarbeet and fodderbeet.

Taking the period 1970-74, the decrease was much greater, amounting to 12.5% of the total area under root and tuber crops. The change was most marked in Italy and Luxembourg (- 40%), Ireland (- 25%), France (- 19%) and Germany (- 11.2%); Belgium and the Netherlands were the only countries to record an increase (1.3% and 2.2% respectively).

The principal change was in the areas under potatoes, which declined in all Member States except the Netherlands and Denmark, while the area under sugarbeet increased steadily (except in Italy).

The area under green fodder crops accounts for more than 12% of total UAA in the Community. In 1974 this area increased in all Member States except Italy and the United Kingdom, where a decline occurred (data for Ireland are not yet available).

Medium-term trends differed during the period 1970-74. In the original Community, the area under fodder crops decreased by almost 7.5%; this phenomenon was particularly marked in Italy, France, Belgium and Denmark. Conversely, in Germany and the United Kingdom the area increased by 3.7% and by 0.8% respectively, whilst in Luxembourg it rose by more than 11%.

The area under fruit crops in the Community increased in 1974 to 918 000 ha, or 1% of total UAA, representing an increase of 3.5% over 1973, all of which was accounted for by Italy, which recorded an increase of 38 000 ha, or 9.3% of the total area. In the other Member States the area remained unchanged or declined, as in the United Kingdom (- 2.8%), Germany (- 2.2%) and France (- 1.2%).

The medium-term trend over the period 1970-74 was affected by the unfavourable market situation in recent years, which brought about a decline of more than 21% in fruit cultivation. This decline affected all Member States, but especially the Netherlands, Belgium (- 16.7%), France (- 11.7%), Ireland (- 11.8%), Germany (- 10.3%) and the United Kingdom (- 10.2%).



## I - 2. Structure of farms<sup>1,2</sup>

1973 was marked by a severe economic recession resulting from the energy crisis. Various studies have shown that in that year there was markedly less willingness to change jobs on the part of persons already in employment.

The situation was similar in agriculture; as a result, the number of farms of between 1 and 20 ha, the category to which most farmers leaving agriculture in the original Community belong (with the exception of Italy), fell by only 2.3% in 1973 and 5.1% in 1974; by comparison, the average annual rate for all persons ceasing to practice farming over the period 1970-74 was 5.1% for all categories. The results for the enlarged Community (excluding Italy and Ireland)<sup>3</sup> were the same; a fall of only 2.5% in the number of farmers leaving agriculture, as against 5.1% in 1974 and an average annual rate of 5% for 1970-74.

These results show that although in 1974 the average annual rate of cessation turned upwards, it has not yet reached the pre-1973 level of more than 6%.

Altogether, during the period 1970-74, the number of farmers in the Community (excluding Italy and Ireland) has declined by almost 400 000, or more than 12%. The effect of this trend on the average size of farms of over 1 ha was minimal (2.6 ha), as the average UAA has increased from 20.6 ha in 1970 to 23.2 ha in 1974; in the original Community (excluding Italy) average UAA increased by 2.2 ha, i.e., from 16.5 ha to 18.7 ha.

At 64.2 ha the average farm size in the United Kingdom greatly exceeds that in the other Member States. In 1974, the average size in France was 23.5 ha, followed by Luxembourg at 22.5 ha and Denmark with 22.1 ha; the

---

<sup>1</sup>See Table II C/1.3 in Part III.

<sup>2</sup>No information available for Italy and Ireland prior to 1970.

<sup>3</sup>Unless otherwise stated, Italy is not included in the results for the original Community, and both Italy and Ireland are excluded from the results for the enlarged Community.

figures for the other Member States were 14.2 ha for the Netherlands, 13.5 ha for Germany and 13.4 ha for Belgium. For Ireland (17.7 ha) and Italy (6.7 ha) the only results available are those for 1970.

These results refer only to the average agricultural area of farms and provide no more than a limited view of the actual scale of operations involved, since other production factors are excluded.

An analysis of trends within individual categories shows that the number of farms of 1-5 ha in the Community declined by 5.5% in 1974 in relation to 1973 and by 20% over the period 1970-74; in addition, the share of this category in the total number of farms of 1 ha and over fell to 25% in 1974.

In two Member States, the Netherlands and the United Kingdom, the trend differed appreciably from the Community average. In the Netherlands the trend has slowed considerably because the number of farmers in this category likely to leave agriculture is now very small; of the 37 000 farms of 1-5 ha, about 19 000 are horticultural holdings and 10 000 are engaged in intensive cattle farming.

In the United Kingdom, on the other hand, the trend speeded up and the number of farms fell by 12.3% in 1974.

Utilized agricultural area in this size category has followed the same trend as the number of farms; for the Community as a whole it declined in 1974 by 5.6% on the 1973 level, while the average annual rate of decline for the period 1970-74 was 5.3%.

For farms of between 5 and 10 ha, the rate of decline in the number of farmers was somewhat slower in 1974 than for the 1-5 ha category, falling by 5% in relation to 1973.

However, if the rate for 1974 is compared with that for 1973 it is apparent that the cessation rate has speeded up in all Member States.

In the period 1970-74, the number of farmers leaving agriculture in this category was similar to that for the 1-5 ha category - ignoring the effects of the 1973 depression. The annual rate in the Netherlands, Denmark and the United Kingdom is below the Community average, whilst in Luxembourg it is higher; in Germany, France and Belgium the rate corresponds approximately to the average.

The share of the 5-10 ha category in the total number of farms of more than 1 ha in the Community declined from 19.2% in 1970 to 17.4% in 1974. Trends within Member States also vary.

In Belgium and the Netherlands this class is the largest, with 22.8% and 21.7% respectively, while in Luxembourg (12.4%) and the United Kingdom (12.6%) it is the smallest.

Farms of 5-10 ha, representing 17.4% of all farms, account for 5.4% of the utilized agricultural area; their average size, therefore, is 7.5 ha. The ratio between the proportion of farms in the 5-10 ha category and the area they cultivate is practically the same in all Member States, giving an average size for these farms varying between 7.5 ha in Denmark and 7.2 ha in France.

In the 10-20 ha category the trend away from agriculture is not so pronounced as in the two categories already examined. Thus, in 1974 the number of farms of between 10 and 20 ha fell by 4% on 1973, compared with 5% for the 5-10 ha category and 5.5% for the 1-5 ha category.

In the period 1970-74, the decline in the 10-20 ha category was also relatively limited, with an average annual rate of -4.2%; this resulted in a fall in its share of the total number of farms of over 1 ha from 24.6% in 1970 to 23.6% in 1974.

The trends in the various Member States coincided with the overall Community trend. In all countries except Denmark, the trend away from agriculture within this category of farm was less marked than for smaller holdings.

In 1974, farms of between 10 and 20 ha accounted for 9 600 000 ha of UAA, or 14.5% of the Community total; in 1970 the proportion was still 17.2%.

The rate of increase in the number of farms in the 20-50 ha category has slowed down in some Member States, whilst in others its relative decline in importance has accelerated. The only exception is France, where the number of farms of between 20 and 50 ha remained steady during 1974 after falling by 0.7% in 1973.

As a result of the combination of these two trends, the number of these farms was constant from 1973 to 1974, while in 1973 there was a marginal increase (about 0.3%) over the preceding year. During the period 1970-74 the number of farms in this category increased on average by about 0.3% per year; thus its share of the total increase from 21.5% in 1970 to 24.7% in 1974. The UAA worked by the 20-50 ha category increased even more markedly, from 28.7% of the Community total in 1970 to 32.5% in 1974.

The relative number of farms in this category varies from one Member State to another; while in Belgium and Germany it only accounts for 17.9% and 18.9% respectively of the total number of farms of over 1 ha, in Luxembourg this category predominates with 40.7%; in Denmark the percentage is 32.1% and in France 28.9%.

In 1974, the total number of farms of 50 ha and over increased by 1.8%, representing an appreciable slowdown in the rate of growth for this category. During the period 1970-74 the average annual rate of increase was 2.6%, with over 3% in 1973. Thus the share of this category in the total number of farms of more than 1 ha has risen from 7.3% in 1970 to 9.3% in 1974; similarly, the share of total utilized agricultural area covered by farms of 50 ha and over has increased from 40.9% to 44.7%.

As regards the relative share of this category in the total, there are considerable differences between the Member States and three groups can be discerned. First of all, a group in which the proportion of farms of 50 ha and over is low, i.e., the Netherlands (2.1%), Italy (2.1%), Germany (2.7%) and Belgium (2.9%); secondly, a group in which the share stands at about the Community average, i.e., Denmark (7.3%), Luxembourg (7.3%), Ireland (7.4%)<sup>1</sup> and France (11.1%). Finally, the United Kingdom, where 30.2% of all farms are of 50 ha and over - a level considerably higher than in the other Member States.

---

<sup>1</sup>In 1970.

I - 3. Livestock<sup>1</sup>

I - 3.1 General remarks

The regular increase in livestock numbers in recent years slowed down considerably in 1974 and in the case of dairy cattle and pigs, numbers even began to decrease.

This trend resulted from the considerable increase in production costs, particularly the cost of feedingstuffs, from 1973 onwards and the unfavourable trend in market prices for beef, veal and pigmeat which inevitably reduced the profitability of these sectors.

The depression in the dairy cattle sector can be partly explained by the application of the system of conversion premiums introduced on 1 June 1973; increased supplies have contributed to an unfavourable price trend.

I - 3.2 Cattle numbers

In 1974, Community cattle numbers only increased by 0.6% over 1973 to 79 300 000 head. The largest increase was in Denmark (6.4%), followed by Luxembourg with 2.9%, France with 1.5%, Ireland with 1.4%, the Netherlands with 1% and finally by Germany with 0.4%.

---

<sup>1</sup>See Table II.C/1.6.1 - II.C/1.6.4 in Part III.

The steady fall in cattle numbers in Italy became still more pronounced in 1974 (-2.9%) while in Belgium (-0.3%) and the United Kingdom (-0.1%) the fall was less marked.

In the medium term there is a strong tendency for numbers to increase, with an annual rate of increase of 5.1% in the Netherlands, 4.8% in Ireland, and 4.7% in the United Kingdom over the period 1970-74.

### I - 3.3 Dairy cattle numbers

In 1974, dairy cows in the Community totalled 31 400 000 head, or about 40% of all cattle (more than 41% in 1970). Numbers were 0.7% down on 1973 as a result of decreases in Italy (-3.8%), Ireland (-1.9%), Belgium (-1.8%), Germany (-1.6%) and the United Kingdom; a slight increase in dairy cattle numbers occurred in the Netherlands (2.0%), Denmark (1.9%) and France (0.5%).

The medium-term trend (1970-74) was very positive in Luxembourg, Ireland and the Netherlands, where the average annual rates of increase were 5.4%, 5.3% and 4.3% respectively. Only in Italy and Germany was the dairy cattle count lower in 1974 than in 1970. In the Community as a whole numbers have increased at an annual rate of 1.5%.

#### I - 3.4 Sheep and goat numbers

Only four Member States are involved in sheep and goat farming: the United Kingdom, France, Italy and Ireland. In these countries, which have 96% of the sheep and goats in the Community, numbers increased in 1974 by a mere 0.4% over 1973. There was an increase of 2.2% in Italy and 1.1% in France, while the situation remained unchanged in the United Kingdom and there was a decrease of 4.7% in Ireland. The medium-term increase during the period 1970-74 was only 4.3% overall.

#### I - 3.5 Pig numbers

The shorter production cycle means that pig numbers vary more from year to year than cattle numbers. This explains why statistics on pigs do not always give an accurate picture of the numbers actually present throughout the year and why this sector is particularly sensitive to the economic situation.

Taking this reservation into account, pig numbers in the Community in 1974 were 1.1% down on 1973. However, the numbers in the original Community increased in the same year by 2.3%, as a consequence of a relatively large increase in Italy (7.5%), France (5.5%) and the Netherlands (3.8%). In the other three countries and in the three new Member States pig numbers declined in 1974. In Ireland the decline



has speeded up since 1970 and reached 23% between 1973 and 1974. Although the rate of decline increased in the United Kingdom and in Denmark, it was still less marked than in Ireland.

The only steady increases during the period 1970-74 were in the Netherlands and France, with 12.8% and 7.8% in all respectively. Although pig numbers in Belgium grew by 22% between 1970 and 1974, the steady increase was halted in 1974 (a decrease of more than 1% compared with 1973).

**I - 4. Agricultural land values and rents**

The increase in land prices revealed by the national averages available for 1974 appears to be linked directly to the depreciation in national currencies rather than to specific land market factors. However, an exception must be made in the case of the United Kingdom where, after a sharp rise in 1973 and early 1974, prices reveal a decline which appears to be continuing in 1975. In Ireland, prices do not seem to have changed very much from 1974 to 1975.

In Germany, where only the 1973 prices are available, there is an average increase of 10.3% over 1972 for small plots; the area sold as whole farms amounts to only a quarter of the area sold as small plots and the price increase was only about 4%. In Germany the variation from Land to Land is very marked. Prices are linked not only to the widely varying quality of land but also to population density and the degree of industrialization. The average prices by Land for small agricultural plots sold in 1973 illustrate this diversity:

Schleswig-Holstein	2 909 u.a.
Lower Saxony	3 706 u.a.
North Rhine-Westphalia	7 326 u.a.
Hesse	4 699 u.a.
Rhineland-Palatinate	4 587 u.a.
Baden-Württemberg	5 990 u.a.
Bavaria	5 099 u.a.

In France, the annual survey of land values for 1974 shows an average increase of 13% over 1973, the rise being 13.8% for arable land and 11.6% for natural pasture.

Regionally, the increases were sharpest in Lorraine with 20% and in Provence.

In Italy, where only the average land prices for 1973 are available, the increase was 21.8% on 1972.

In the Netherlands between 1 July 1973 and 30 June 1974 there was an increase of 23.2% in the price of small arable plots and 30.4% for pasture land, thus narrowing the gap between prices for arable land and pasture. The number of transactions declined considerably in 1974.

In Belgium only the 1973 prices are available, showing an increase of 4.7% for arable land and 13.8% for pasture, with the same tendency for the latter prices to catch up with the prices for arable land. The agricultural land market showed an overall expansion: 27 648 ha in 1973 as against 24 880 ha in 1972. To some extent this could explain the fairly small increase in prices.

In the United Kingdom the very sharp price increase continued in early 1974 with a rise of 35.5%. However, the September 1974 returns showed a fall. The average prices stood at 3 117 u.a. on 31 March 1975 and on 30 June 1975 they stood at 2 729 u.a., or 23.1% down on the 1974 average. In Northern Ireland sales of whole farms increased by 16.3% in 1974 while in Scotland a fall of about 15% in total sales was recorded by the middle of the year.

If the increase in the GDP is deducted from the 1974 land values, this gives the following net increases:

1.3% in France

13.8% for arable land and 21% for pasture land in the Netherlands

12.9% in England and Wales

20% in Denmark.

In 1974 the coincidence of an agricultural year which brought little return for farmers with considerable currency depreciation seems to have contributed to keeping farmers out of the property market to the advantage of capital holders outside agriculture.

In France a new rent law has been in force since July 1975, strengthening the tenant's security and freedom to farm while boosting the landlord's income by granting more freedom to fix the contractual rent level; reference to 1939 rents has been discontinued.

In Belgium, the law on rent restriction was revised for the first time after five years of operation. Since September 1975 new coefficients have been fixed for multiplying the cadastral value to obtain the rent figure; the average increases for the country amounted to less than 20%, increases being generally higher for pasture land than for arable land in the agricultural regions listed.

## I - 5. Capital

There is little data available on trends concerning capital in agriculture. However, it is an established fact that the decline in the farming population is accompanied by intensified capital investment in agriculture.

More detailed information concerning the level of capital (per labour unit and per ha) for the period 1962-72 in Belgium are to be found in a publication by the Institut Economique Agricole in Brussels<sup>1</sup>. This study shows that the level of capital per labour unit has increased considerably (+ 65%) from about Bfrs 2 000 000 in 1962 to more than Bfrs 3 300 000 in 1972. Over this period the increase did not always proceed at the same rate. The increase was at its strongest between 1963 and 1966 and between 1970 and 1972, while during the years from 1966 to 1970 it was minimal.

If these data on capital are compared with the development of the agricultural working population and with overall agricultural production it becomes clear that capital is of key importance for the structural development of the agricultural sector. During the period from 1962 to 1972 the farming population in Belgium fell by 40%, while the overall volume of agricultural production increased by about 20%. Thus during this period, thanks primarily to intensified investment, production per labour unit increased by 60%.

Capital investment per hectare also increased during the period 1962-72 but to a lesser extent. The difference is explained by the fact that the area of available farmland is decreasing at a slower rate than the working population engaged in agriculture.

In addition, the capital level per hectare also depends on how intensively land is used. This means that because of the varying intensity of land use in the Member States the abovementioned data on developments in Belgium cannot be applied generally throughout the Community. In 1965,

---

<sup>1</sup> Régionalisation et analyse du capital agricole belge (Regionalization and analysis of agricultural capital in Belgium) - Cahiers I.E.A., No 173/RR-145 - Brussels, October 1974.

when capital investment stood at Bfrs 338 000 per ha, there was even a decline compared with the 1962 level (more than Bfrs 350 000 per ha); there was then a recovery in 1966 with about Bfrs 345 000 per ha. From 1966 to 1969 the rate again fell to the 1962 level. Since 1969 there has been a slight upward trend, even though in 1972, at Bfrs 248 000 per ha, the figure remained well below the 1962 level.

Lastly, given the limited opportunities for self-financing in agriculture, loan interest rates will have a decisive effect on the profitability of the sector and the structural situation.

In the first six months of 1974 the rates for short-term credit were situated between two extremes: 13.9% in Germany and 7.80% in France<sup>1</sup>, but the most remarkable feature of interest rates (short- and medium-term) from the first half of 1973 to the second half of 1974 was a 2 to 3% increase. It is very probable, however, that there has been a fall in interest rates from the beginning of 1975, as in the case of long-term credits.

The rates for long-term credit can be derived from the interest rates for long-term bonds set out in the table below; to obtain the interest rates on long-term loans and mortgages in the private sector<sup>2</sup>, between 2 and 4% should be added to these percentages.

The figures in the table show that in 1974 interest rates increased sharply; this increase was already emerging in 1973. It is also evident that the abrupt changes in interest rates did not occur at the same time in each country.

While interest rates began a downward trend in 1975 in most Member States, the level reached in July 1975 was still considerably higher than at the beginning of 1973, in most cases.

---

<sup>1</sup>The figure for France is greatly influenced by the agricultural credit system.

<sup>2</sup>Except for France and Italy.

Interest rates on long-term bonds 1973/75

	<u>January '73</u>	<u>July '74</u>	<u>December '74</u>	<u>July '75</u>
Germany	8.6	10.6	9.7	8.3
France	8.3	11.4	11.2	10.2
Italy	7.4	11.0	12.5	10.7
Netherlands	7.5	10.4	9.1	8.7
Belgium	7.2	8.9	9.0	8.1
United Kingdom	9.6	14.9	17.2	13.9
Ireland	9.6	14.5	16.9	14.2
Denmark	11.5	17.7	14.5	12.9

It should be noted that these long-term rates only refer to interest on long-term bonds, which only provides an indication of the movement of loan-interest rates in the agricultural sector. In addition, from one Member State to another, the actual cost of agricultural credit varies with the institutional framework through which it is provided.

I - 6. Agricultural working population

The agricultural working population continued to decline, falling from 9 377 000 in 1973 - or 9.2% of the total working population - to 9 084 000 in 1974 - or 8.9% of the total working population.

Several aspects of the rate of decline, which amounts to 3% per year, are worthy of note.

In the past, the decline in the number of family and hired workers was much sharper than in the number of farmers, but now this process appears to be reversed. Both the actual number and the percentage of self-employed persons fell, but while the number of wage-earners fell, the percentage increased. In other words, although the rate of decline accelerated from 2% to 3% from 1972 to 1974 the percentage of wage-earners in the agricultural working population increased.

The number of wage-earners appears to be levelling out, suggesting that it is now approaching the level required by present-day agricultural technology and structures.

As for self-employed persons, one can derive additional information from the trend in the number of farms. In the Community, excluding Italy and Ireland, the number of farms fell by 3.3% between 1973 and 1974. Even though the percentage decline is a little less in Italy and Ireland, the fact remains that the fall in the number of farmers was probably the same as the fall in the number of family workers.

Thus, it appears that the situation is approaching the stage where, in most cases, a reduction in the agricultural working population will mean the disappearance of farms.

As regards analysis by age, the cumulative effect of a decline in the 14 to 34 age group and the 55-and-over age group is a relative increase in the 35 to 54 age group.

The decline in the number of young persons is very pronounced. Even though the full effects of the Second World War are bound to disappear gradually,

they are clearly superceded by the steady decline in the number of young persons coming into farming.

Similarly, the significant fall in numbers in the 55-and-over age group reflects the fall in the birth rate during the First World War, combined with the increase in the death rate during the Second World War. However, this is only a temporary factor and in due course the 55-and-over age group will increase in size again. Thus the relative youth of the agricultural working population is unlikely to become more pronounced or even to continue in the natural course of events. What is more, the present overall economic situation is unlikely to provide any new alternative employment capable of absorbing agricultural labour.



## I.7 Social security<sup>1</sup>

The extent to which farmers are covered by social security is the same as in previous years; accidents at work are still not covered in Belgium, Ireland, the Netherlands and the United Kingdom, neither are sickness, maternity or disablement in the Netherlands and Ireland (in the latter country sickness benefits can be granted subject to certain income requirements).

Participation of the nation as a whole in the financing of social security still plays a considerable role in Denmark (99.8%) and Italy (92.8%) while a near-balance has been achieved in the Netherlands (5.7%).

It should be pointed out that in France the figures for revenue and benefits are lower than in previous years as a result of the fact that France has applied the new norms fixed by the Commission to improve the comparability of national statistics (farms of 1 ha or more on which the work performed is at least 50% of one annual labour unit).

In some countries the annual amount of the old-age pension follows the increase in the cost of living (however, some considerable increases were partly due to the rates used for converting national currencies into units of account); the Netherlands and Denmark still lead the field with 3 029 u.a. and 2 097 u.a. respectively while Italy brings up the rear with 528 u.a.

---

<sup>1</sup>See Tables II.C/1.8.1 and II.C/1.8.2 in Part III.

## I.8 Agricultural marketing structures<sup>1</sup>

At the present time agricultural products in the Community are primarily marketed via various agricultural producer groups and organizations. Such bodies were either set up by the farmers themselves, as in the case of cooperatives, or by the government, as in the case of the recognized producer groups which were expressly provided for by law in France and Germany.

These laws do not stipulate a specific legal form for the recognized producer groups but allow them to take many legal forms. In France for example, there are syndicates, associations, cooperatives, the SICAs (joint agricultural companies), etc.....

Thus in France, in the table poultry sector, the 43 producer groups which existed in 1971 included 20 cooperatives, 10 SICAs and 20 associations and syndicates.

On the other hand, in Germany more than 70% of the recognized producer groups chose the cooperative as their legal form.

---

<sup>1</sup>See Table II.C/1.9 in Part III.

The only detailed data on this subject in the Commission's possession cover the activities of cooperatives and contract sales.

### I.8.1 Cooperatives

Cooperatives are a traditional form of marketing organization in almost all Member States but they vary greatly as regards economic importance, size, operation, legal form, company capital, internal rules, etc. In particular, the cooperatives' share of the agricultural market varies considerably from one country to another and also from one sector of agriculture to another.

Thus, in the Netherlands and in Denmark, they play an important economic role in agriculture; in the Netherlands 60% of total agricultural production is marketed via cooperatives. On the other hand, in the United Kingdom, despite the long history of the first cooperatives which were founded at the end of last century, they occupy only a secondary position in the sale of agricultural products, probably as a result of the existence of marketing boards for certain of these products.

In all Member States, except the United Kingdom, the milk sector seems to form the backbone of the cooperative movement because of the fact that milk is a highly perishable product. The percentage of milk production collected by cooperatives ranges from 35% in Italy to 90% in the Netherlands and Luxembourg. In the United Kingdom, all milk is marketed through the Milk Marketing Board.

Other perishable products dealt with largely by cooperatives are fruit and vegetables. There are however considerable variations between the percentages of vegetables sold by the cooperatives in the different countries: 5% in Italy and 100% in the Netherlands where most sales are made by auction. Except in the Netherlands, Belgium and Ireland, the percentage of fruit sold through cooperatives is higher than the percentage of vegetables.

Cereals, which are easily stored, are also largely marketed by cooperatives (about 70% in France, the Netherlands and Luxembourg). The importance of cooperative marketing of cereals in France stems from the serious crisis experienced by this sector during the 30's.

Varying percentages of pig and poultry products are also marketed by cooperatives. Thus, in the United Kingdom cooperatives market only 2% of pigmeat while in Denmark the figure is as high as 91%. In addition, the Danish cooperatives produce most of the bacon purchased in Britain. The variable percentages of both pigmeat and table poultry marketed are due to the fact that these sectors are often closely linked to the industries providing the means of livestock production.

Sugarbeet is rarely marketed through cooperatives. Since it is a product which is only intended for processing, sales through cooperatives are practically nil in countries where the processing industry is not organized on a cooperative basis. On the other hand, in countries such as the Netherlands, cooperatives sell the product (63%) and do the processing.

### I.8.2 Contracts

A contract in agriculture can be defined as an undertaking by the farmer to supply to a known purchaser on a given date a quantity of a given agricultural product requested by that purchaser. The agreement may be a simple marketing contract or a more long-term contract involving various obligations on the farmer. Contracts exist e.g. those providing for complete or partial transfer of management, which as a result of their clauses may give rise to partial vertical integration.

As a product intended for processing, sugar beet is sold in all Community countries, with exception of the Netherlands (37%), solely or almost solely under contract. A very high proportion of the garden peas grown for canning companies is sold under contract (the whole of production in Ireland and in Belgium and almost all in Germany, France, the Netherlands and Denmark

As regards table poultry, production and marketing are frequently organized by means of contracts or agreements between the compound animal feedingstuffs industry, the breeders and the slaughterhouses. Thus, in the Netherlands and Belgium almost all table poultry (90% and 95% respectively) is sold under contract. On the other hand, in the fresh eggs sector, contractual arrangements with the compound animal feedingstuffs industry, the breeders and the packing centres are considerably less common, a considerable proportion of production being marketed directly by the producer to the consumer or sold on the markets.

Contractual sales for pigmeat represent statistically only a very small percentage, but contractual arrangements for pigmeat production are on the increase.

## II. Forestry structures

### 1. Note:

Forestry structures develop slowly, and thus cannot change significantly in one year, which is a relatively short period in forestry.

Furthermore, structural statistics are derived from 5 or 10 year surveys which are carried out in an uncoordinated manner in the various Member States.

As a result, the situation described in the last annual report still prevails.

### 2. Changes in wooded land since 1950

In addition to the last annual report and based on estimates it can be stated that:

- (1) Total planting for production purposes during this period amounts to some 3 500 000 ha, or 150 000 ha per year, of which about 40% comes under the replanting of forest land and 60% under the afforestation of non-forest, agricultural or other land;

Thus, in the Community as a whole, between 1 250 000 and 1 500 000 ha of agricultural land have been subjected to afforestation;

- (2) About 40% of all planting in the Community for production purposes took place in France and 45% in two other countries, Italy and the United Kingdom;

In proportion to the total area of forest, planting was most intensive in the United Kingdom (45%) and Belgium (25%) and least intensive in the Federal German Republic (4%), while in the other Member States it was near the Community average (11%);

- (3) In the Community as a whole during this period forest land put to other uses amounted to some 500 000 ha. At national level, the reductions as proportions of total forest areas were as follows:

1.5% in France, 2% in the Federal German Republic, 3% in Italy and 2.5% in the United Kingdom;

(4) During this period the total forest area in the Community showed a net increase of some 1 500 000 ha, or 65 000 ha per year, of which 35% was in the United Kingdom, 28% in France and 28% in Italy.

With the figures presently available it proved impossible to carry out a systematic analysis of national trends in the structural features referred to above.

### III. Fishery structures<sup>1</sup>

#### 1. The fishing fleet

The total number of vessels in the Community fleet remained relatively stable between 1972 and 1974, the 1972 total of 52 772 units having a total tonnage of 1 233 344 grt. decreasing to 52 245 vessels having a slightly higher tonnage of 1 267 194 grt.

In addition to the above fleet, there are a further 31 591 small boats engaged occasionally in fishing.

The total number of vessels in the Community over 24 metres in length, based on the assumption that vessels over this length are basically employed in distant water fishing, was 2 018 in 1974, of which approximately 400 were over 500 grt.

Only 4 Member States, United Kingdom (492), France (305), Italy (220) and Germany (151), have important distant water fleets.

Due to the oil crisis, operating costs rose sharply from the last quarter of 1973 to the end of 1974, varying from approximately 20% in Denmark and the Netherlands to 30-40% overall in Italy.

Over the year, landed prices tended to lag behind inflation, and the more valuable species tended to become scarcer, which resulted in some owners being forced to lay up vessels and in fishermen's wages dropping below the national average.

Due to the economic uncertainties, high building costs, the high rates of interest being charged on loans, and the reluctance of the banks to lend because of the danger of overfishing which could lead to a poor return on investment, orders for new vessels fell off, although there were some deliveries in 1974 of vessels ordered in the more prosperous days of 1972 and 1973.

---

<sup>1</sup>See tables II.C/3.1 - II.C/3.3 in Part III.



The age of the distant water fleet in certain areas still gave cause for concern, especially in the United Kingdom, Germany and Belgium, where respectively 47, 46 and 38% of the fleet was over 15 years old. Ireland, which has built up its new fleet mainly with second-hand vessels, and is therefore not comparable, has approximately 60% of its fleet in this category.

## 2. The fishing grounds worked by the EEC fleets

In 1973, which is the last year for which detailed figures are available, 43.1% of EEC catches were in the North Sea, 8.6% in the Baltic, the Kattegat and Skagerak, and the Sound and Belt Sea, and 20.8% in British, French and Irish Atlantic waters. France and Italy caught 7.9% of the Community total catch in the Mediterranean. Of the remaining 19.6% of the catch, 12.5% was caught in Faroes, Icelandic, Arctic and Greenland waters, 4% in the NW Atlantic, 2.0% in the East Central Atlantic, and the remaining 1.1% in the Azores, West Central, South West and South East Atlantic.

## 3. Crews

The total number of full-time fishermen in the Community is approximately 159 000, of which at least 13 000 are part-time operators. However, the fishing population is tending to age, and in most countries of the Community the age group under 20 has decreased slightly.

Productivity in m.t. per fisherman in 1974 tended to increase marginally except in Germany where there was an increase of 33% and in Denmark where the increase was 22%. On the other hand, productivity in Ireland and Italy tended to be below the Community average.

## 4. Industry on land

In the processing industry sector, between 1972 and 1974, there was little change in the amount of fresh and chilled fish supplied to the market, but an increase of over 20% in the amount of frozen fish, and an increase of over

14% in the amount of smoked, dried and salted fish, was recorded.

The demand for Community canned fish produce fell by over 20%. The amount of fish meal manufactured by the Community increased from 438 000 m.t. in 1972 to 491 000 m.t. in 1974. The main fish meal producer in the Community was Denmark.

D. AGRICULTURAL INCOMES<sup>1, 2</sup>

Agricultural incomes are one of the main points of reference for determining the guidelines of the common agricultural policy. Article 39 of the Treaty establishing the European Economic Community stipulates that the objective of the common agricultural policy shall be, inter alia, to increase agricultural productivity and thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture.

Agricultural incomes are the final economic result of the agricultural production process; they arise from the activity of numerous farms in which the factors and means of production combine in proportions varying from farm to farm and from year to year. Agricultural incomes depend, therefore, on many elements. They undergo major fluctuations and must be analyzed from a proper perspective and with great caution. As an economic indicator they are difficult to assess and interpret.

An analysis of agricultural incomes normally proceeds from the general to the particular. Agriculture is first considered as a whole, as an economic sector, and subsequently attention is given to the various production methods and types of farm; the analysis then shifts from the broadest geographic level to specific areas (Community, national, regional and farm levels).

In recent years there have been marked improvements in the instruments available at Community level for determining and analysing agricultural incomes, in particular the Economic Accounts of Agriculture and the Farm Accountancy Data Network (FADN), although their scope is still limited by certain defects and gaps which have not yet been fully corrected.

---

<sup>1</sup>This chapter constitutes the Annual Report on agricultural incomes in the Community, as provided for by Article 1(3) of Regulation No 79/65/EEC, last amended by Regulation No 2910/73/EEC of the Council (OJ L 299/1 of 27 October 1973).

<sup>2</sup>See Table II.D/1 to II.D/11 of Part III.

The income indicators they produce are not always strictly comparable in absolute terms; as regards trends, however, the series derived from these two sources of information do represent an acceptable basis<sup>1</sup>.

The main income indicator used in macro-economics (national accounts) is Net Value Added at factor cost (NVA). This criterion reflects the combined remuneration of the three fundamental factors of agricultural production together: land, labour and capital. Given that parts of these three factors are not owned by the farmers (leasehold land, borrowed capital), the remuneration corresponding to those parts (total rents, share leases and interest paid) must be deducted from the NVA to determine the effective remuneration from production factors belonging to farmers; this is the "Agricultural income" (AI).

Expressed in money and real terms and by Annual Labour Unit (ALU), the two indicators in question (NVA and AI) provide a preliminary overall assessment of the economic efficiency of the sector and of the trend of agricultural incomes. The relevant data are not yet available for Ireland and Denmark, however, whilst the data for Italy and the United Kingdom are incomplete.

The analysis of agricultural incomes from the micro-economic aspect (at farm level) is based mainly on the concept of "farming income" (FI). Farming income is the balance remaining after deduction from the value of production of all costs except labour costs; it corresponds, therefore, to remuneration of the factor "labour".

To determine farming income, remuneration must be attributed to the other two factors, i.e., land (fixed capital) and capital (working capital). This remuneration must be fixed arbitrarily when the production factors concerned belong to the farmer; thus the figures given for farming income depend to some

---

<sup>1</sup>See Reports on the results for "1971" and "1972" (COM(75)335 final) and the "1973" report, to be published shortly.

extent on the values chosen for the farmer. In analysing farming income, therefore, the random elements involved in determining this criterion should be borne in mind.

Farming income per Annual Labour Unit (FI/ALU) can be compared with incomes in other sectors; this comparison, at national or even regional level, gives an objective picture of the relative position of agriculture in the economic interplay between the various sectors of activity. This criterion constitutes a significant guideline for Community decisions on agricultural prices and structures.

The data on labour (ALU) differ according to the source of information used. The ALU derived from surveys and used for calculating income per ALU from the economic accounts of the agricultural sector refers to the total labour force in the sector, whereas the ALU used for the FADN refers to time actually worked. The processing necessary to make the first set of data comparable to the second inevitably introduces some degree of bias into the information used to assess the levels and trends of agricultural incomes.

\*

\* \*

The gaps and inadequacies in current information sources used for quantifying agricultural incomes make complete accuracy at all levels impossible, however, there is little danger of false assessments in view of the amplitude of the divergencies and fluctuations in this field. Prudence is nevertheless required in interpreting the available data.

I. TREND OF AGRICULTURAL INCOMES FROM 1968 to 1973

Insufficient data are at present available, for the three new Member States to determine values for NVA/ALU and AI/ALU at overall Community level in 1973. Only for the original Member States, therefore, can the trend of agricultural incomes between 1968 and 1973 be assessed on the basis of homogeneous data.

During the period 1968-73, the Net Value Added per ALU for the six original Member States increased by 88% in money terms and 38% in real terms. The average annual rates of increase in NVA/ALU were thus 13.5% and 6.6% respectively.

Over the same period "agricultural income" per ALU increased by 78% in money terms and 32% in real terms, giving average annual growth rates of 12.2% and 5.7% respectively.

The two income indicators in question (NVA and AI) increased at fairly slow but varying rates in the first years of the period under review. In the last two years (1972 and 1973), however, they rose spectacularly.

Trend of NVA/ALU and AI/ALU in real terms in the original Community;  
1968-73

Year	1968 = 100		Annual rate of increase	
	NVA/ALU	AI/ALU (excluding Italy)	NVA/ALU	AI/ALU (excluding Italy)
1968	100	100	-	-
1969	105.8	102.7	5.8	2.7
1970	110.2	106.3	4.2	3.5
1971	111.8	108.9	1.5	2.5
1972	123.9	124.5	10.8	14.3
1973	138.0	131.8	11.4	5.9

A major part of the growth of NVA/ALU and AI/ALU between 1968 and 1973 occurred in 1973, when Community agriculture enjoyed record results. Thus the increase from 1972 to 1973 accounts for more than a third of the total rise in NVA/ALU in money terms over the five-year period under review; the corresponding rise in real terms was of the same order.

The year 1973 alone also accounted for more than a quarter of the rise in AI/ALU in money terms and a little less than a quarter in real terms for the period 1968-73 in the four original Community countries for which comparable data are available (Germany, France, Belgium, Netherlands). The lack of data for Italy detracts from the comparability of the series relating to this criterion. The recorded growth rate of agricultural incomes was thus very high in 1972 and relatively low in 1973. This disparity between the two income indicators implies that the NVA/ALU growth in Italy was slight in 1972 and fairly strong in 1973.

The tendencies noted at Community level result, therefore, from very divergent trends in the various countries.

#### A. Trend of agricultural incomes at national level

Among the countries for which the two income indicators referred to above are available (NVA and AI) - (Luxembourg is considered separately because of certain peculiarities in the related data<sup>1</sup>) - France and Belgium remain in the lead with index levels in money terms of 202.5 and 203.1 respectively for NVA/ALU and of 202.9 and 213.9 respectively for AI/ALU. The increase in the United Kingdom and the Netherlands was more modest at 179.3 and 168.1 respectively for NVA/ALU and 184.1 and 170.2 for AI/ALU. Germany is well behind the other countries under review, with an index of 146.9.

---

<sup>1</sup>The Luxembourg figures are affected by a change in the statistical series on labour (ALU) in 1973; the earlier data has not yet been brought into line.

Trend of NVA/ALU and AI/ALU  
by Member State: 1968-73

	NVA/ALU		AI/ALU	
	in money terms	in real terms	in money terms	in real terms
Germany	146.9	109.5	142.4	106.1
France	202.5	149.1	202.9	149.3
Italy	209.1	150.1	:	:
Netherlands	168.1	117.9	170.2	119.4
Belgium	203.1	157.0	213.9	165.3
Luxembourg	(259.3)*	(179.2)*	(259.3)*	(179.2)*
EEC 6	187.6	138.0	178.2	131.8
United Kingdom	179.3	124.5	184.1	127.8
Ireland	:	:	:	:
Denmark	:	:	:	:

\* Data affected by a change in 1973 in the statistical series on agricultural employment.

The relative positions of the various Member States differ considerably as regards the trend of NVA/ALU in real terms. Belgium, Italy and France are clearly in the lead with increases of about 50%. The United Kingdom and the Netherlands recorded more modest increases of 24% and 18% respectively. In Germany the rise was much smaller, at less than 10%. "Agricultural income" per ALU in real terms also rose considerably in Belgium (65%) and France (nearly 50%), while in the United Kingdom and the Netherlands it rose by less than 28% and 20% respectively; in Germany the increase was only 6%.

Trend of agricultural and non-agricultural incomes

Gross domestic product per worker and average remuneration per worker for all economic sectors in the Community of Six grew in real terms by 25% and 33% respectively from 1968 to 1973. In the same period the value added per ALU in agriculture rose by 38%.



In 1973 incomes in the agricultural sector thus improved appreciably in relation to incomes in other sectors, significantly reducing the gap existing in 1968.

This favourable situation should, however, be assessed in the light of the exceptionally good results in 1973 which marked a highpoint in the medium-term trend emerging from the data for the whole period under review. It should also be borne in mind that the production factor "capital" became much more costly at the end of 1973 with the result that part of the income growth recorded did not benefit farm workers.

Trend of gross domestic product (GDP) at market prices per person employed and of per capita remuneration of persons employed in all sectors, compared with the trend of the NVA/ALU and the AI/ALU in agriculture, in real terms; 1968-73

1968 = 100

Country	All sectors		Agriculture	
	GDP/assets	Remuneration per worker	NVA/ALU	AI/ALU
Germany	124.3	136.0	109.5	106.1
France	126.0	125.8	149.1	149.3
Italy	124.4	138.2	150.1	:
Netherlands	126.2	131.0	117.9	119.4
Belgium	:	:	157.0	165.3
Luxembourg	113.7	126.0	(179.2)*	(148.9)*
EEC 6	125.3	133.0	138.0	131.8
United Kingdom	114.5	120.8	124.5	127.8
Ireland	:	:	:	:
Denmark	121.7	133.1	:	:
EEC 9	123.1	130.6	:	:

\* Data affected by a change in 1973 in the statistical series on employment in agriculture.

Findings at the level of the original Community do not, however, arise from identical trends in each Member State.

In France and Italy, as also in the United Kingdom, the improvement in the relative position of agricultural incomes is quite clear, but in the Netherlands - and above all in Germany - a substantial drop in this relative position was recorded. Agricultural incomes per ALU have risen in these two countries by 19% and 6% respectively in real terms, while remuneration per worker for all sectors of the economy rose by 31% and 36% over the same period.

\*  
\*      \*

From 1968 to 1973 the original Community recorded an appreciable rise in agricultural incomes. Part of this growth was due to the excellent results in 1973. Income levels in 1973 suggest that the relative situation of agriculture in the Community as a whole has definitely improved since 1968.

In many ways, however, the 1973 results must be regarded as exceptional, since they are out of line with the overall trend for the period under review (see graph p. 11). Moreover they reflect very divergent trends among the Member States which may become sources of tension and difficulty for the future guidance and management of the common agricultural policy.

## II. AGRICULTURAL INCOMES IN 1974

In 1974 there was a break in the general upward trend of agricultural incomes recorded in previous years. 1973 was a record year in many respects; by comparison, 1974 was unfavourable for agricultural incomes, which on the whole tended to fall sharply (see graph overleaf).

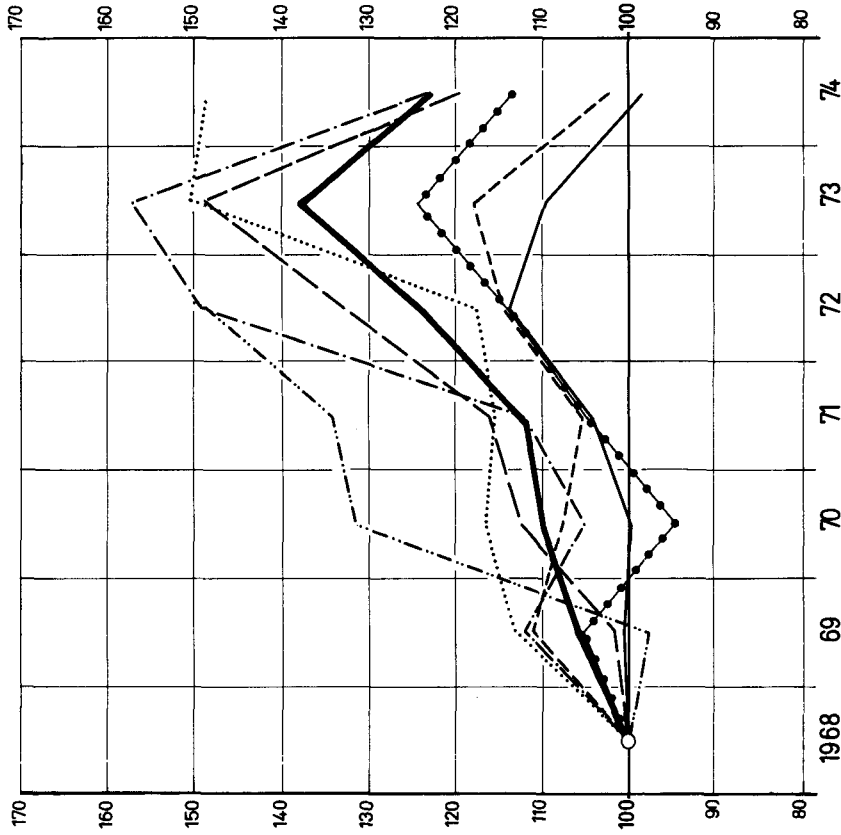
### A. Agricultural incomes in 1974 at national level

The value of the final product of agriculture in money terms fell considerably in the Netherlands and to a lesser extent in France, Germany and Belgium; conversely, it increased slightly in Luxembourg and substantially in Italy and the United Kingdom. These divergent trends were accompanied by a rise in intermediate consumption in all countries, particularly in France, Italy and the United Kingdom. This growth was due mainly to the rise in energy costs and price increases in chemical fertilizers, animal feed and the various means of production used in agriculture.

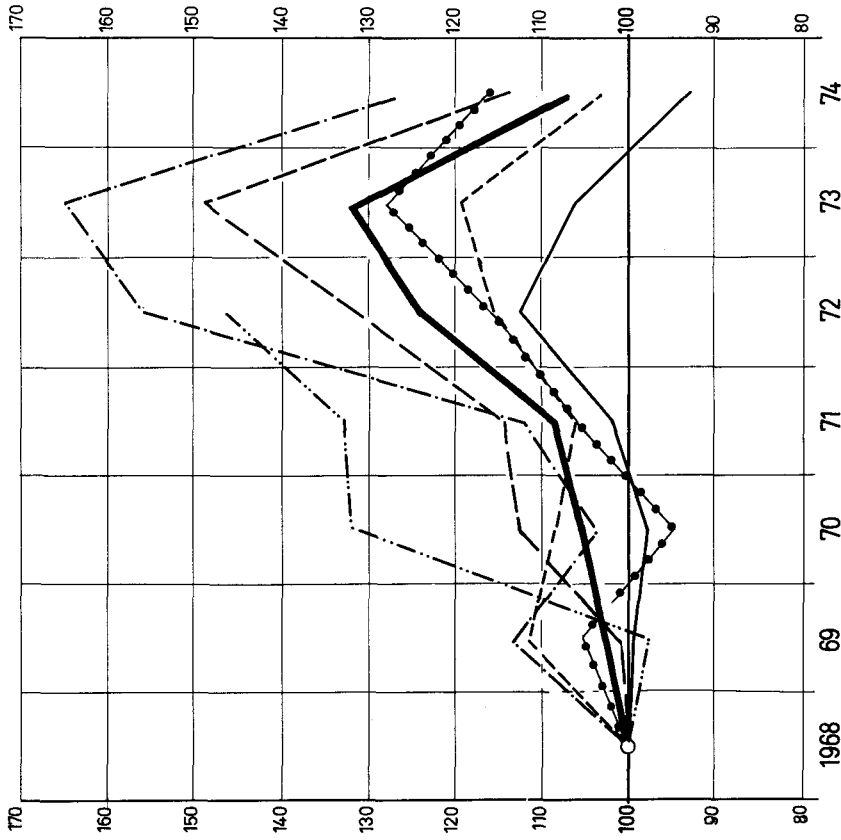
In most countries except Italy and the United Kingdom, and for the agricultural sector as a whole, these tendencies reduced the gross value added whether expressed in market prices or at factor costs.

Reducing manpower, i.e., employment (reduction in ALU), was the only way to compensate to some extent for the drop in agricultural incomes. At national level, employment in the agricultural sector fell by about 3% from 1973 to 1974, both in the original Community and the new Member States. Without this reduction in the number of agricultural ALUs, the fall in per capita incomes would have been even greater.

TREND OF THE NVA/ALU IN REAL TERMS  
BETWEEN 1968 AND 1974: 1968 = 100



TREND OF AGRICULTURAL INCOMES/ALU IN REAL TERMS  
BETWEEN 1968 AND 1974: 1968 = 100



- BELGIQUE/BELGIË
- DEUTSCHLAND(BR)
- FRANCE
- ..... ITALIA
- - - LUXEMBOURG
- - - NEDERLAND
- EUR '6\*
- >>> DANMARK
- + + + + IRELAND
- ● ● UNITED KINGDOM

As regards Net Value Added at factor cost in money terms, the decline of 1.6% for the original Community is the result of a major drop in five out of these six countries (ranging from 4.5% for Germany to 11.5% for Belgium) partly balanced by a fairly strong rise (15.5%) in Italy. Excluding Italy, the decline in NVA/ALU in money terms for the five Member States would amount to 8.3% in 1974.

"Agricultural income" per ALU in money terms followed a similar trend in 1974 to that of Net Value Added. In the five Member States for which data are available (there are no figures for Italy) "Agricultural income" fell by 11.6%. The average decline varied from 6% in the Netherlands to 15.3% in France.

The fall in per capita incomes was smaller as a result of the reduction in the number of ALUs. The United Kingdom - and probably Italy - are exceptions, since both enjoyed good harvests (**high yields of cereals, vegetables and olives, especially in Italy, were recorded**); furthermore, there was a favourable trend in the producer prices of agricultural products.

Net Value Added at factor cost per ALU in real terms fell in the seven countries for which data are available. For the original Community this decline amounted to 10.9%, or 15.8% if Italy is excluded.

The strong inflationary pressure in the Member States since 1974 thus led to a substantial reduction in real Net Value Added, as shown by the figures below:

10.5% in Germany  
13.4% in the Netherlands  
16.8% in Luxembourg  
19.8% in France  
21.5% in Belgium.

As a result of its special position, Italy recorded no more than a slight fall in NVA/ALU in real terms (0.9%), against -8.9% for the United Kingdom.

"Agricultural income" per ALU in real terms followed the same trend as NVA. For the original Community, excluding Italy, the decline was 18.8%; this average lies between the extremes of -13.0% for Germany and -23.7% for France. In the United Kingdom, agricultural income fell by 9.4%.

B. Farming incomes in 1974 at micro-economic level

The FADN accountancy data for the financial year 1974 is still being broken down and the "1974" results are not yet available; however, analyses made in some Member States on the basis of provisional results suggest a number of comments on the current situation with regard to agricultural incomes in most Member States<sup>1</sup>.

GERMANY: Estimates for the rise in agricultural incomes in the 1974/75 marketing year ranged from 3% to 8%. The break in the trend between 1968/69 and 1973/74 is mainly attributable to the marked rise in the cost of the means of production, particularly fuel.

According to the latest estimates it seems that final results for incomes in 1974/75 will be fairly close to the upper end of the range and that net income per family ALU may rise by about 8.8% in relation to 1973/74.

FRANCE: The calculations carried out for the first time in connection with the macro-economic accounts of agriculture make it possible to trace the approximate effects, at the level of the main types of farming, of income fluctuations in the provisional overall accounts for 1974.

---

<sup>1</sup>These findings more or less corroborate observations based on the economic accounts of agriculture (overall accounts). In certain cases, however, fairly wide disparities can be seen; these are due to various factors, in particular the differences in accounting years adopted, which are significant in periods of inflation (e.g., Germany). Moreover, the FADN field of survey does not cover the agricultural sector as a whole.



The provisional results for "1974" obtained from the FADN constant sample in France show that holdings concentrating on general agriculture, in particular cereals, have considerably improved their farming income per ALU, followed by those concentrating on grazing stock, especially sheep. Farming incomes per ALU in horticulture and fruit growing have also risen. Conversely, holdings concentrating on other types of farming have often experienced a substantial fall in farming income/ALU; e.g., pigs and poultry - especially pigs - and vine-products.

ITALY: The year 1974 was marked by unsatisfactory incomes in Italy. In 1973 the growth rate of production was 7.7%, compared with 1.6% in 1974.

Prices of agricultural products rose by 19% in 1974 against 21% in the preceding year, implying that the upward trend has in general been slowed, especially in the wine sector; at any rate it was less steep than the rise in prices of the means of production (+ 35% on 1973), particularly fuel, fertilizers and animal feed.

In spite of the deterioration in the terms of trade, there has been no fall in demand for the means of production.

A slight fall was recorded in the contribution of certain farming types to gross marketable production. For example, in 1974 permanent crops accounted for only 28.2% of gross marketable production (29.7% in 1973). Stock farming also fell, from 38.1% to 37.7%. By contrast arable farming increased its relative share from 31.9% to 34.2%.

The sum of these changes is likely to lead to a decline in agricultural incomes in 1974 in relation to 1973.



BELGIUM: On the basis of accountancy results for about 1 000 holdings, the average farming income per ALU in Belgium in 1974/75 declined by about 10% on the previous year. Thus it is diverging more and more from the "standard income", which rose by more than 15%.

The sharpest decline in farming incomes occurred in holdings of less than 10 ha, while holdings of more than 20 ha recorded a rise. The main financial reason for the downward trend of the net result, which caused farming incomes to drop, is the cost of family labour, which recorded a particularly strong rise in 1974/75, i.e., 25% in terms of hourly wages. The increase in charges other than labour costs also contributed to the downward trend.

In the face of the rapid rise in costs (+ 17%), the agricultural product rose by only 3%. The fall in incomes was most marked in holdings oriented towards pig production, since prices declined sharply in this sector.

LUXEMBOURG: Agricultural income in 1974 showed an overall decline of 4.6% in relation to 1973 levels. Allowing for the change in the number of holdings, the fall in income per holding was 1.1%.

Considering the 9.5% rise in the cost of living index, the agriculture sector in Luxembourg lost almost 10.5% of its purchasing power in 1974. A comparison of the rate of decline in agricultural incomes with the corresponding rate of increase in average gross income per worker during the same period (+ 20%) shows the magnitude of the drop in agricultural income in 1974.

NETHERLANDS: The provisional accountancy results for 1974/75 show that this was a particularly bad year as regards the level of agricultural incomes. Gross production was down by about 3.5% in relation to the previous year, mainly because producer prices fell by about 6.5%. The rise in production volume was not in general able to compensate for this drop. There was a particularly marked fall in yields per hectare for potatoes and sugar beet.

Milk production, however, rose by 5.5% and milk prices recorded a similar rise. Prices of the means of production continued to rise, but more slowly than in the year before (+ 3.1%). The means of production causing this rise were mainly seeds and fertilizers, while the price of animal feed - which accounts for 60% of total costs - fell slightly, though there was little change in the quantities consumed.

Costs relating to factors of production (land, labour and capital) rose, especially labour costs. Employment, however, fell - although this drop was not in the end reflected by a fall in labour costs because of substantial pay rises (+ 20%). Farming incomes, according to provisional data, showed considerable regional disparities in holdings concentrating on arable crops. Horticultural holdings recorded an appreciable increase in gross production, but this did not entirely compensate for increased costs or prevent incomes from falling. On the other hand, farming incomes in holdings practising mushroom and fruit cultivation improved in relation to the previous year.

DENMARK: It will be a few weeks before final conclusions can be drawn from the farm returns. The 1974/75 accounts, which have already been closed, indicate a slight rise in incomes (+3%) in relation to the previous year. But some experts are reluctant to assert that incomes have risen and believe that the final results could well show a slight fall.

UNITED KINGDOM: On the basis of the provisional results for 1974/75 of the Farm Accountancy Data Network, based on about two thirds of the returning holdings, the pattern of agricultural incomes in the United Kingdom for "1974" is as follows in England and Scotland, Wales and Northern Ireland:

England and Wales: After five successive annual increases, average net farming income in full-time holdings of all types (excluding horticulture) fell by 13% (£865) to £5910 per holding (£66 per ha) in 1974/75. The decline in closing valuations (£940), relating notably to livestock, substantially reduced the influence of stock changes on net incomes.

The crop gross output per holding rose by about 14%, with increases of 20% for wheat, potatoes and other crops following excellent harvests; however, sugar beet production declined by 19% owing to infestation by parasites and difficult harvesting conditions. Animal production rose by 8% and milk production by 24%; this was partly offset by the fall in sheep production (7%) following a very hard winter, especially in hill regions. Gross eggs and poultry production also fell (-12%).

Total costs, including intra-consumption of animal feed and seeds, rose by 21% on average. In no case was the increase in costs under any heading less than 14%. The cost of seeds and machinery (excluding depreciation) rose by over 30%.

The change in net incomes varied considerably according to type of farm, averaging about 13%. Incomes from arable crop holdings rose by about 4% but fell for all other types. The situation in sheep farming was particularly bad because of the sharp drop in production and the decline in closing valuations, which led to a fall in incomes of over 40%. In cattle and sheep farms, incomes fell by 25%, mainly because of the bad winter in the hill regions in 1974/75. In spite of the substantial rise in gross milk production, incomes in dairy farms fell by 21%, mainly as a result of the soaring costs of animal feed and labour. Incomes in mixed holdings and pig and poultry farms fell by about 14%.

Wide income disparities may be noted within certain regions. In the north, there was an overall decline in incomes of about 2%; however, incomes of mixed farms and arable crop holdings rose by over 30%, although this did not fully offset the fall in incomes recorded in the milk and beef and veal sectors. In Wales, where hill farms specializing in milk and beef and veal predominate, incomes have fallen considerably - by about 36%. Incomes in the various types of holdings in eastern and western England were close to the average for England and Wales.

Scotland: The net average income for all types of farm rose by 11%, to reach £6 370 in 1974/75, but there were wide disparities at individual farm level. Hill farms specializing in sheep production were severely affected, with a drop in incomes of 50%, whilst lowland farms showed a fall of only 16%. All other types recorded higher incomes, in particular farms concentrating on arable crops, whose incomes rose by 34%.

Northern Ireland: In 1974/75 incomes fell for the second consecutive year by an average of over £700 per farm (26%), whilst about one quarter of all holdings reported net losses. The greatest drop (58%) was in cattle and sheep farming, where the average net income in 1974/75 was less than £600 per holding. Falls of between 10 and 34% on average were recorded for other types of livestock farming. Arable crop holdings, which account for only 4% of all holdings in Northern Ireland, were the only ones to record a rise in income (24%).

IRELAND: The provisional "1974" results of the Farm Accountancy Data Network in Ireland show that farming income per ALU declined considerably in "1974", especially in hill farms producing store cattle, with indices (1973 = 100) ranging from 19 to 76 for the various types of farming.

It must be pointed out that the index of agricultural incomes in Ireland is particularly sensitive because absolute income levels are very low.

Trend of farming income per ALU in FADN  
returning holdings: breakdown by main  
type of farming in Ireland

"1974"

"1973" = 100

Type of farming	UAA	Indices
Grazing stock - arable crops	> 50 ha	76
Cattle (all)	5 - 10 ha	15
	10 - 20 ha	22
	20 - 50 ha	19
	> 50 ha	37
of which: dairy	5 - 10 ha	71
	10 - 20 ha	49
	20 - 50 ha	45
	> 50 ha	50
beef and veal	< 5 ha	*
	10 - 20 ha	*
	20 - 50 ha	*
	> 50 ha	26
combined	10 - 20 ha	51
	20 - 50 ha	30
	> 50 ha	35

\*No index can be calculated for these groups, since at least one of the two values used is negative. Of 567 returning holdings, in 46 gross production in "1974" was negative.

\*

\*           \*

By comparison with 1973, which was an exceptionally good year as regards agricultural incomes, 1974 was a year of recession. It was marked by a sharp fall in incomes in most Member States. By comparison with 1968, the year 1974 shows very little progress in NVA/AIU and AI/AIU in real terms. For the six original Member States, the trend over the period 1968-74 shows an annual growth of + 3.9% for NVA and + 0.8% for agricultural income.

In the six original Member States, agricultural incomes in 1974 lie far below the overall annual trend recorded in the original Community (see graph p. 10). In the new Member States, the steeper rise in agricultural prices in 1974 following their efforts towards full integration into the Community did not fully compensate for the sharp increase in production costs. In these countries the only farms whose incomes improved markedly in 1974 were those concentrating on arable crops.

1974 may therefore be considered a bad year for the enlarged Community as a whole, both as regards absolute levels of agricultural incomes and their relative position in comparison to incomes in other sectors. Moreover, in 1974 the disparities in incomes between the various types of holdings increased within the sector itself.

### III. OUTLOOK FOR 1975

The outlook for the 1975/76 marketing year, which in some Member States has hardly begun, is uncertain, fairly encouraging for some and less so for others.

In Germany, according to official estimates, the 1975/76 marketing year will bring a net rise in income per family ALU of between 7 and 8% over 1974/75. One economic study estimated that the net income growth per family ALU could even lie between 5 and 13%, depending on the basis for calculation.

The provisional estimate for agriculture in France suggests a fall in gross agricultural incomes in 1975 of nearly 1% in spite of the 2.7% drop in the number of farmers. The remaining farms would thus record a 1.8% loss of income. This is partly due to a 3.1% fall in the volume of production, especially cereals (wheat: -20%; barley: -10%), certain fruits and vegetables and wine (-12%), while livestock production remains unchanged. Prices have risen overall by 7.9% for crops and 11.1% for animal products. The volume of inputs (animal feed, energy, fertilizer, maintenance of buildings, services) fell by 3.4%, but their value increased (+ 7.8%) as a result of considerable price rises.

Value added by farms would thus rise by 5.8%, while costs (other than inputs: interest, wages and salaries, direct taxes) would grow by 15%. The gross farming results would show a rise of + 8.3% in money terms. Given the 12.3% rise in the prices of the gross domestic product during 1975, however, agricultural incomes will no doubt fall in real terms by about 3.6% in France in 1975.

In Italy a quantitative increase in marketable agricultural production of 2 to 3% is expected for 1975 in relation to 1974. This is due in particular to the increased production of permanent crops (+ 5% to + 6%) and livestock (+ 2% to + 3%), the latter rise being attributable mainly to an increase in meat production of between + 4% and + 5%, while the production of milk and derived products would fall by 1 or 2%.

Prices for agricultural produce will rise by over 15% as a whole in 1975 [cereals (+ 15%), vegetables and fruit (+ 15 to 20%)] although wine and olive-oil prices will drop by 3 to 5% and 8 to 10% respectively. As regards livestock in general and cattle in particular, prices are expected to rise by 25 to 30%, while the prices of milk and milk products will rise by about 10%.

Farm inputs (intermediate consumption) expressed in quantitative terms will not increase much in 1975. There will, however, be a rise of over 10% in the prices of intermediate consumption.

From 1974 to 1975 an increase in gross agricultural incomes of + 15% in money terms is expected, more or less corresponding to an increase of + 2% in real terms. It may also be noted that farm workers' wages are likely to rise by 38 to 40% in 1975.

Currently available statistics for Belgium, suggest that in 1975 agricultural incomes will rise by 6% to 7% in money terms in relation to 1974. That means a fairly strong downward trend in agricultural incomes in real terms and a marked widening of the gap between agricultural and non-agricultural incomes, given the likely increase of 15 to 17% of these latter.



Farming results in Belgium thus seem poor again in 1975 despite the fairly strong rise in agricultural prices. This is mainly due to the fact that in most cases the volume of production was lower than in the preceding year.

The major crops have maintained their overall value mainly because of the considerable rise in potato prices, which to a large extent offset the loss in value of other farm produce. Only the value of the sugarbeet crop remained similar to the 1974 level, thanks to the considerable increase (+ 18%) in the sugarbeet acreage.

The value of horticultural production is expected to increase in 1975 by just over 10%, mainly because of the strong rise in the value of vegetables grown in market-gardens (+ 15%); the value of fruit production, flower production and the production of ornamental plants will rise less, by about + 5%.

It is expected that the overall value of animal production will increase by about 3.8% while only eggs (- 15%) and horsemeat production will decrease in value. Beef and veal, pigmeat and milk products are expected to show a net increase in the value of production (pigs + 12.8%, adult cattle + 14%, calves + 16%, milk + 11.5%).

Total agricultural production in Belgium should thus increase by + 4.7% while farming costs in 1975 will rise by about the same amount (+ 4.7%). This increase in costs would have been greater but for the standstill in feedingstuff costs, the fall in the volume consumed more or less offsetting the rise in prices.

Agricultural incomes in Luxembourg, which were very poor in 1974, should record an increase of 3.4% in 1975. In relation to the number of remaining farms, this rise represents a growth rate of + 8.1%. It is also expected, however, that the cost of living index will rise by 10.12% during 1975 and that annual gross earned income will rise by 9.6%. This means that agricultural incomes should fall by about 1% in 1975 in real terms. The disparity between agricultural and non-agricultural incomes will continue to increase (1.5%).

Estimates in the Netherlands suggest very divergent tendencies as regards the trend of agricultural incomes by types of farm. Cattle farms and mixed farms (general farming - cattle) are expected to show an increase in farming income in 1975/76 in relation to 1974/75, ranging from about 30% for the grassland farms in the north to about 146% for mixed farms on sandy soil. Farming incomes are also expected to rise on small grassland and mixed farms<sup>1</sup>.

The trend of farms engaged in general agriculture varies according to region, ranging from a decline of about 55% for farms on clayey soil in the north and the Polders to an increase of about 10% in the southwest (the latter category of farms showed poor results in 1974/75). The results of the farms engaged in general agriculture could improve, however, thanks to improved prices for products not covered by the CAP. If the prices of these products remain at the same level as in August and September 1975, farming income in 1975/76 as against 1974/75 would show variations ranging from a fall of about 30% in the north to a rise of about 75% in the southwest.

---

<sup>1</sup>The incomes of the farms considered in this paragraph were very disappointing in 1974/75.

The expected rise in the farming income from horticultural establishments in 1975 as compared with 1974 is about 48% for establishments specializing in vegetable production under glass and 15% for establishments specializing in the production of cut flowers under glass.

The forecasts for mushroom-growing in 1975 are pessimistic.

As regards pigs and poultry (grain-fed), a perceptible increase in incomes is expected for pig farming although it will not equal the record income levels of 1972/73 and 1973/74. The results of poultry farming will be even poorer than in the preceding year as regards egg production, while an improvement in incomes of about 30% may be expected from the production of table fowls.

On the basis of estimates for the first nine months of 1975 in Denmark, output prices will increase by about 10%, while input prices will rise by about 7% (estimates based on the first ten months of 1975). Given the yields of cereals, fodder and sugarbeet, agricultural incomes are likely to increase by 10 to 15%. The reason given for this marked increase is that the 1974/75 marketing year consisted of the two worst halves of 1974 and 1975.

Better results are also expected for pig production and more modest improvements in the milk sector. The fall of about 10% in cereal production does not suggest that growers' incomes will improve on the preceding year.

As a result of difficult weather conditions in the 1975/76 marketing year, considerable variations are likely in gross agricultural income in the United Kingdom. Given the higher costs, this should lead to a wide variation in incomes not only between types of farming but even among farms of the same type.

Incomes in farms engaged in general agriculture will no doubt record considerable disparities. In spite of the higher prices of cereals and the straw sales which will compensate in part for the fall in production, incomes will certainly fall in many general-agriculture farms.

On the whole farms specializing in crop production should see an improvement in income over 1974 as a result of the high potato prices and the high sugar content of sugarbeet.

At present it is difficult to estimate the incomes of farms specializing in milk production; they will depend in part on the growth of grass and on the fodder harvest during the last weeks of the growing season and on the fodder stock accumulated in each farm. Higher prices for milk and better prices for surplus cows and calves will compensate to some extent for fodder shortages in many parts of the south and for higher costs.

It is too early to give any precise estimates of incomes in farms specializing in cattle and sheep production. Much depends on the autumn cattle sales and on the winter weather, as also on the size of fodder stocks. Prices of cattle for fattening are in general higher than last year and farmers specializing in fattening cattle who have bought store cattle at low prices in 1974 will no doubt make some profits.

The high prices of pigmeat will probably help compensate for the higher costs of animal feed, but the lower prices of eggs over most of the year will depress incomes in many poultry farms.

In Ireland it is expected that the value of milk production will increase by about 6% in 1975. The volume of cattle production is expected to increase by about 17% and prices by about 30%, thus increasing the value of production (without taking account of changes in the value of inventories) by about 50%. Sheep production, however, is expected to decline because of a reduction both in volume and prices. The price of pigs will increase from 20 to 25%, but in the light of an equivalent reduction in quantities sold it is likely that the status quo will be maintained. The value of cereals production will increase by about 12%, mainly as a result of rising prices. The value of sugarbeet production is expected to be at least double that of last year.

Input costs will rise by about 20% in 1975; in particular the cost of fertilizers is expected to rise while there will be few changes as regards animal feed in spite of the considerable rise in the prices of feed grain.

The sum of the expected changes in 1975 in the different product sectors suggests a probable increase of about 22% in the output of agriculture as a whole, equivalent to a rise in net production of about 28 to 30%.

Given the development of input costs, agricultural income in Ireland should thus rise from 30 to 35% in 1975, representing an increase in farming incomes of about 50% over 1974. Farming incomes had fallen sharply in 1974; this means that given the level of agricultural incomes in Ireland the increase in absolute terms for 1975 is not likely to be very great.

Information received on agricultural prices in mid-September 1975 in regions where the models exist which the Commission uses to analyse the technico-economic aspects of the various types of farming largely confirms the above trends. It shows that the prices of agricultural products have tended in general to increase in all Member States. As a whole, then, the rise in price of agricultural products noted between September 1974 and September 1975 in the regions concerned has been greater than under the same conditions a year ago. Input prices have also tended to rise barring some exceptions.

The profound changes in agricultural prices during 1975 should have a beneficial effect on incomes, judging by the data obtained from the models in question, insofar as the farms manage to adjust their production programme to the new price ratios and if these prices do not change much in the meantime. These price changes should lead farms of the mixed farming - cattle type to attempt to intensify production. In particular, the price ratios noted in September 1975 should encourage medium-sized (20-50 ha) farms engaged in mixed farming - cattle to increase milk production at the expense of meat production. In certain cases, the price ratios noted should even favour the extension of sugarbeet cultivation at the expense of cereals, where this has not already occurred in 1974.

The prospects for 1975 are uncertain to say the least, especially in countries where much of the crop is harvested late (vines, sugarbeet, etc.). These prospects, it must be emphasized, are based on provisional estimates and the margin of variation from the definitive figures is often very wide. They must be regarded as general estimates of main trends.

The information collected for 1975 does, however, suggest some characteristic trends of the 1975 agricultural year which, it must be remembered, followed a year of depression. Incomes in 1975 will vary according to types of farming and to countries. Certainly agricultural prices have risen substantially everywhere and especially in the new Member States and Italy. Yet in several countries this rise was not sufficient to compensate for the fall in the volume of production and the rise in factor and production costs.

Bad sowing weather in autumn and spring, a very mild winter and a dry summer, particularly in northern Europe, have been the features of that marketing year and they had a profound effect on sowing and on crops. In many countries the fall in production in most types of farming was compensated by an exceptional rise in the prices of certain products (e.g., potatoes). As a whole 1975 thus seems a better year than 1974 and in some cases much better; yet profound disparities were recorded in the trend of agricultural incomes between Member States and even within the agricultural sector itself. The difficulties in guiding and managing the common agricultural policy following the results of the "1974" marketing year will to some extent recur or even be accentuated in the "1975" results although they may look more satisfactory as a whole.

## CONCLUSION

Until 1973 agricultural incomes in the European Economic Community made satisfactory progress, marked in particular by a spectacular rise in 1972 and 1973 which were exceptionally good years - 1973 even more so than 1972.

Yet this trend has not improved the distribution of agricultural incomes which have remained very varied as between regions and types of farming and even from one farm to another. This big spread of agricultural incomes demonstrates the considerable development potential of Community agriculture but also shows the many obstacles to this development.

The trend of agricultural incomes recorded since 1968 shows that farms which specialize in certain crops, and are better structured, have been able to take advantage of the conditions. On the other hand, farms specializing in livestock production, particularly cattle, have seen their income stagnate or even fall.

1974 proved a bad year in many respects, very bad even for a number of types of farming in the enlarged Community and in most Member States.

The outlook for 1975 is better as a whole and yet more worrying. Agricultural incomes as a whole should improve slightly after the marked decline in 1974. Yet this general trend is the result of very divergent tendencies according to country and even more to type of farming. There is thus a risk of even more serious disparities of agricultural incomes than in the past, which will no doubt further complicate the guidance and management of the common agricultural policy.



E. FINANCIAL ASPECTS OF COMMUNITY AND NATIONAL POLICIES<sup>1</sup>

Agricultural policies, however implemented, involve some expenditure of public funds. The steady development of the common agricultural policy has caused an increasing proportion of this expenditure to be transferred from national budgets to the Community budget.

The bulk of the expenditure on agricultural markets has for the past several years been charged to the Community budget through the EAGGF Guarantee Section. On the other hand, structural expenditure in the broad sense of the term continued to be borne mainly by national budgets, as the role of the EAGGF Guidance Section is still a limited one. Thus, it is still of value to examine the expenditures borne by the budgets of the Member States.

At Community level, under Article 10 of Regulation (EEC) No 729/70 on the financing of the common agricultural policy, the Commission is required to submit, before 1 July of each year, to the Council and to the European Parliament, a financial report on the administration of the fund during the preceding financial year and, in particular, on the state of its resources and the nature of its expenditure and the conditions under which Community financing has been effected.

Up to the present, the Commission has submitted four reports, covering the years 1971 to 1974<sup>2</sup>; the fourth and most recent of these (1974)<sup>3</sup> was adopted by the Commission on 24 July 1975. These reports provide more detailed information about the financing of the common agricultural policy than can be given here.

---

<sup>1</sup>See Tables II.E/1.1 to II.E/3.2 in Part III.

<sup>2</sup>See "The Agricultural Situation in the Community", Part II, Analysis, p. 263.

<sup>3</sup>COM(75)396 final of 24 July 1975 or R/2158/75 of 2 September 1975.

1. EAGGF Guarantee Section<sup>1</sup>

(a) Principal features

Articles 1(2) of Regulation (EEC) No 729/70 provides that the Guarantee Section shall finance:

- refunds on exports to non-member countries;
- intervention intended to stabilize the agricultural markets.

In theory this expenditure has been financed in its entirety by the Community since 1 July 1967, through the EAGGF Guarantee Section. However, there is still one exception, namely intervention spending for buying in, storage and disposal, the financial rules of which are such that the amounts involved in storage operations (delivery to, and withdrawal from, the silo, storage, processing) are calculated on a flat-rate basis. Further, the immobilization of capital involved in the purchase of these goods continues to be the responsibility of the Member States themselves, since EAGGF intervenes only if net losses are incurred (balance of expenditure and receipts arising from the overall operation - including a flat-rate interest payment to compensate for the cost of the capital immobilization arising from this category of intervention).

With regard to financial operations, since the coming into effect on 1 January 1971 of the definitive arrangements, the cash needs of the paying agencies in Member States responsible for payments to operators under the common agricultural policy are covered by monthly advances from the Commission.

A change has recently been made with regard to the common financing of expenditure arising from the supply of agricultural produce under food-aid arrangements. Under Regulation (EEC) No 2681/74<sup>2</sup>, a uniform system of financing for all products was established with effect from 1 January 1975. Expenditure corresponding to refunds is charged to the EAGGF Guarantee Section, whilst expenditure in respect of the value of the merchandise and any other expenses are entered under the chapter on food aid.

---

<sup>1</sup> See Tables II.E/1.1 to II.E/1.8 in Part III.

<sup>2</sup> OJ No L 288, 25 October 1974.

(b) Changes in the market machinery having significant financial consequences

- new common market organizations

Two new common market organizations were set up in 1974, in respect of dehydrated fodder and soya beans produced in the Community, resulting in additional expenditure of about 14 million u.a. In 1975, the Commission proposed that a common organization should be set up provisionally for the market in sheepmeat, making provision, in particular, for the levying of compensatory amounts on certain forms of intra-Community trade. If adopted by the Council, this measure should therefore give rise to revenue for the EAGGF Guarantee Section.

- changes in certain existing common market organizations

As a result of the abrupt change in the economic situation, new measures have been introduced in several sectors.

- meat:

orderly marketing premiums for certain adult bovine animals for slaughter and premiums for the retention of herds were applied from August 1974 to 30 April 1975, whilst premiums for producers of bovine animals were granted from 1 May 1975 to 29 February 1976.

On the financial side, the orderly marketing premiums were unusual in that Member States were free to apply them or not and to fix their level up to a certain maximum. Consequently, the Council provided for partial financing so that participation by the EAGGF was limited to a given unit amount.

For the premiums applied from 1 May 1975 - especially the slaughter premiums and those for the retention of cows - a different financing system was used, the total amount being made up of a Community premium wholly financed by the EAGGF and an optional national premium financed from national budgets.

- aid for the sale of beef and veal at reduced prices to certain categories of consumers, from July 1974 to April 1975. As for similar measures taken in the butter sector, it was decided that the EAGGF would finance half the aid granted.
- participation by the EAGGF in publicity campaigns aimed at stimulating meat consumption. At first confined to beef and veal, this participation was later extended to pigmeat and poultrymeat. It ran from July 1974 to July 1975.

These new measures, taken together with those already in force, brought about a sharp increase in expenditure in the beef and veal sector by the EAGGF Guarantee section, which rose from 16 million u.a.<sup>1</sup> in 1973 to 321 million u.a. in 1974, and is expected to amount to about 848 million u.a. in 1975. The amount provided for in the draft 1976 budget for this sector is 679 million u.a.

- sugar:

Since the supply of sugar at normal prices was in danger, the "IM-EX" system, providing for an import subsidy for given quantities of sugar, was introduced by the Council with effect from December 1974 to April 1975. This subsidy, considered as intervention under the terms of Article 3 of Regulation (EEC) No 729/70, was charged to the EAGGF Guarantee Section and involved an amount of 165 million u.a.

- wine:

Towards the end of 1974, distillation operations were carried out in respect of wines not meeting table wine standards produced in certain distressed regions. Further distillation operations, involving considerable quantities of wine, were carried out following exceptionally abundant harvests in two consecutive years; as a result, expenditure in this sector rose from about 25-50 million u.a. in the preceding years to 220 million u.a. in 1975.

(c) Trend of expenditure: forecasts

The tables in Part III of this report show the trend of expenditure by calendar year since 1972, together with forecasts for end 1975 and 1976. From 1972 to 1974, the figures given relate to the expenditure actually incurred by Member States and reimbursed by EAGGF.

---

<sup>1</sup>  
u.a. = units of account.

A request for further appropriations for 1975 was made necessary by the rise in expenditure in that year.

Consequently, on 22 September 1975 the Council adopted a supplementary amending budget for 1975 releasing 260 million u.a. of appropriations, including 200 million under the heading of price adjustments, and a transfer of 60 million to the Guarantee Section. Decisions have still to be taken by the Commission or the Council on the subject of the remaining requirement of 124.5 million u.a.

The increased expenditure in 1975 concerns principally the sugar, beef and veal, and wine sectors, and the monetary compensatory amounts applied to intra-Community trade as a result of developments in the latter, particularly as affected by the movement of the pound sterling.

Decreases in the milk products, fats and pigmeat sectors were insufficient to offset these increases.

On 29 September 1975, the Council adopted the draft 1976 budget, which amounts, for the Guarantee Section, to 5 160.3 million u.a. This corresponds to an increase of about 10% on the 1975 level, of which a substantial part (527 million u.a.) is the consequence of the monetary situation. This total is made up as follows:

- 260 million u.a.; monetary compensatory amounts applied to intra- and extra-Community trade;
- 267 million u.a. to cover the shortfall resulting from the conversion into budgetary units of account - at the rates declared to the International Monetary Fund - of sums disbursed by Member States in their national currencies, at the representative rates used by agricultural operators.

(d) Expenditure accounted for in Member States

The table below gives a summary of expenditure in the Member States in the 1974 budget year showing type of financing; figures for 1973 (including 11 months only) are given for comparison.

Expenditure accounted for in Member States  
in the 1974 budget year, by type of financing

(million u.a.)

MEMBER STATE	REFUNDS	INTER- VENTIONS	TOTALS		%	
			1974	1973	1974	1973
Germany	67.6	510.2	577.8	676.0	18.65	18.70
France	171.7	512.9	684.6	1 094.7	22.09	30.29
Italy	31.3	498.0	529.3	581.6	17.08	16.09
Netherlands	155.1	294.8	458.2	527.5	14.52	14.60
Belgium	49.2	99.0	148.2	193.1	4.78	5.34
Luxembourg	0.4	1.6	2.-	5.4	0.06	0.15
EUR 6	475.3	916.5	2 400.1	3 078.3	77.18	85.17
United Kingdom	8.8	258.9	267.7	151.8	8.64	4.20
Ireland	17.6	135.5	153.1	88.9	4.94	2.46
Denmark	88.2	198.2	286.4	295.4	9.24	8.17
EUR 9	589.9	509.1	3 107.3	3 614.4	100.00	100.00

Source: EC Commission, DG for Agriculture.

It should be stressed that these sums were paid out by the paying departments in Member States in pursuance of the common policy for agricultural markets. It should also be noted that:

- owing to market fluidity, some expenditure by one Member State may relate to a product originating in another - or vice-versa;
- the timing of payments in relation to the operation giving rise to the expenditure varies according to the type of operation concerned and the related Community or national administrative procedures.

<sup>1</sup> These figures differ from those appearing in the preceding report as a result of subsequent corrections to the expenditure declared by Italy and the Netherlands.

(e) Economic nature of the measures financed

1. As can be seen from the tables in part III of this report, expenditure on refunds, still high in 1973 (1 542 million u.a.), declined sharply in 1974 (to 591 million u.a.) as a result of the favourable world situation for certain products, especially cereals, sugar and oilseeds. In 1975, the figures for payments in the first six months showed a renewed rise in refunds, mainly due to the decline in cereals and sugar prices on world markets. This trend was accentuated by the fact that the monetary compensatory amounts applying to trade with non-member countries are treated for accountancy purposes as refunds to the extent of any portion exceeding the amount of the levy.

The decline in beef and veal prices on world markets led to an increase in refund expenditure in this sector (55.5 million u.a. in 1974 against 160 million u.a. in 1975).

2. As regards intervention in the strict sense, i.e., market support measures, expenditure concerned mainly the following:

- (a) the payment of price compensatory measures (1.5 milliard u.a. in 1973 against 1.4 in 1974 and 2 in 1975; i.e., respectively 40, 45 and 44% of total expenditure);
- (b) storage operations proper and market withdrawals. The financial effects of the latter had always been slight until 1973; since 1974, however, expenditure under this heading has become substantial in the fruit and vegetable and wine sectors. In 1975, expenditure in the wine sector was five times that of 1974 as a result of marketing difficulties (9.2 million u.a. in 1973; 41.3 million u.a. in 1974 and 204.9 million u.a. in 1975).

As regards expenditure arising from the supply of agricultural produce as food aid, the introduction of the new financing system on 1 January 1975 led to the elimination of the "food aid" column in Table II.E/1.4 in Part III showing forecasts for expenditure in 1975 according to the economic nature of the measures.

(f) Agricultural levies

It should be noted that although the common agricultural policy gives rise to expenditure, it is also a source of receipts. These receipts are not deducted from the expenditure of the Guarantee Section but form part of the "own resources" which feed the budget of the European Communities.

After declining in 1973 and 1974, receipts from these levies rose once more in 1975.

Levies in the cereals sector continue to account for the greater part of the total; however, an appreciable rise in the milk products and beef and veal sectors is expected before the end of 1975.

A breakdown of levies by market sectors is not given by all Member States; the breakdown given in table II E/1.6 in Part III has been made by the Commission staff and should be regarded as approximate.

(g) Expenditure by the Guarantee Section in relation to various economic aggregates

The Guarantee Section's expenditure corresponds to a fairly stable percentage (about 0.4%) of the Community gross domestic product. The low rate in 1974 arose from the relative decline in Guarantee expenditure in that year.

In relation to total expenditure on foodstuffs in the Member States, gross expenditure by the Guarantee Section in the years 1972 to 1974 corresponded to a percentage varying from 1.73 to 2.72; in 1975 and 1976 this rate is expected to be stable at around 2.5%.



2. EAGGF Guidance Section<sup>1</sup>

(a) Financing

The role of the Guidance Section is to participate in the financing of the Community policy for the improvement of agricultural structures. Under this heading, the Guidance Section finances three categories of measures:

- capital subsidies, pursuant to Regulation No 17/64/EEC, for projects designed to improve agricultural structures;
- special measures designed to improve the functioning of certain common market organizations;
- common measures decided by the Council under Article 6 of Regulation (EEC) No 729/70.

In allocating the available appropriations, i.e., 325 million u.a. per year, priority is given to the financing of common measures. Any remaining balance is used to finance projects falling within the scope of Regulation No 17/64/EEC.

(b) Breakdown of expenditure by type of measure

- Financing of projects to improve agricultural structures pursuant to Regulation No 17/64/EEC

Financing in 1974 and 1975

At the end of December 1974, the Commission decided to grant aid through the EAGGF Guidance Section for 297 projects in the first instalment for 1974; this aid totalled 95.8 million u.a. and the total investment involved is 439 million u.a.

On 15 July 1975, the Commission decided to grant aid through the EAGGF Guidance Section for projects falling under the second 1974 instalment. Since the Council had decided to increase the sum granted for individual projects from 170 to 235 u.a. on 5 May 1975, a total of 139 167 200 u.a. was therefore available for 469 projects.

In the 1974 budget year a total of 234 999 998 u.a. was granted for 766 individual projects.

---

<sup>1</sup> See tables II. E/2.1 - II. E/2.5 in Part III.

The Commission's decision in respect of aid for projects put forward under the first 1975 instalment will probably be taken before the end of 1975.

#### Results since 1964

Since 1964, the first year of operation of the Guidance Section, 4 764 projects have received aid from the Fund, the total amount granted being 1 263 655 756 u.a.

In tables II E/2.1, II E/2.2 and II E/2.3 the projects are analysed from the three following points of view:

- Breakdown by sector: it will be noted that the sector receiving most aid from the Fund was that covering land and water improvement works with 32%, followed by the milk, wine and meat sectors, with 15.6, 12.8 and 9.8% respectively.
- Breakdown by region: interventions by the Fund are broken down by Community region for the six original Member States, and by statistical region for the three new Member States, for which the Community regions are in course of definition.
- Breakdown by investment category: here, the sector covering the improvement of production structures received the most aid, with 53.6%; projects to improve marketing structures received 40.3% whilst the mixed production/marketing structures category received 6.1%.

#### Financing of special measures

This category of measures has been in existence since 1966 and is concerned with expenditure aimed at improving the operation of the common agricultural policy in general, or of particular common market organizations. Some expenditure under this heading has been used for general economic purposes (surveys, campaigns to combat animal diseases); in recent years, however, the emphasis has been on measures more directly aimed at regulating certain markets.

The following such measures were aided by the Community in 1974:

- aid to fruit and vegetable producers' organizations (R 1035/72);
- slaughtering of cows and withholding of milk and milk products from the market (R 1975/69);
- grubbing of certain species of fruit trees (R 2517/69);
- aid to producers' organizations in the fishery sector (R 2142/70).

#### Financing of common measures

##### Common measures financed by reimbursement of Member States' expenditure

Most common measures decided by the Council hitherto concern the repayment to Member States of part of the latter's expenditure.

Expenditure reimbursed by the Fund in 1974 for common measures operating on this principle mainly involved the following:

- statistical surveys on the production potential of certain species of fruit trees (Directive 71/286/EEC);
- the premium system for the conversion of dairy herds to meat production and the development premium for the production of beef cattle (R 1353/73).

In 1975, the first items of expenditure by the Guidance Section in connection with the directives on structural improvements in agriculture (72/159/EEC, 72/160/EEC and 72/161/EEC) should amount to about 4 million u.a., compared with 1975 budget estimates of 66.5 million u.a.

In 1974 the Council continued - as it has done since 1969 - to hold certain appropriations in reserve against expenditure on common measures already adopted or to be proposed. Under this heading, 11 454 648 u.a. were held in reserve for 1974, thus raising to 525.9 million u.a. the appropriations held in reserve for common measures in the years 1969 to 1974.

##### Common measures based on the system of financing individual structural improvement projects

So far this concerns only one regulation, EEC No 2722/72 on the financing

by the EAGGF Guidance Section of conversion projects in the salt cod-fishing industry.

Three German and four French projects were approved by the Commission in 1974, involving a total amount of 5 083 746 u.a.

(c) Problems associated with the execution of the budget for 1975

On the basis of the applications for reimbursement by the Member States for both common and special measures, it appears that part of the related budget appropriations for 1975 will remain unused.

On the other hand, applications for aid under Regulation No 17/64/EEC for individual projects are steadily increasing in number. In 1975, 1 067 applications were received, involving a sum of 454 million u.a.

Since the appropriations held in reserve are adequate to meet foreseeable expenditure in the coming years in view of the sums made available annually, and only 195 million u.a. from the 325 provided for in the 1975 budget will in fact be used, the Commission has proposed to the Council:

- that 62.5 million u.a. should be used to finance a common measure concerning the granting of premiums for producers of bovine animals under Regulation (EEC) No 474/75 of the Council;
- that 67.5 million u.a. should be allocated to individual projects, thus raising the appropriations under this heading for 1975 to a total of 212.6 million u.a.

3. Total expenditure for the implementation of Community and national agricultural policies<sup>1</sup>

1. In 1975, estimated expenditure by the nine Member States and the EAGGF Guarantee and Guidance Sections for the implementation of national and Community agricultural policies amounts to a total of about 14.3 milliard u.a., corresponding to approximately 5% of overall national expenditure by the Member States and 22% of final agricultural production by value in 1974.

2. In 1974, 71% of total expenditure for agriculture was financed from national sources. This percentage was made up as follows: 2.1% for market support operations not qualifying for EAGGF finance; 27.5% for structural measures (including external infrastructure); 30% for social measures and 11.4% for miscellaneous measures.

In 1975, about 66% of expenditure for agriculture is still being financed from national sources. The decline in this percentage is due to the fact that expenditure by EAGGF has risen more rapidly (+ 47%) than national expenditure (+ 14%).

From the 66% representing national expenditure, 2.1% corresponded to market support measures not qualifying for EAGGF finance, 24.4% to structural measures, 28.4% to social expenditure and 10.8% to miscellaneous measures.

---

<sup>1</sup>See Tables II.E/3.1- II.E/3.2 in Part III.

3. The successive monetary crises, together with the energy crisis, compelled some Member States, in the absence of stabilization policies in the monetary field and coordinated policies at the European level with regard to raw materials supplies, to meet imbalances by introducing exceptional aid measures designed to safeguard the achievements of the common agricultural policy.

In 1974, the special expenditure by Member States most affected by this situation can be estimated at about 12% of their budgetary appropriations for the agricultural sector.

4. The content and details of application of the measures implemented by Member States to meet the crisis naturally vary from one country to another as a result of the differing impact of inflationary factors and the vulnerability of particular sectors in this or that country. The most significant of these measures were those listed below:

5. In 1974 and 1975, Germany continued to grant direct compensation for losses suffered by farmers as a result of the revaluation of the DM; compensation is made by an adjustment to the VAT (3% on consignments of agricultural produce); the total amount involved is about DM 1 milliard per annum.

This measure was taken despite the stabilizing effects of the revaluation on the rise in production costs.

The Netherlands Government has also granted a special form of direct aid to certain categories of farmers to compensate for losses resulting from the revaluation of the guilder.

The total amount involved was Fl 135 million; the measure was suspended in April 1975.

At the beginning of 1975, France introduced a special measure in the form of a grant of FF 1 200 per farmer. This measure was intended to cover part of the production cost increase in France, which was not taken into account in the Council Decision on the fixing of agricultural prices for the 1975/76 year. The sum involved amounted to about FF 1.7 milliard.

From 1 September 1974, Belgium has granted a premium to farmers maintaining adult bovine animals. The appropriations for this operation amounted to Bfrs 235 million in 1974 and Bfrs 144 million in 1975.

Belgium has also granted special aid in the form of an income supplement to farmers in less-favoured areas. This measure, which cost Bfrs 130 million in 1974, is intended to alleviate economic difficulties suffered by farms in less-favoured zones.

Luxembourg granted aid in the form of partial compensation for loss of income by farmers resulting from the appreciable decline in beef and veal producer prices and the rise in production costs. This aid, which was applied only in 1974, involved a sum of Lfrs 100 million.

6. Certain Member States also introduced aid measures for horticulturists in 1974 and 1975 to compensate for the rise in energy costs.