

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 610 final

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OLIVE OIL

(Communication from the Commission to the Council)

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1. Introduction

The introduction of the common market organisation for fats & oils in Spain will give rise in this country to the duty free import or import at relatively low rates of duty of vegetable oils and oil seeds and will reduce therefore the consumption of olive oil. The Commission has already made clear that, on the basis of actual production and consumption, the enlarged Community of twelve would be in a surplus for olive oil.

The current Spanish national system is effective in restraining the competition of other oils (e.g. soya oil) and in maintaining the consumption of olive oil. The dismantling of this system will modify in Spain the price relationship between olive oil and the competing vegetable oil - for which the Community is deficient. It will have consequences in relation to producers' incomes, the balance of supply and demand in the olive oil market, the Community budget and will affect Community relations with third countries.

2. Financial aspects

If no other action is taken and the existing Community import arrangements are applied in the future member states, the olive oil surplus is estimated to be of the order of 200,000 tonnes a year. The disposal of such a surplus coupled with the Community determination to safeguard producers' incomes would lead to a considerable increase in Community budget expenditure. It is estimated that it implies an additional annual cost to the Community budget of the order of 720 million ECU (see table in annex) at current prices.

3. Producers' incomes and prices to consumers

It is essential that the mechanism available for disposing of surplus olive oil should be effective and that it should be able to achieve its purpose without damaging the revenues of existing producers. This implies that in the fixing of the aid for consumption it should be required that the relationship the consumer level between the price of olive oil and of the competing seed oils should not exceed 2:1. The Commission will propose now a change in the basic market regulation to this effect, the change to be fully effective at the latest, at the beginning of the transition period chosen for olive oil.

4. Measures affecting production

Such measures as are practicable for the reconversion of olive production to other cultures - and which would therefore be useful for adapting supply to the market - should be started even before the accession of Spain and Portugal. The possibilities of reconversion from traditional olive oil production are not great, in the Community of Ten, however, since the average size of holding producing olives for oil production in the existing Community is 5 hectares of which only 1 hectare is devoted to olive production. Nonetheless, modest changes may be possible on a voluntary basis in certain regions of the present Community and the Commission will make proposals to this effect, at the same time as the proposal referred to in paragraph 3.

In the meantime, we should foresee in the present negotiation with Spain and Portugal the extension to those countries of the present rule which limits the payment of production aid to those areas which were planted with olive trees before 1 November 1978 in the Community of 9. This measure, by discouraging the extension of the land area devoted to olive production, should avoid any increase of that production.

5. Transition period

The period and conditions of adaptation of the import regime in Spain to the Community's system should be chosen so as to take account of the need to avoid a brutal change in patterns of consumption. This implies the period should be the maximum compatible with the enlargement.

6. Relations with third countries

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The Commission should right away explore with the third countries concerned, both bilaterally and multilaterally, ways and means of preserving the present balance between consumption of olive oil and of other oils, with due regard for the lawful interests of third countries supplying vegetable oils generally and of the necessity to avoid that the next enlargement translates itself into concession for them without return.

Later, after Spain's accession, the Community will negotiate under Article XXIV,6 of GATT a change in the existing tariff arrangements. This could take the form of :

- . institution of tariff arrangements in respect of oil and oilseed imports in excess of the amounts imported at present ;
- . institution of oil and oilseed import arrangements representing the mean of the existing tariff protection in the Community and in Spain ;
- . or any equivalent measure.

7. Taxe

The measures to be taken depend on the results of the action envisaged at 4,5 and 6 above. The complete financial consequences will only be apparent at the end of the transitional period. The Community will have to adopt a position before then.

In the light of the results of the negotiations it will be possible to assess the additional budgetary cost and it might be necessary to introduce a non-discriminatory tax on consumption of vegetable oils which, in order to comply with the Community's international obligations, should apply both to Community-produced and imported vegetable oils.

TABLE 1
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(*000 tonnes)

Olive oil supplies

A. Static (base 1975 to 1977)

	<u>EEC 9</u>	<u>Greece</u>	<u>EEC 10</u>	<u>Spain</u>	<u>Portugal</u>	<u>EEC 12</u>
Production	540	218	758	440	49	1.247
Consumption	617	177	794	302	52	1.148
Self-supply rate	88 %	123 %	95 %	146 %	94 %	109 %

B. Forecast, if no measures are taken

Production	540	218	758	440	49	1.247
Consumption	617	140	757	230	40	1.026
Self-supply rate	88 %	156 %	100 %	191 %	119 %	121 %

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TABLE II
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Financial assessment

	Unit amount (ECU/tonne)	EEC 10		Spain + Portugal		EEC 12	
		quantity (tonnes)	MECU	quantity (tonnes)	MECU	quantity (tonnes)	MECU
Production aid	558,1	758.000	423	489.000	272,9	1.247.000	695,9
Consumption aid	471,6	454.000	214	370.000	174,4	824.000	388,4
Refunds, preserves	280	20.000	5,6	10.000	2,8	30.000	8,4
Export refunds	240	15.000	3,6	60.000	14,4	75.000	18
Total aid and refunds			<u>646,2</u>		464,50		1.110,7
Increase in consumption aid required to maintain the level of consumption	310	454.000	140,7	370.000	114,7	824.000	255,4
Grand total			786,9		579,2		<u>1.366,1</u>