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THE AGRICULTURAL SITUATION IN THE COMMUNITIES

REPORT 1979

(presented to the Council by the Commission)

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Prefatory Note

This document sets out in detail the situation on the different agricultural markets in 1979 and the future outlook.

The statistics referred to in this document appear in the statistical tables and data annexed to the 1979 Report on the Agricultural Situation in the Community (COM(79) 677).

This report is published by the Publications Office of the European Communities in conjunction with the "Thirteenth General Report on the Activities of the European Communities" and contains, besides other data, a shortened version of the present document.

This document was revised and supplemented on 16 January 1980 to include some more recent statistics than those given in the 1979 Report "The Agricultural Situation in the Communities", the text of which was completed on 31 October 1979. The major statistical revisions are in the appendix.

CONTENTS

The situation on the agricultural markets

1979 REPORT

Part I

	Page	Table No		
<u>A. THE OUTLOOK FOR AGRICULTURAL MARKETS</u>				
I. Summary of the outlook for the Community	4	-		
II. The outlook for the Community	5	-		
<u>B. ANALYSIS BY SECTOR</u>				
<u>I. Products subject to common market organization</u>				
1. Cereals	8	M. 1.1	to M. 1.10	
2. Rice	25	M. 2.1	to M. 2.5	
3. Sugar	30	M. 3.1	to M. 3.7	
4. Olive oil	37	M. 4.1	to M. 4.3	
5. Oil seeds and protein seeds	43	M. 5.1	to M. 5.5	
6. Dried fodder; peas and field beans	53	M. 6.1	to M. 6.5	
7. Fibre flax and hemp	57	M. 7.1	to M. 7.5	
8. Seeds	60	M. 8.1		
9. Wine	64	M. 9.1	to M. 9.3	
10. Raw tobacco	70	M. 10.1	to M. 10.5	
11. Fruit, vegetables and live plants	74			
a. Fresh fruit and vegetables	74	M. 11.1	to M. 11.9	
b. Processed fruit and vegetables	84			
c. Live plants	87	M. 11.17		
12. Hops	89	M. 12.1	to M. 12.3	
13. Milk and milk products	92	M. 13.1	to M. 13.18	
14. Beef and veal	107	M. 14.1	to M. 14.7	
15. Pigmeat	119	M. 15.1	to M. 15.7	
16. Eggs	128	M. 16.1	to M. 16.6	
17. Poultrymeat	132	M. 17.1	to M. 17.5	
18. Silkworms	136	M. 18.1		
<u>II. Products not subject to common market organization</u>				
19a. Agricultural alcohol	137	M. 19.a.		
19b. Potatoes	139	M. 19.b.1	to M. 19.b.4	
19c. Sheepmeat	143	M. 19.c.1	to M. 19.c.6	
19d. Honey	147	M. 19.d.		
<u>C. SURVEY OF CERTAIN GROUPS OF SECTORS</u>				
20. Meat	148	M. 20.1	to M. 20.4	
21. Oils and fats	153	M. 21.1	to M. 21.2	
22. Feedingstuffs	160	M. 22.1	to M. 22.8	
<u>D. ANNEX: REVISED STATISTICS</u>				
	163	M. 1.1	M. 3.1	M. 8.1
		M. 9.2	M. 12.3	M. 13.9

A. THE MARKET OUTLOOK

1. Summary of Community outlook

Crop production: a little lower than in 1978 but historically high. Internal prices similar to 1979/80.

Animal feed: availabilities from all sources likely to be good. Current price levels, especially for soya, could decline somewhat.

Livestock production: continued increase in production of milk and milk products, of pigmeat and of beef.

Specialized crops: wine production above average, no major developments for fruit and vegetables, hops, seeds and other specialized crops.

World outlook

The outlook for grain production in 1979/80 is for another abundant harvest globally; world production is forecast at about 1,500 million tonnes, only a little below the record harvests of 1978/79. The major regional variations show relatively poor prospects in the Soviet Union, with production some 25% down on 1978/79, partially offset by a record production (up 4%) in the United States.

As between wheat and feed grains the patterns are similar, with a strong increase in wheat production and modest increases in feed grains in the U.S. partially offsetting strong decreases for wheat and feed grains in the Soviet Union.

Prices have been rather firm, particularly as a result of the high import requirements of the Soviet Union and Eastern Europe, and for all cereals are substantially higher than in 1978.

So far as protein crops are concerned, a record soya bean production is forecast at around 93 million tonnes and sunflower and rapeseed production is also expected to be very high. Despite this outlook, soya prices remain at relatively high levels.

2. Community outlook

Within the Community the overall cereals harvest is likely to be second only to that of 1978. Total cereal production will probably be at around 113 million tonnes compared with 116 million tonnes in 1978. With the higher carryover of stocks of wheat from the previous season, export availabilities will remain relatively high. Barley export availability will be at a somewhat lower level and the export programme will be a matter for some caution but the quality is particularly high. This, together with the rather firm level of prices on world markets, should help to keep down expenditure on export refunds. Combined with the availability of imported feedstuffs, total feed supplies to the Community market will continue to be plentiful and price conditions are unlikely to be significantly different from the previous season.

The trends of relative market shares for different meat of past years are likely to continue into 1980, with pigmeat and poultrymeat consumption expanding at the expense of beef and veal, for which per capita consumption has only now returned to the levels of around 1970. Pigmeat production, which has continued to rise into the second half of 1979 well beyond the normal production cycle, seems set to continue to do so into 1980 with technical developments and low feed costs offsetting low market prices. Beef and veal production, which entered the upswing phase of the production cycle in 1979, will continue to expand and, with relatively weak consumption prospects in competition with pigmeat, prices are likely to come under pressure. The current intervention arrangements, which have not worked well in 1979, will need careful examination, if unacceptably high stock levels are to be avoided. Poultrymeat production, by contrast having increased relatively rapidly in 1978, is now seeing a reduction in production potential and firmer prices may be expected in 1980.

For the milk sector, the main feature will continue, in the absence of new control measures, to be a significant increase in milk production and deliveries, taking production beyond the 100 million tonnes reached in 1979. The recent increase in dairy cow numbers is likely to tail off in 1980 under the combined influence of inflationary pressures and the non-marketing schemes. However, the increase in average yields, now at 4,000 kg per cow, will continue as the main cause of increased production.

The range of disposal schemes for skimmed-milk introduced since 1977 has enabled the level of intervention stocks to be reduced to normal levels. These schemes can now be trimmed somewhat and, although the underlying surplus problems will remain, the management of this market will in future continue on a more normal basis, albeit at a continuing high budgetary cost. Butter market prospects are more disturbing, with production and stocks at historically high levels and likely to increase further. Consumption has remained stagnant or has declined, despite very high Community expenditure on consumer subsidies and it is improbable that this situation will change in the coming years. Consumption of cheese and fresh products, by contrast, seems likely to continue to expand slowly but at a rate insufficient to absorb more than a small part of increased milk production.

Despite the possibility that world sugar production will be below forecast consumption, price prospects remain weak as a result of the very high accumulated stock levels, although developments in the International Sugar Agreement may modify the outlook. Within the Community decisions to be taken on the sugar régime to apply from July 1980 will condition future developments. Under present circumstances, and with yields back to normal trend figures, production is likely to remain at the high levels of the 1978 and 1979 harvest (around 12 million tonnes) with export availabilities correspondingly important, particularly after imports of preferential sugar. Consumption remains static. Budget costs will remain high, although reduced to some extent by the production levy.

With the introduction of the new consumption aid system for olive oil, the price relationship with other vegetable oils has been improved with a consequent improvement in consumption prospects, which have been under pressure in recent years. Prices at the end of 1979 are rather firm partly due to the small quantities available and partly in anticipation of higher prices for the 1979/80 season. Following autumn sales from intervention stocks, the new season 1979/80 will open with stock levels significantly lower (60,000 tonnes) than at the outset of the 1978/79 season.

Production trends for colza and rapeseed continue to diverge in different Member States. Consumption of vegetable oils is highly dependent on price relativities but in general consumption of colza and especially of sunflower oil seems set to continue the increase of past years.

Although prices have been rather firm in 1979 for dehydrated fodder, production will be particularly sensitive to changes in energy costs.

In the wine sector production and consumption trends remain disturbing. The 1979/80 (164 million hl) harvest will be well above the balance point of about 140 million hectolitres for the first time in three years and it is likely that prices, especially for table wines of R I, R II and A I, will be under some pressure. The longer term outlook will be more hopeful if the Council adopts the Commission's proposals to reduce the production potential for the lowest quality table wines.

The market situation for fruit and vegetables, which has been reasonable in 1979, is expected to remain in balance. Apple and pear production remains a little above balance point with the consequent likelihood of some withdrawals. So far as processed fruit and vegetables are concerned, the new Community aid régime has developed rapidly and has stabilized Community production.

With regard to tobacco, structural problems remain for certain varieties, notably some oriental varieties. For hops progress continues to be made towards a better balance at world and Community level. The 1979 crop shows a 3% gain on 1978.

B. ANALYSIS BY SECTOR

I. PRODUCTS SUBJECT TO COMMON MARKET ORGANIZATION

1. CEREALS (1)

1. Introduction

(a) The economic situation :

The main features of the 1978/79 cereals marketing year were the record crops of both wheat and barley in the Community and the continuing oversupply on world markets. As a result, heavy expenditure of Community funds was necessary for export refunds, as well as for intervention purchases and end-of-season carry-over payments. The quantity of wheat in stock at the end of the marketing year was such that the surplus available in 1979/80 is expected to be similar to that in 1978/79, despite lower production. World market prices for wheat and barley have however been notably higher in the first months of the 1979/80 marketing year.

(b) Cereals in Community agriculture :

The total area of cereals in 1978 was 26.8 million ha or 28.6% of the utilized agricultural area (UAA). Their importance in the land-use of individual Member States varied considerably, being least important in Ireland and the Netherlands (7% and 11% of UAA respectively) where fodder crops and permanent grasslands are more important. They are of greatest significance in Germany and Denmark (40% and 63% of UAA respectively) where cereals account for about 70% of the arable land, they also account for a high proportion of the arable land in Luxembourg (69%). In the remaining Member States cereals occupy 50 to 60% of the arable land and 20 to 30% of the UAA.

The cereals share in the final production of agriculture is a less useful measure of their economic importance since in many cases a large proportion of the production is used for livestock feeding on the farm where it is produced. This means that the final production of such cereals is in the form of livestock products. Thus in

(1) See Tables M.1.1 to M.1.10

Germany, where cereals account for 40% of the UAA, they only represented 10.5% of the value of final production in 1978 because around 50% of the total quantity produced was used for animal feeding on the farm where it was grown. In France, by way of contrast, cereals accounted for 31% of the UAA and 18.5% of the value of final agricultural production because only 26% of the crop was fed to livestock on the farm where it was grown. In the Community as a whole, where about one third of the crop was fed to livestock on the farm where grown, the direct contribution of cereals to the final production of agriculture was 12.3% in 1978.

(c) The Community in world cereals production :

World production of cereals (excluding rice) in 1978 amounted to 1 204 million t (according to FAO statistics) of which the quantity produced in the Community was 9.6% (9.3% in 1977). The proportions produced by the other major exporters of cereals were: United States 22%; Canada 3%; Australia 2%; Argentina 2% (see tables M 1.1 to M 1.10).

2. Production

Cereals production in the Community reached the record level of 116 million t in 1978. This level will not be reached in 1979 because of the damage suffered by autumn-sown crops during the winter and the difficult conditions for spring sowing in much of the Community. The most serious frost damage occurred in the French wheat crop and a substantial area was re-sown with wheat, barley or maize. As a result, the area sown to spring barley and to maize was higher than usual. The preliminary estimates suggest a decrease of 1% of the total area of cereals and a decrease in production of around 3% to 113 million t. It should be noted however that this 1979 crop is still expected to be the second highest on record and it confirms the upward trend in production which had been interrupted by the poor crops in 1975 and 1976.

(a) Common wheat :

The area initially sown to common wheat for harvest in 1979 was normal though the area actually harvested was about 1% less because of the frost damage experienced mainly in France. There is also a higher proportion of spring-sown wheat than usual following re-sowing of damaged crops. Many areas which were not re-sown suffered lower yields and thereby contributed to an expected reduction in the average yield of some 4%. Total production is expected to be nearly 42 million t (-5%) of which 18.7 million t in France (-9% as compared with 1978). Reports concerning the quality of the 1979 crop are quite satisfactory.

(b) Durum wheat :

The area sown to durum wheat and the yield expected from the 1979 crop are very close to those of 1978. Total production is forecast at 3.7 million t (-3 to 4%).

(c) Rye :

The area of rye decreased by almost 15% in 1979 and yields are expected to be slightly lower than in 1978. As a result production should decline by around 16% to 2.9 million t.

(d) Barley :

The total area sown to barley for the 1979 crop increased slightly (+1%) to 9.6 million ha. Within this total, the switch to winter barley continued in Germany but was reversed in France because of the frost damage to winter cereals :

Area of winter barley in % of total barley area

	1975	1976	1977	1978	1979 (P)
Germany	39 %	46 %	49 %	53 %	57 %
France	20 %	31 %	42 %	50 %	40 %

This change has had the effect of improving average yields because of the higher yields of winter barley but it has also had an adverse effect on quality since many of the winter varieties are of 6 - row barley which has a lower specific weight and generally lower value for animal feeding as well as for malting.

Yields in 1979 are expected to have decreased by 2 - 3%, partly because of the lower proportion of winter barley and partly because of the less favourable weather. There is expected to be a good supply of barley suitable for malting. Total Community production of barley is forecast at 39 million t, some 1.3% less than in 1978.

(e) Oats :

The area of oats continues to decline (-9 to 10% in 1979 and -5.4% per year on average between "1974" and "1978"). Production in 1979 is expected to decrease by 13% to about 7.6 million t.

(f) Maize :

Maize production in 1978 was 6% higher than in the previous year mainly because the area harvested as grain further recovered to a level approaching the 2.9 million ha which had been usual between 1972 and 1975. In 1979 the combination of frost damage to winter cereals and difficult sowing conditions in the early spring led to record sowings of grain maize in France and brought the total area to 3.1 million ha (8%). If the good weather experienced in the summer continues through to harvest time, a record 17.5 Million t crop is expected.

3. Consumption

In 1977/78 the total volume of cereals used in the Community amounted to 111.4 Million t, i.e., 1.5% more than in 1976/77. About 35% consisted of wheat and 65% of coarse grains, of which 30% was accounted for by barley and 24% by maize. The utilization of all cereals was made up as follows in 1977/78 :

Human consumption and industrial use, 34.8% (34.7% in 1976/77); animal feed 60.6% (61.1% in 1976/77); seed and losses, 4.6% (4.2% in 1976/77). The proportions vary substantially from cereal to cereal, from one Member State to another and from year to year; the following table gives the breakdown by cereals for 1977/78 :

Cereal consumption in 1977/78 - breakdown by cereal

	Human consumption	Animal consumption	Industrial use	Seed and losses	Total
	%	%	%	%	%
Wheat (Durum and common)	66.2	27.5	0.6	5.7	100.0
Rye and meslin	39.5	53.6	1.5	5.4	100.0
Barley	0.4	77.7	15.9	6.0	100.0
Oats and summer mixed corn	3.9	91.5	0.0	4.6	100.0
Maize	4.0	78.3	16.5	1.2	100.0

(a) Human consumption :

Net human consumption increased by 1.6% between 1976/77 and 1977/78. The part of this increase accounted for by population growth was only very small and per capita consumption increased by 1.4%. The most significant part of this increase related to consumption of common wheat in France and Germany, a fact all the more surprising in view of the sharp fall in potato prices over the same period. This was in fact the second successive increase in consumption of common wheat and rye. Durum wheat consumption, on the other hand, continued to decline (-6.6%).

Net human consumption of cereals in 1977/78 - breakdown by cereal

		Net overall		Net per capita consumption :	
		human consumption :		% change :	
		('000 t)		Kg per capita : 1976/77 to :	
				1977/78 :	
: Wheat - common	:	16 710	:	64.4	: 2.0
: - durum	:	2 616	:	10.1	: - 6.6
: Rye	:	1 070	:	4.1	: 1.7
: Barley	:	75	:	0.3	: 10.3
: Oats	:	168	:	0.6	: 7.0
: Maize	:	744	:	2.9	: 19.2

(b) Animal feed use :

The importance of cereals in animal feeding reached a peak in 1972/73 and 1973/74 when they accounted for more than 26% of total energy requirements (expressed in Fodder units). This represented over 62% of the energy supplied by concentrate feeds (i.e., excluding bulky fodder, root crops and grazing, etc.). This proportion had fallen to 58.8% by 1975/76 whilst the part taken by manioc had increased from 1.7% to 2.2% and that for oilcakes from 12.5% to 14.9%. The total quantity of cereals fed to livestock has fallen from a peak of 72.2 million t in 1973/74 to 67.0 million t in 1976/77 and 67.6 million t in 1977/78. This is principally due to the substitution of cereals by products such as manioc, oil-cakes and a variety of food industry by-products which may be imported into the Community with little or no import charge. The most important direct substitute for cereals is manioc, the imports of which have risen from 2.1 million t in 1974 to 6 million t in 1978.

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

Animal feed use of cereals in 1977/78, on the farm where grown and through the market - breakdown by cereal

Cereals	Used on farms 1 000 t	Marketed 1 000 t	Total	
			1 000 t	%
Wheat	5 077	5 683	10 760	15.9
Rye	1 282	444	1 726	2.6
Barley	13 881	12 086	25 967	38.4
Oats etc.	5 667	1 624	7 291	10.8
Maize	3 551	17 488	21 039	31.1
Other	55	725	780	1.2
Total	29 513	38 050	67 563	100.0
	43.7%	56.3%	100.0%	

The statistics of animal feed use of cereals in 1977/78 have revealed what seems to be a definite shift in the pattern of feed use. The proportion of cereals fed on the farm where grown has decreased to 43.7%, whereas up to 1975/76 it had been around 50%. In part, this shift is due to a re-assessment of maize used directly on the farm in Italy but it may also be due to a greater tendency for farmers to sell cereals and to purchase compound feedstuffs. A greater proportion of rye production, for example, is being sold by farmers and less is being used on the farm. Production of oats, a cereal which is largely fed on the farm where grown, is also declining rapidly.

(c) Industrial use :

The statistics on processing and industrial use of cereals remain incomplete as regards the United Kingdom. It appears however that the quantity of cereals used for these purposes in the Community has increased by about 2% in 1977/78 as compared with 1976/77; this is a continuation of the upward trend in such uses which had been observed in the past. The increase was due entirely to maize which accounts for 43 to 45% of processing and industrial use of cereals.

The use of barley in brewing, which accounts for 88% of the industrial use of barley, went down by 3.2%, this decrease being mainly in France, Germany and the Benelux countries. The only other industrial outlet for barley, distilling (mainly in Ireland and the United Kingdom), increased its offtake by 17.9%. The processing and industrial use of maize appears to have increased by about 5%, largely because the increase in production in France exceeded the decrease in Germany and the Netherlands. However, there was also an increase in maize processing (for oil, dextrose, etc.) in Germany and Belgium

(d) Self-supply :

Total internal use declined in both 1975/76 and 1976/77 but the very poor crops gave levels of self-supply much lower than would normally have been expected. (87.4% in 1975/76 and 82% in 1976/77). Higher production in 1977/78 restored the overall self-supply to 92.0%. Unusually, the Community was barely self-sufficient in common wheat (101.6%) and had a very low (57.40%) self-supply of durum wheat. The supply/demand balances for the other cereals were fairly normal.

Summary of the cereal balance sheet in 1977/78

(Million t)

	:Common : wheat	: Durum : wheat	: Rye	: Barley	: Oats : etc.	: Maize	: Other : cereals	: Total
:Stock change(1):	+0.5	+0.6	-0.2	-0.2	-0.1	-0.2	-	+0.4
:Net external :balance (2)	-1.1	+1.1	-0.1	-3.7	+0.3	+11.6	+0.4	+8.5
:Domestic use :less production:	-0.6	+1.7	-0.3	-3.9	+0.2	+11.4	+0.4	+8.9
:Self-supply %	101.6	57.4	108.3	111.7	97.1	57.7	48.5	92.0

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

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

The record production of cereals in 1978 led, for the first time, to an overall net surplus. Preliminary estimates indicate that this surplus amounted to some 2 million t, equivalent to a self-supply of about 102%. Imports are believed to have fallen by some 3 million t though this should be viewed in conjunction with the increased import of cereal substitutes; imports of manioc alone increased by well over 1 million t. Exports, mainly of wheat and barley, increased by around 4 million t and stocks also increased.

(e) Stocks :

The estimation of stocks in the different Member States is undoubtedly of very variable accuracy as between both Member States and stock positions. According to the best available estimates, the total stocks of cereals in the Community at the beginning of the 1978/79 marketing year amounted to 10.4 million t of which 1.4 million t were held on farms. Of the 9.0 million t of stocks in other positions (including intervention stocks), common wheat accounted for 4.6 million t, durum wheat for 0.4 million t, barley for 1.2 million t and maize for 2.0 million t.

By 1 August 1979 the off-farm stocks are expected to have risen to about 12.5 million t, including around 7 million t of common wheat (17% of normal production), 0.6 million t of durum wheat (15% of normal production), 1.4 million t of barley (4% of normal production) and about 2.3 million t of maize (15% of normal production but only 9% of consumption).

4. Trade

(a) Between Member States :

Trade between Member States of the Community falls into two distinct categories, trade in cereals of Community origin and trade in or transshipment of cereals of third country origin. Briefly, the latter consists of import into one Member State via another Member State, often for sound economic reasons such as vessel size and port charges, but sometimes in order to benefit from anomalies arising from the mechanisms of the common agricultural policy and in particular its monetary compensatory system. The majority of this trade consists of imports of grain ultimately destined for Germany and the United Kingdom via the large Benelux ports. The cereal most commonly involved is maize, the exports of which from the Benelux countries to other Member States amounted to 2 million t in 1977/78. There has also been a significant trade of this kind in common wheat (1 million t).

The major Community supplier of cereals to other Member States is France. French deliveries in 1977/78 totalled 10.8 million t (including cereal products) as compared with 7.5 million t in 1976/77. Deliveries of wheat in 1977/78 were 5.2 million t and in 1978/79 declined to 4.3 million t, mainly because of reduced deliveries to Italy and the United Kingdom. Deliveries of barley were virtually unchanged in 1978/79, at 2.1 million t, the main customers being Belgium, Germany and Italy. However a significant part of the shipments to Belgium, which in 1978/79 totalled 1 million t each of wheat and of barley, are believed to have been for subsequent export to third countries via Belgian ports. French deliveries of maize to other Member States went up from 2.2 million t in 1977/78 to 2.7 million t in 1978/79, the principal customers being the Benelux countries, Germany, the United Kingdom and Ireland. In 1977/78 the United Kingdom and Denmark were also significant suppliers of barley to other Member States (1.2 and 0.5 million t respectively) but their smaller surpluses in 1978/79 were largely absorbed by exports to third countries. Intra-Community trade in cereal products is also of increasing importance, including such products as wheat flour and semolina, barley malt and maize grits.

(b) With third countries :

Imports of cereals from third countries (reduced by the estimated level of transshipments) amounted to 19.1 million t in 1977/78 (28% less than in 1976/77) of which 12.1 million t were maize (30% less than in 1976/77). These figures represent a return to normal after the very poor 1976 crops. In 1978/79 the preliminary estimates indicate imports of about 16 to 17 million t of cereals, including about 11 million t of maize. In 1977/78 over 80% of the maize imports came from the United States with the remainder coming mainly from Argentina. Imports of sorghum fell back from 1.3 million t in 1976/77 to 0.4 million in 1977/78 and are believed to have fallen still further to around 0.3 million t in 1978/79. Imports of barley in 1977/78 amounted to 1.1 million t and came mainly from Canada (7.4%) and Australia (11%). Imports of barley in 1978/79 are estimated at around 700 000 t and consisted mainly of imports of Canadian barley into Italy.

Imports of common wheat increased between 1976/77 and 1977/78 to 3.5 million t but are expected to have fallen to between 3 and 3.5 million t in 1978/79. Of this total it is believed that some 0.3 million t were temporary imports under inward processing arrangements for subsequent re-export in the form of flour. Durum wheat imports have increased from 0.6 million t in 1976/77 to 1.5 million t in 1977/78 because of the poor Italian crop. Around 85% of the 1977/78 imports came from North America and most of the remainder from Argentina. It is expected that imports of durum wheat in 1978/79 will have fallen to a more normal level at around 600 000 t.

Total exports of cereals and cereal products in 1977/78 rose by more than 60% to 10.6 million t. Within this total, common wheat and flour accounted for 4.6 million t. The exports of wheat and wheat flour in 1978/79 are estimated at more than 8 million t which were broken down as follows: 7 million t of commercial sales, of which 3 to 3.5 million t in the form of flour, and 1 million t as food aid, of which 0.4 million t in the form of flour. The estimated total, 3 to 3.5 million t (in wheat equivalent) of commercial flour exports includes 0.3 million t exported under inward processing arrangements, a practice of considerable significance among millers who are favourably located (i.e. in ports) because of the substantial economies resulting either from the purchase of cheap third country wheat or from the saving of import levy on imported wheat when the operation is done on an equivalence basis (i.e. export of flour of Community origin set against import of wheat of third country origin). Commercial exports of wheat in 1976/77 and 1977/78 were limited to the needs of the Community's traditional markets in West Africa. In 1978/79 however the export programme was much more extensive, covering the Mediterranean area and some countries of Eastern Europe and South America. Flour exports continued to go to a wide variety of destinations, with Egypt, Sri Lanka, Syria, Saudi Arabia and Vietnam among the most important.

There were large exports of barley in 1977/78 and in 1978/79. Total exports of barley and barley products (mainly malt) amounted to 4.8 million t in 1977/78, of which 1.4 million t was in the form of products. The quantities exported in 1978/79 are believed to have been almost the same and the principal destinations of the barley were once again other European countries, the Soviet Union, the Mediterranean area and the Middle East. In both years France was the dominant supplier though the United Kingdom and Denmark were also important.

5. Prices

(a) Common prices :

The common prices fixed for the 1979/80 crop year were subject to the generalised increase of 1.5%. This increase was applied to the common intervention price for common wheat, barley and maize as well as to the intervention prices for durum wheat and rye and the reference price for common wheat. Consequently, the intervention price for rye remains 7.1% higher than other feed grains. A revision of the transport costs which are an important element in the derivation of the different target prices from their respective intervention prices or, in the case of common wheat, from the reference price, resulted in overall increases of between 2.3 and 2.8% in the target prices.

(b) Internal market prices :

The 1978/79 marketing year was characterized by surpluses of both barley and wheat. In the first half of the marketing year these surpluses depressed prices to around the intervention price level or, in the case of common wheat, the reference price level (the reference price was 12.6% above the intervention price). In the second half of the marketing year the prices firmed quite markedly as a result of large exports. The most notable exception to these general observations was the situation in Italy where the prices of common wheat and feed grains were around or above their respective threshold prices; the price of durum wheat however remained close to the intervention price.

Average difference between market price and intervention price in 1978/79

(%)

	Common wheat		Durum	Barley	Rye	Maize
	Breadmaking quality	Other	wheat			
Germany	12.6	10.9	x	3.2	2.8	x
France	15.2	15.8	x	7.0	x	14.1
Italy	28.5	x	2.2	x	x	23.2
Netherlands	13.9	x	x	8.5	3.0	x
Belgium	13.7	x	x	3.7	x	x
United Kingdom	19.8	16.5	x	8.3	x	x
Denmark	x	x	x	2.2	-0.4	x

Consideration of the common wheat market is complicated by the existence of two support price levels, the intervention price and the reference price (which only applies to wheat of "breadmaking quality"). The criteria used to define "breadmaking quality" and which are applied to the reference price are such that the price of most kinds of wheat in the Community, even those which are not of "breadmaking quality", tend towards the reference price. This is because the difference between the intervention price and the reference price is greater than is justified by the normal price "spread" found on the market. This means that, whilst support buying tends to take place for the average or better quality wheats at the reference prices, the lower quality wheats may not be sufficiently competitive on the animal feed market.

(c) World prices :

World cereal markets had been depressed throughout 1977/78 and the 1978/79 crop year opened with high stocks and low prices. World production was generally good in 1978 though there was a shortfall in the US soft wheat crop which resulted unusually, in a premium for soft wheats as compared to hard wheats. Crops were generally poor in Eastern Europe where there was a strong demand for feed grains. These factors were sufficient to maintain wheat prices in the early months of the crop year though maize prices were depressed by a very large maize crop in the U.S. Prices were subsequently maintained by unexpected demand from China, particularly for wheat.

Prices rose more strongly at the end of the crop year and remain very firm in the first months of 1979/80. This is partly due to lower production in the Soviet Union and some other areas (e.g. India) though stocks remain quite high. It may also be related to the unrest on currency markets and the consequent high prices for metals, particularly gold.

Highest and lowest monthly average prices in 1978/79 -
CIF Antwerp/Rotterdam

Type	Highest		Lowest	
	EUA/t	Month	EUA/t	Month
<u>Common wheat :</u>				
: <u>Hard Winter II Ord.</u>	158.88	July 1979	110.57	August 1978
: <u>Dark Northern</u>				
: <u>Spring II/14%</u>	150.04	July 1979	109.43	August 1978
<u>Barley :</u>				
: <u>Canada Feed I</u>	121.22	July 1979	71.74	October 1978
<u>Maize :</u>				
: <u>Yellow Corn III</u>	113.64	July 1979	80.04	October 1978
<u>Durum wheat :</u>				
: <u>US Hard Amber</u>				
: <u>Durum III</u>	157.31	June 1979	125.10	August 1978

(d) Consumer prices :

Bread prices increased by an average of about 13% between 1977 and 1978, about the same amount as in the previous year. The greatest increases (15-21%) occurred in Italy, the United Kingdom and Ireland. The degree to which those increases were due to wheat prices is probably very small though it remains difficult to determine since bread prices are principally determined by distribution and manufacturing costs and by government price controls and/or consumer subsidies. Moreover these increases are very much smaller or even negative when expressed in relation to the general index of consumer prices.

6. Short-term outlook

Community cereals production in 1979 is expected to be the second highest on record. Whilst there is not likely to be an overall net surplus of cereals, there will be large quantities available for export after taking into account imports of quality wheat, of maize and of cereal substitute feedingstuffs. Furthermore, the carry-over stock of common wheat from 1978/79 was 2 to 3 million t higher than the normal working stock and the total amount available on the market for internal use, export or carry-over in 1979/80 is expected to equal that available in 1978/79. The exportable surplus of barley is expected to be smaller than in 1978/79 since production is probably about 1 million t less and there was little extra carry-over stock at the end of 1978/79. Nevertheless it is still expected that around 2 million t of barley will be available for export, in addition to the normal exports of malt, unless imports of manioc are greatly reduced by the current high prices.

Fortunately world market prices are much firmer at the beginning of 1979/80 than in the previous crop year. It should therefore be possible to export at lower cost than in 1978/79. It is probable that stocks of wheat at the end of 1979/80 will again be kept at a level higher than that which is strictly necessary. Such a policy should enable the Community to safeguard not only its own supplies but also the flow of exports to its traditional customers.

7. Economic aspects of the measures taken

(a) Levies and refunds

(1) Import levies :

Import levies have moved within quite a narrow range during the first 10 months of the 1978/79 marketing year. Levies on wheat and maize were generally between 90 and 105 ECU/t and those for barley between 100 and 115 ECU/t. In the months of June and July 1979 the prices of imported cereals rose and levies fell to 60 to 70 ECU/t.

(2) Export levies :

Export levies have not been needed since the end of 1975.

(3) Export refunds :

Export refunds were fixed in the normal way throughout the marketing year for rye, oats, wheat flour and durum wheat semolina. They were also fixed in respect of exports of common wheat and barley to nearby destinations (i.e. Switzerland, Austria, Portugal, East Germany). Refunds on wheat and barley exports to other destinations were mostly fixed by means of tenders. Initially one wheat tender covered most export markets, except Zone VII (Far East Asia) for which there was a separate tender and later there was a separate tender for Zone IV (South America). No refunds were fixed under the tender for Zone VII but, under the other tenders, refunds between 73 and 94 ECU/t were fixed on a total quantity of 3.0 million t of common wheat. There was no separation of zones in the barley tenders which covered all export zones except Zone VII and under which refunds between 83 and 103 ECU/t were fixed on a total of 2.6 million t.

Refunds for malt were fixed according to the new system which involves a weekly calculation based on the import levy for barley. This system was adhered to throughout the marketing year. The period of validity for the normal export licences for cereals remained at the month of issue plus the two following months except when licences were issued under the export refund tender where it was increased to four months after the month of issue.

(b) International agreements and food aid :

The International Wheat Agreement of 1971 was extended following the failure to negotiate a new agreement to apply from July 1979. The only operational provisions of the 1971 Agreement were in the accompanying Food Aid Convention under which the Community is committed to the supply of 1 287 000 t of cereals. In 1978/79, 720 500 t of this total quantity (or 56%) was to be given as direct Community aid. The proportion of this direct Community aid commitment which had been effected by 31 July 1979 was 43.9% in respect of the 1978/79 programme and 99.7% in respect of previous programmes. As regards aid by Member States, the corresponding proportions were 44.3% for the 1978/79 programme and 91.0% for previous programmes.

(c) Intervention :

Stocks of common wheat doubled during 1978/79 as a result of intervention purchases of wheat of breadmaking quality at the reference price. This occurred at the beginning of the marketing year, mainly in Germany and there were few sales on the internal markets or for export. Most of the remaining stocks are located in Germany and Italy. Durum wheat stocks rose following intervention in Italy. Intervention stocks of barley remain small, having been halved since August 1978. Quantities taken into intervention were small but only because the large export programme managed to lift prices sufficiently in the second half of the crop year; this also allowed quite large quantities to be sold on the Community market. Rye remains the problem cereal, at least when considered in relation to the economic importance of the crop, for 460 000 t were taken in (12% of production) whilst the export sales out of intervention were only effected at the cost of heavy losses. Most of the stocks are located in Germany.

Details of changes in intervention stocks during 1978/79 were as follows :

Intervention stock changes in 1978/79 (provisional estimates)
(1 000 t)

	Common wheat	Durum wheat	Rye	Barley
Stocks on 1.8.1978	516	19	328	126
Purchases	542	156	460	67
Sales	50	24	366	133
Net change	+ 492	+ 132	+ 94	- 66
Stocks on 1.8.1979	1 008	151	422	60

(d) End of season carry-over payments :

As part of the policy of carrying over a larger than normal stock of common wheat at the end of the 1978/79 marketing year, payments were granted on commercial stocks of common wheat to compensate for any reduction in prices, expressed in national currency, at the beginning of the new marketing year. Such payments were also made in respect of trade stocks of maize and milling industry stocks of rye, in order to reduce the risks of intervention at the end of the 1978/79 marketing year.

(e) Uniformity of prices - Monetary compensatory amounts :

In common with other sectors, cereals suffer from considerable disunity caused by monetary differences.

(f) Production refunds :

Production refunds are paid to cereal and potato starch manufacturers in order to enable them to compete with starch manufactured from other raw materials. The refunds fixed for the 1979/80 marketing year were unchanged as compared with the previous year, being 20.55 ECU/t for maize starch, 29.37 ECU/t for wheat, 25.26 ECU/t for broken rice and 33.09 ECU/t for potato starch.

(g) Durum wheat aid :

This direct income aid to certain producers of durum wheat is aimed at those areas of the Community where yields are low yet where producers are dependent on this cereal for a significant part of their income. The aid fixed for 1979/80 is 77.31 ECU/ha (76.16 ECU/ha in 1978/79) and covers the same administrative regions (including the less favoured areas indicated in Council Directives 75/268/EEC) as it did in the previous year.

8. Budgetary expenditure

The expenditure of the EAGGF Guarantee Section on cereals was 1112.5 million EUA in 1978; it is estimated at 1574.2 million EUA in 1979 and at 1727.6 EUA in 1980, representing 12.8%, 15.3% and 15.8% respectively of total Guarantee Section expenditure. The 1574.2 million EUA estimated for 1979 breaks down into 1209.4 million EUA for export refunds and 364.8 million EUA for intervention measures.

2. RICE (1) (2)

1. Introduction

Rice is produced in only two Member States, i.e. Italy and France. In 1978 the area under rice represented about 0.2% of the UAA in the Community and 0.14% of world UAA under rice.

The Community accounts for 0.27% of the world rice production (373.3 million t of paddy rice) in 1978. Some 96% of Community production comes from Italy.

2. Production

In 1978 the area sown with rice in the Community increased by 0.5%.

In 1979 the area fell to 189 216 ha, a reduction of 4,3 % compared with the previous year. In France the area represents only 6 700 ha compared with 14 000 ha in 1974 or a reduction of 1.5% per year. In Italy the area under rice in 1979 totalled 184 000 ha or a reduction of 1.6% compared with 1978, but compared with 1974 the area increased by 0.3% per year.

In 1978 Community rice production totalled 0.793 million t (0.955 million t paddy rice) or an increase of 38.7%. This increase is primarily due to the much larger yields per hectare than the particularly low yields per hectare in the previous year (40.1 q compared with 30.5 q per hectare in 1977). For 1979 yields per hectare are estimated at 46.0 q which points to a larger harvest than in 1978 despite a reduction of 6 000 ha in area. (about 1,1 mio T paddy rice)

3. Internal consumption

In 1977/78 1.130 million t of rice were used within the Community, 5.8% more than in the previous year. Human consumption increased by 4.5%. The largest increases were recorded for industrial uses (+28.9%) and animal feed (+22.1%).

As a result of the poor harvest in 1977/78 and the increase in internal consumption the Community's degree of self-supply dropped to 52.7% compared with 68.5% in 1976/77.

4. Trade

In 1977/78 imports from non-member countries including the quantities imported under the inward processing traffic systems amounted to 0.968 million t compared with 0.658 million t in 1976/78 or an

(1) See table M 2. 1 5 M. 2.5

(2) In this document the word "rice" means husked rice unless otherwise specified.

increase of 4.7%. In 1977/78 the quantities imported under the inward processing system can be estimated at about 100 000 t. This increase is due to the fact that Italy bought a considerable amount of rice under the levy system. In 1977/78 rice exports amounted to 0.480 million t, including the quantities exported under the inward processing system, compared with 0.242 million t in 1976/77 or an increase of 98.3%. This increase in exports is the result primarily of a considerable development in Italy of the inward processing system.

The Community's share of world trade in 1977/78 was 7.4% of imports and 3.6% of exports. The principal sources of imports remain the United States, South America and Surinam for whole rice and South America, Burma and Thailand for broken rice.

Exports traditionally go to the Mediterranean countries and Italy's immediate neighbours with, however, some special sales to more remote destinations.

Intra-Community trade fell by 4.4% in 1977/78, totalling 0.416 million t, only 50% of it grown in the Community, supplied by Italy to other Member States. The reduction in Italian exports is due to the bad harvest in 1977 and to the very high prices in Italy.

5. Prices

a) Common prices

A number of measures were adopted in respect of the 1979/80 marketing year :

- the intervention price for round-grain paddy was increased by 3.3% and the target price for husked round-grain by 5%, making them 218.58 ECU and 382.28 ECU respectively;
- the corrective amounts which are added to the intervention prices for the different varieties of long-grain rice were reduced by half at the initial stage;
- the difference between the threshold price for husked round-grain and that for husked long-grain was reduced from 24.18 ECU to 12.09 ECU also at the initial stage. Thus the threshold price for husked long-grain rice increases by only 1.5% whereas that for husked round-grain rice increases by 5%.

The last two measures were taken in order to keep pace with the levelling-off of prices on the internal market and to stimulate the production of round-grain rice, which represented only 20% of the area sown with rice in 1978/79.

b) Market prices

During the 1978/79 marketing year, the market prices in the main rice producing region (Vercelli Region) averaged :

- for round-grain rice, 35% above the intervention price;
- for long-grain rice, 21% above the intervention price.

For the first time since the entry into force of the common organization of the market in rice, the market prices for long-grain rice are lower than those for round-grain rice.

Compared with the previous marketing year the prices in Lira are 4.2% less in 1978/79 for round-grain rice and 15.5% for long-grain rice. The extremely high level of prices in 1977/78 should be noted.

c) World prices

In 1978/79 world prices dropped by 17.4% in the case of round-grain rice and 15.7% in the case of long-grain rice compared with the previous marketing year.

As on the internal Community market, there was a certain levelling off in the prices of round-grain and long-grain rice due to the fact that the supplies of round-grain rice are much less plentiful on the world market than those of long-grain rice.

d) Consumer prices

Consumer prices are not available for all the Member States. The following were recorded in 1978 :

Germany	: DM 3.36 kg or + 5% compared with 1977
Belgium	: BF 52.35 kg or + 1.2% compared with 1977
France	: FF 6.11 kg or + 11.5% compared with 1977
Italy	: LIT 1 028 kg or + 18.7% compared with 1977
Netherlands	: HFL 2.42 kg or - 6.9% compared with 1977

From 1975 to 1978 the trend in prices is as follows :

Germany	: + 0.6%
Belgium	: - 2.2%
France	: + 21.0%
Italy	: +119.6%
Netherlands	: - 9.0%

The sharp increases in France and especially in Italy bring the prices of these two producing countries to a level close to that of the other Member States.

6. Short- and medium-term outlook

In the 1979/80 marketing year the areas sown with rice in France fell by 3 000 ha or 27.3% compared with the previous marketing year. Since the 1973/74 marketing year, the area under rice fell from 17 000 ha to 8 000 ha or a decrease of 53%. This reduction can be attributed to two factors mainly :

- higher irrigation costs (pumping water) than for the Italian crop;
- lower yields per hectare than those obtained in Italy (35 q/ha compared with 47 q/ha in Italy)

In Italy the areas under rice in 1979/80 fell by 6 000 ha because the marginal land in regions where little rice was grown was used for growing maize. In any case, the crop yield and the milling yield are excellent with the result that the harvest will be bigger than the previous harvest.

The good prices obtained in 1978/79 for round-grain, which were higher than those for long-grain, led to an increase in the areas under round-grain rice in Italy. Production of this rice, which represented only 20% of the total Italian production in 1978/79, is increasing to about 30% in 1979/80. It is essential that Italy produces the quantity of round-grain needed to meet the requirements of the other Member States in this type of rice. In 1977/78 and 1978/79 Italy was obliged to import round-grain paddy in order to supply it subsequently in the form of milled rice to the other Member States.

A larger crop of round-grain will reduce the structural surpluses of long-grain, which will have to be disposed of either commercially or in the form of food aid to non-member countries.

The latest information available concerning supplies of rice by Italy to the other Member States in 1978/79 points to a record figure of 300 000 t. This figure may be even higher in 1979/80 because of the excellent quality of rice of this marketing year and the now ample supplies of round-grain rice.

In the 1978/79 marketing year the situation with regard to round-grain and long-grain rice was thus reversed. Intra-Community trade in Italian rice expanded. Production guidance measures were adopted in connection with the common prices for 1979/80.

These factors taken together could well entail a considerable change not only in production but also in trade and consumption of rice in the Community.

7. Economic aspects of measures taken

a) Levies and refunds

On account of the drop in prices on the world market and the increase in the threshold price in 1978/79, import levies increased considerably compared with the previous marketing year.

For the last three marketing years, levies have been as follows :

	<u>1976/77</u>	<u>in ECU/t</u> <u>1977/78</u>	<u>1978/79</u>
Round-grain husked rice	141.18	79.57	135.88
Long-grain husked rice	167.13	126.92	174.59
Round-grain milled rice	204.92	169.19	197.09
Long-grain milled rice	308.65	267.98	336.05
Broken rice	73.18	60.00	66.38

Because of the poor round-grain rice harvest, no refund was fixed for this rice in 1978/79.

Traditional exports of husked rice to Austria, Liechtenstein and Switzerland were subject to refunds of 72.50 ECU/t at the beginning of the marketing year and 109 ECU/t from the middle to the end of the marketing year and 90.70 ECU/t and 136 ECU/t respectively for milled rice.

For long-grain milled rice refunds varying from 151 ECU/t to 175.15 ECU/t were fixed during the period from the end of November 1978 to mid-March 1979 for exports to other third countries, except zones IV and VII.

For the same rice during the period from 1 January 1979 to 24 February 1979 refunds varying from 199.40 ECU/t to 223.60 ECU/t were fixed for exports to zone VI B which offered export possibilities for Community rice.

b) Food aid

In 1978/79 31 500 t of rice was exported as food aid, of which 8 000 t in national aid.

This is a reduction compared with 1977/78 when 62 000 t were supplied, of which 29 000 t in national aid.

c) Quantity submitted for intervention

Since 1972/73 no intervention measures have been taken in respect of rice.

d) Monetary compensatory amounts

So far no monetary compensatory amounts have been fixed for rice.

Budgetary expenditure

Expenditure by the EAGGF Guarantee Section in respect of rice amounted to 17.9 million EUA in 1978 and was estimated at 41.4 million EUA for 1979 and 47.3 million EUA for 1980 or 0.2%, 0.4% and 0.4% respectively of the Guarantee Section's total expenditure. The total of 41.4 million EUA breaks down into 38.5 million EUA for refunds and 2.9 million for intervention.

3. SUGAR AND ISOGLUCOSE (1)

1. Introduction

(a) Economic situation

In 1978/79 consumption of sugar remained low and production again far exceeded needs. While world prices tended to drop, export refunds amounted to 75% of the intervention price of white sugar towards the end of the marketing year.

Internal consumption of sugar in the Community increased only very slightly. The production and consumption of isoglucose continued to increase in 1978/79, taking the place of liquid sugar. This trend was undoubtedly strengthened following a finding of the European Court of Justice in October 1978 invalidating the production levy applied to isoglucose. On 1 July 1979 new rules concerning isoglucose valid only for the 1979/80 marketing year came into force; they provide for a system of quotas similar to that applied to sugar.

(b) Sugar and Community agriculture

The area under sugarbeet remained practically unchanged at about 2% of the utilized agricultural area. More recent data supplied by the 1975 structures survey show that in all the Member States the number of farms growing small sugarbeet crops decreased compared with the previous 1970/71 survey and that the number of farms with relatively large areas under sugarbeet increased. In Belgium and especially in France even the number of farms with two to ten hectares under sugarbeet decreased, which means that there was a considerable increase in the number of farms belonging to the category with over ten hectares under beet.

An appreciable number of farms discontinued this line of production altogether. The 1970/71 survey showed that there were still 425 000 farms of this type, but the figure had fallen to 365 000 in 1975.

(1) See Tables M.3.1 to M.3.7.

On the whole these far-reaching changes in the structures of the sugarbeet farms signify an improvement in production conditions and seem to indicate that the current system of production quotas has not really hampered the restructuring process.

(c) The Community and the world sugar economy

The importance of the Community in the world sugar economy is evidenced by its heavy exports of white sugar and imports of preferential raw sugar. During the 1978/79 marketing year exports again had to be managed in such a way that the market would not be needlessly burdened following sharp variations in the quantities offered. Under the GATT agreement, two signatory States to this agreement started proceedings to determine inter alia whether the Community had improperly increased its share of the world market. These proceedings are still in progress.

2. Production

As a result of a 2% price increase for the 1978/79 marketing year the coefficient used for calculating the maximum quota was reduced from 1.350 to 1.275. Following this measure the Member States who traditionally produce C sugar for export on their own responsibility were led to make a slight reduction in the areas under sugarbeet. The highest rate of reduction was recorded in Denmark and Germany. In those the Member States where, in previous years, the relationship between total production and the basic quantity allocated to the country did not normally allow for the production of C sugar, the areas under sugarbeet increased further. Among these States, Belgium must be mentioned in first place with an increase of 21% in the area under sugarbeet. The only effect of this contradictory trend in the areas under sugarbeet at Community level was an insignificant reduction in the latter corresponding to less than 1% compared with the previous year.

Taking into account the good - indeed very good - level of yields in 1978/79, 9 million t of sugar were produced within the basic quotas. The quantities in excess of the basic quota but less than the maximum quota amounted to 1.91 million tonnes, the quantity of C sugar totalling about 800 000 tonnes. Production of the three types of sugar increased compared with 1977/78 to 11.776 million t. It exceeded by about 0.25 million t the production of the preceding marketing year, which was already higher than the average.

3. Consumption

(a) Human consumption

In 1978/79 the use of sugar for human consumption was maintained almost at the level of the preceding year with 9.5 million t. Consumption per inhabitant amounted to 36.4 kg of sugar. However, it should be noted that the total consumption of sweeteners increased further because of the increased utilization of isoglucose.

Production/consumption of isoglucose in the Community

('000 t dry matter)

<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>
81.4	102.8	139.1

The use of glucose could also continue to increase.

(b) Non-food sector and degree of self-sufficiency

In 1978/79, 6 000 t of white sugar was sold under the denaturing premium system for feeding bees. 100 000 t was used by the chemical industry, compared with 88 000 t the previous year. The production refund was 4.11 ECU per 100 kg.

Following the increase in production, the EEC's degree of self-sufficiency again increased, to 123.1%, in 1978/79. The surplus thus created was further aggravated by the importation under contract of a quantity of preferential sugar corresponding to 1.3 million t of white sugar equivalent. When assessing the cost which these surpluses represent, it should be remembered that while exports of C sugar enter into the determination of international trade flows and are included, for example, in the calculation of the Community share of world trade, they are not a charge on the Community budget because they are the financial responsibility of the producers.

4. Trade

(a) Between Member States

In intra-Community trade, the United Kingdom and Italy, in order to cover their requirements, buy relatively large quantities of unprocessed sugar from other Member States.

Sugar in the form of processed products finds its main outlet in the Federal Republic of Germany, which imports it from the other Member States. In 1978/79 the total volume of intra-Community trade decreased slightly reflecting the increase in the rate of self-sufficiency in the Member States.

(b) With third countries

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

In 1978/79 the major part of sugar exports qualifying for Community refunds were the subject of tenders for exports of white sugar. These tenders covered about 2.3 million t. In addition, 140 000 t of raw beet sugar was exported also under the Community's tendering procedure. Taking into account the exports of C sugar effected by the manufacturers and the exports of sugar in the form of processed products, the total volume of exports in 1978/79 amounted to about 3.5 million t of white sugar equivalent. This figure includes very small quantities of sugar exported with the support of export refunds fixed periodically.

5. Prices

(a) Community prices

Compared with previous price rises for sugarbeet, the 2% increase in 1978/79 was very low. This cautious price policy reflected the change since 1977 in the situation with regard to Community and world supplies, and took account of the surpluses which have been steadily growing since that time. The Council thus also lowered the coefficient used for determining the maximum quota (see Chapter on Production).

The guaranteed price for preferential raw sugar for the 1978/79 marketing year was fixed at the level of the intervention price for unrefined beet sugar in the Community. In this way, this price increased in the same proportion as that for Community sugar.

Since the area under sugarbeet in the Community has not changed, the Commission had, for the 1979/80 marketing year, proposed a total freeze on prices and a further reduction in the coefficient for determining the maximum quota. However, the Council, in view of the monetary measures taken, (which in several Member States led to a reduction in the exchange value of the national currency in relation to the agricultural monetary unit of the Community), decided to increase prices by 1.5%, thereby preventing any reduction in prices expressed in national currencies. The coefficient for determining the maximum quota was maintained at its previous level.

(b) Prices on the internal market

In 1978/79 ex-refinery market prices net of tax applied by the sugar industry were again very close to the intervention price in Community areas with surpluses. In the United Kingdom, market prices were higher. The trend in prices expressed in national currencies was largely determined by the various adjustments to agricultural parities.

(c) Prices on the world market

During the 1978/79 marketing year prices on the world sugar market generally continued remain depressed. Although the drop was no longer as pronounced as in 1977/78 it was nonetheless relatively steady up to the summer of 1979. The explanation for this phenomenon must be sought in the surplus situation on the world sugar market. These surpluses increased again in 1978/79.

In 1978/79 the annual average price of white sugar on the Paris market was 15.5 EUA per 100 kg for short-term deliveries which was 6,3% less than that for the previous year. Since August 1979 all the main sugar prices on the world market have increased steadily. Thus in December the average price of white sugar on the Paris market was 28,57 ECU, which corresponds to 60% of the Community price for white sugar at a comparable stage.

6. Short-term outlook

Taking into account the slight increase in the total area under sugarbeet, which in 1979 covered a total of about 1.75 million hectares in the Community, and in view of the trend in climatic conditions, production reached 12.2 million t of white sugar. Given that the situation which prevails in the field of sweeteners in general (see chapter on Consumption) does not point to any considerable increase in sugar consumption surpluses in the Community increased again in 1979/80. Taking account of all the factors, in particular the imports of preferential sugar and traditional external trade in sugar in the form of processed products, the amount of unprocessed sugar available for export will probably exceed 4 million t.

This figure includes the quantities of C sugar exported by producers on their own financial responsibility (1.4 million t). The total exceeds the corresponding quantity exported in 1978/79 (about 3.2 million t of unprocessed sugar). This represents a considerable burden on Community finances even after deduction of the revenue from the production levy.

According to current forecasts, world sugar production in 1979/80 should be less than estimated consumption for the first time since the world sugar shortage in 1973 and 1974. In recent years world consumption has increased by 2.5% per year. The new situation points to a recovery of prices in 1979/80 but the extent of the rise may be constrained by the existence of very large world stocks, at present estimated at 34% of consumption. It is considered that stocks corresponding to about 25% of consumption have no direct impact on supply and demand.

The Community's existing rules applicable to sugar and isoglucose expire on 30 June 1980. In the light of experience gained and in view of the trends in production and consumption and import commitments, and of the situation on the world market, the Community will find itself obliged in 1979/80 to consider and adopt new rules in these sectors.

7. Economic aspects of the measures taken

Levies and refunds, intervention and food aid

Almost all the sugar exports qualifying for Community refunds were effected under the tendering procedure. When, in the early summer of 1979, an exceptional quantity of cereal-based compound feedingstuffs containing a high proportion of sugar was offered by third countries, the system of levies applicable to the sugar content of these compound feedingstuffs was reinforced.

This figure also includes the quantities of sugar exported by producers on their own financial responsibility. The total exceeds the corresponding quantity exported in 1978/79 (about 3.2 million t of unprocessed sugar). It will be a considerable burden on Community finances even after deduction of the revenue from the production levy. Such would still be the case even if the world market prices were to rise a little compared with 1978/79.

According to the current forecasts, world sugar production in 1979/80 should be less than estimated consumption for the first time since the world sugar shortage in 1973 and 1974. In recent years world consumption increased by 2.5% per year. The new situation points to a modest recovery of prices in 1979/80, but they are unlikely to rise much on account of the existence of very large world stocks, at present estimated at 34% of consumption. It is considered that stocks corresponding to about 25% of consumption have no impact on supply and demand.

Export limitation and stock management measures applied under the International Sugar Agreement to sugar by the exporting countries who are signatories to that Agreement have not yet generated any improvement in prices which could be clearly attributed to the implementation of the Agreement.

It is generally expected that the Agreement will be much more effective once the United States has ratified it and negotiations between the Community and the Members of the Agreement as a whole are opened with a view to accession by the Community.

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Levies and refunds, intervention and food aid

Almost all the sugar exports qualifying for Community refunds were effected under the tendering procedure. When, in the early summer of 1979, an exceptional quantity of cereal-based compound feedingstuffs containing a high proportion of sugar was offered by non-member countries, the system of levies applicable to the sugar content of these compound feeding stuffs was reinforced.

No sugar was offered to the intervention agencies in 1978/79 and no sugar was supplied as food aid.

8. Budgetary expenditure

In recent years, expenditure in the sugar sector has considerably increased on account of the increase in exports and the trend in costs under the rules relating to the offsetting of storage costs.

Expenditure by the EAGGF Guarantee Section amounted to 598.5 million EUA in 1977, 878.0 million E8A in 1978 and is estimated at 1 004.6 million EUA for 1979. These amounts represent 8.8% of the Guarantee's Section total expenditure in 1977, 10.1% in 1978 and 9.7% in 1979. A considerable proportion of the expenditure resulting from the organization of the market in sugar, however, was covered by revenue from the levies in the sugar sector. The levies concerned are mainly the production levy, which must be paid in respect of the quantities of sugar in excess of the basic quota but less than the maximum quota, and the levy to cover storage costs, which is collected on all sugar produced within the quotas. This last levy has yielded enough to cover reimbursements of storage costs for the relevant years taken as a whole.

After deduction of the revenue from the two levies in the sugar sector the net amount of the expenditure by the EAGGF Guarantee Section was 277.6 million EUA in 1977, 471.7 million EUA in 1978 and about 544.8 million EUA in 1979. Lastly, it should be recalled that the net amount of the abovementioned expenditure incorporates the considerable expenditure linked to the obligation to export a quantity of Community sugar corresponding to 1.3 million t of imported preferential sugar. For 1979 this expenditure by the Community amounts to 380 million EUA.

The foregoing shows that in 1979 EAGGF expenditure in respect of sugar produced in the Community in excess of consumption was about 165 million EUA.

4. OLIVE OIL (1)

1. Introduction

Of the Community's olive oil production, 0.5% comes from France and 99.5% from Italy, where this product in 1978 accounted for 3.8% by value of national agricultural production and 0.8% by value of Community agricultural production.

Up to 1975 production covered about 70% of the Community's olive oil requirements; according to certain estimates the total number of olive trees in the Community, both cultivated and not, is about 190 million (185 million in Italy and 5 million in France). However, the percentage of Community requirements covered by internal production of oil has been rising steadily for three years.

Since the establishment of the common organization of the market in oils and fats, the scale of olive cultivation in the original Community has changed little. Olive groves still cover around 2.3 million ha (2 280 000 ha in Italy and 38 000 in France), representing 2.3% of the Community's total UAA, and are in the hands of 1 200 000 growers.

In a normal year Community olive oil production represents 30% of world output. However, because olive trees are subject to alternate bearing, olive oil production may vary very sharply from one year to the next.

According to the International Olive Oil Council, the total world area devoted to olive oil cultivation amounts to 10 million ha; the Community area is thus 23% of the world total.

The establishment of figures for olive oil in the Community for coming marketing years presents the same difficulties as those encountered in respect of previous marketing years. Thus the Council has decided to establish a register of olive cultivation in the Community. This will be an instrument for counting the number of olive trees in the Community which should enable the abovementioned figures to be established.

(1) See Tables M.4.1. to M.4.3.

2. Production

On the basis of applications for subsidies, production in 1977/78 amounted to 744 000 t (including olive residue oil) in Italy and 1 400 t in France. For the 1978/79 marketing year production in France is estimated at 1 750 t. The number of applications for subsidies in Italy is not yet known, but it can already be said that the figure will be much lower than for the previous year. The Italian Statistical Office puts it at about 400 000 t.

3. Consumption and marketing

The main factor influencing consumption - sometimes with a certain time-lag - is the relationship between the consumer prices of olive oil and seed oil.

During the 1977/78 marketing year the price ratio of olive oil to seed oil was about 2.5 :1, as in the previous marketing year. This high price ratio between competing oils led, during the marketing years under consideration, to a reduction in the consumption of olive oil and consequently a substantial fall in imports and deliveries to intervention of large quantities.

In view of this situation, the Commission proposed and the Council accepted a new system for the organization of the market in olive oil applicable as from the 1978/79 marketing year. Its most important innovation consists in the introduction of a system of consumption aid. In view of the technical complexity of the machinery to be established, the new system, as far as the consumption aid was concerned, has been operated only as from 1 April 1979, with the result that at present it is difficult to draw precise conclusions as to the effectiveness of the new system and its impact on consumption. It seems, nevertheless, on the basis of the information supplied to the Commission, that consumption of olive oil in 1978/79 did not decline, and that it may even have risen once again.

4. Trade

The Community is the world's largest net olive oil importer. From 1974/75, on account of the difficulties described in paragraph 3, imports, which had reached a peak of 251 000 t in 1972/73 dropped very substantially; they totalled only 121 758 t in 1974/75 and 93 357 t in 1975/76. In 1976/77 imports recovered at about 147 000 t but this figure should be seen in the light of the very low production recorded in 1976/77

In 1977/78 a high production year imports amounted to 90 000 t. Imports in 1978/79 on the basis of the import licences issued up to 31 October 1979 are about 121 850 t.

Intra-Community trade is very limited and basically concerns two olive-oil producer/consumer countries, France and Italy; other Member States' trade is negligible.

Exports to non-member countries, which usually match an established trading pattern, amount to about 14 000 t per marketing year.

Exports to non-member countries for 1977/78 were running at 14 046 t - an exactly average figure. Exports in 1978/79 on the basis of the export licences issued up to 31 October 1979 are about 6 600 t.

5. Prices

a) Common prices

The new system of the organization of the market in olive oil came into force on 1 January 1979 or two months later than the usual date of commencement of the marketing year for olive oil, which was fixed for 1 November. The reason for this delay is the difficulties encountered in establishing the new system in question. Moreover, on account of additional difficulties the consumption aid was effective only as from 1 April 1979.

For the 1978/79 marketing year, the mechanism established was as follows :

	ECU/100 kg	
Producer target price	231.56	
Production aid	52.12	
Intervention price	170.63	
Market representative price	179.43	Applicable from
Threshold price	175.82	1.1.79 to 31.3.79
Market representative price	146.02	Applicable from
Threshold price	144.40	1.4.79 to 31.10.79

The consumption aid is equal to the difference between the producer target price minus the production aid and the market representative price. For the 1978/79 marketing year the consumption aid is :

	<u>1.10.1979/31.3.1979</u>	<u>1.4.1979/31.10.1979</u> (ECU/100 kg)
Producer target price	231.56	231.56
Production aid	- 52.12	- 52.12
Market representative price	- <u>179.44</u>	- <u>146.02</u>
Consumption aid	0	33.42

For the 1979/80 marketing year the prices fixed by the Council are as follows :

	<u>ECU/100 kg</u>	<u>% increase compared with 1977/78</u>
Producer target price	235.04	1.50
Production aid	52.90	1.50
Intervention price	173.19	1.50

For the 1979/80 marketing year, the market representative price on which the consumption aid depends was fixed at 147 ECU/100 kg, entailing an aid of 35.14 ECU/100 kg. For the current marketing year the threshold price was fixed at 144.96 ECU/100 kg.

(b) Market price

Market prices in 1977/78 for lampante olive oil fluctuated around the intervention price, and 5 700 t of this oil were in fact sent to intervention.

Market prices of olive residue oil remained below the intervention price throughout the marketing year and 21 500 t of this oil was delivered to intervention.

Finally market prices of edible vergin oil were above the corresponding intervention prices during the 1977/78 marketing year in spite of the delivery of relatively large quantities to intervention (48 000 t).

The market in 1978/79 was very calm until 31 March 1979 and prices fluctuated around the intervention prices. This situation is due to the fact that pending the entry into force of the consumption aid on 1 April 1979, operators tended to hold off the market. After 1 April prices rose and prices for the best quality were well above the intervention prices.

During the marketing year under consideration 4 200 t of olive oil of all qualities was delivered to intervention. Small quantities were delivered by small marginal operators who did not find any taker on the market for the small volume offered.

6. Outlook

At the end of the 1978/79 marketing year, prices are well above the intervention prices for all qualities but these are only nominal prices since the Community's 1978/79 production of olive oil is practically sold and the prices recorded anticipate the substantial rise at the beginning of the 1979/80 marketing year which must be expected mainly because prices have already been fixed for this marketing year at a much higher level than those fixed for the 1978/79 marketing year because the lira will be devalued during the 1979/80 marketing year.

7. Economic aspects of the measures taken

a) Import levies

The Council adopted special measures for imports from June 1976 during the second half of 1975/76 marketing year, consisting in allowing the levy as an exception from the normal criteria to be set by tender in the light of both the world and Community markets. This method was also applied during the 1976/77, 1977/78 and 1978/79 marketing years.

Application of the system

Until 1.4.1979 the actual date of entry into force of the system of consumption aid the levies fixed for imports from non-member countries fluctuated between 63 and 70 ECU/100 kg for edible virgin oil and between 59 and 66 ECU/100 kg for lampante oil, the quality which is the main import.

Between 1 April 1979 and 20 September the levy fixed for edible virgin oil imported from non-member countries ranged from 36 to 29 ECU/100 kg and 25 to 35 ECU/100 kg for lampante oil.

The following levies were fixed for Greece (minimum-maximum in ECU/100 kg).

	<u>31.3.1979</u>	<u>1.4.1979/20.9.1979</u>
Edible virgin oil	39 - 32	8.5 - 6
Lampante oil	36 - 31	7.3 - 3

The difference between the level of the levies fixed before and after 1.4.1979 is due to the entry into force of the system of consumption aid and the threshold prices fixed at that time.

b) Refunds

During the 1977/78 and 1978/79 marketing years cash refunds were at such low levels as to be scarcely operational. Nonetheless traditional exports continued since operators used the EXIM procedure or were able to get olive oil supplies from the intervention agency.

c) Olive oil held by the Italian intervention agency

Since the 1975/76 marketing year until 31 October 1979 (end of the 1978/79 marketing year) the Italian intervention agency bought-in 186 000 t of olive oil. During the same period 138 000 t of olive oil were sold and thus there were 48 000 t of olive oil of all qualities in stock on the abovementioned date.

8. Budgetary expenditure

Expenditure in the olive oil sector consists of intervention buying, subsidies to olive oil producers, consumption aid paid to packagers of olive oil and export refunds.

Expenditure by the EAGGF Guarantee Section in respect of olive oil was 182.2 million EUA for 1978, is tentatively assessed at 391.7 million EUA for 1979, and is estimated at 445.5 million EUA for 1980, or 2.1%, 3.8% and 4.1% of the Guarantee Section's total expenditure.

5. OIL SEEDS AND PROTEIN SEEDS (1)

5.a. Colza rape and sunflower seeds

1. Introduction

In 1978, the share of oilseeds in the value of final agricultural production was 0.4% and these crops again accounted for slightly less than 0.7% of the Community's UAA. World production of colza rose from 7.4 million t in the previous year to 9.8 million t in 1978; Community production rose from 0.954 million t in 1977 to 1.234 million t in 1978. The Community's share of world production thus remained relatively stable.

World production of sunflower seed rose from 13.7 million t in 1977 to 14 million t in 1978, mainly because of the remarkable expansion in the area devoted to cultivation of this crop in the United States; Community production of sunflower seed is 0.129 million t, only 1.07% of world production.

The Community's own oilseed production provides only a very small part of its needs in oils and oilcakes. The self-supply rate does not exceed 11% for oil, excluding olive oil, and 4 to 5% in the case of oilcake.

2. Production

In 1978 the Community area under colza was 515 000 ha compared with 500 000 ha in 1977. However, trends in the four main producing countries differed. There was an increase of 16.6% in area in the United Kingdom (from 55 500 to 64 700 ha), and of 5.4% in Germany (from 104 900 ha to 121 000 ha), and of the significant amount of 22% in Denmark (from 38 600 ha to 47 000 ha). In France on the otherhand the area has dropped for two successive years (from 297 500 ha in 1976 to 288 400 ha in 1977 and 271 900 ha in 1978). The increase in area in Germany, Denmark and the United Kingdom is due to the fact that these three countries had encouraging yields in 1977, whereas the reverse was true in France. Total production in 1978 was about 1 234 million t compared with 935 000 t in 1977

The area under sunflower, produced only in France and Italy, fell by 22.5% from 81 500 ha in 1977 to 63 200 ha in 1978. However, high yields particularly in France meant that production, 129 100 t compared with 141 300 t in 1977, was down by only 9.6%. The average yield in France was 2.19 t/ha in 1978 (1.82 t/ha in 1977) and there was also an improvement in Italy to 1.78 t/ha in 1978 from 1.59 t/ha in 1977.

(1) See Tables M.5.1. to M.5.5.

3. Consumption

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

Oil

Apparent consumption of colza oil, after dropping sharply as a result of the campaign against erucic acid, has been very variable for some years. The figures available indicate that consumption fell to 276 000 t in 1975/76 but that there was a remarkable upswing in 1976/77 to 410 000 t, due to the availability of oils with low erucic acid content and a favourable relationship between the price of competing oils and that of colza.

In 1977/78 there has been a fresh decline in colza oil consumption following a bad harvest in the Community.

Although some data is unavailable, it can be estimated that apparent consumption of colza oil in the Community in the 1978/79 marketing year will be between 420 000 and 480 000 t. There is evidence that a very large quantity of colza seed has been imported since the beginning of the 1979 calendar year and that crushing mills' activity has increased during the second half of the marketing year.

Apparent consumption of sunflower oil has very sharply increased for the past three years, from 276 000 t in 1975/76 to 307 000 t in 1976/77 and 401 000 t in 1977/78.

It is clear from the figures available for 1978/79 that consumption will again have risen. Imports during the first half of the marketing year have almost reached the record level of imports during the entire preceding year and it is probable that the same rate of importation has continued during the second half of the marketing year.

Oilcakes

As a result of the bad Community harvest mentioned above and despite an increase in imports, supplies of colza cake in the Community in 1977/78 were less than in 1976/77, the figure dropping from 979 000 to 897 000 t. In view of the good harvest in the Community in 1978 and the estimated volume of imports in the 1978/79 marketing year supplies for this marketing year will probably exceed the record level attained in 1976/77.

Availability of sunflower cake in the Community goes hand in hand with availability of oil. Apparent consumption of cake rose from 492 000 t in 1976/77 to 680 000 t in 1977/78 and this figure will probably be substantially exceeded in 1978/79.

Seed

Because of the growing apparent consumption of colza oil in the Community and the strong world demand for vegetable oils there was no difficulty in selling the 1978 harvest.

The Community's low degree of self-supply in sunflower seed means that there has never been any difficulty in selling the crop.

4. Trade

Imports of colza into the Community declined from 399 000 t in 1976/77 to 207 000 t in 1977/78 despite there being less seed of Community origin available. The explanation is that the price relationship between colza oil and soya oil worked against the demand for colza oil and consequently tended to entail less crushing of colza seed.

Although the official statistics have not yet been published, there appears to have been a big increase in colza imports in 1978/79.

Because of the expansion in areas under sunflower in the United States imports of seed into the Community have been increasing at a remarkable rate over the last few years. The statistics for 1978/79 are expected to show a further significant increase.

Exports of colza fell from 46 000 t in 1976/77 to almost nothing in the two following marketing years.

As the Community is very short of sunflower seed none is exported.

Trade in colza within the Community was higher in the first half of the 1978/79 marketing year than in the first half of the preceding marketing year, owing to a good harvest in France, which is the leading producer in the Community in 1978.

Trade in sunflower seed is mainly from France and Italy to Germany. Germany purchased 19 000 t of Community sunflower in 1976/77 and the same quantity in 1978/79.

5. Prices

(a) Common prices

For the 1978/79 marketing year the target price for colza was 35.87 ECU/100 kg and that for sunflower seed 39.07 ECU/100 kg. An increase of 1.5% has been decided on for 1979/80. The target price for colza is fixed at 36.41 ECU/100 kg and that for sunflower seed at 39.66 ECU/100 kg.

(b) Market price

1. World market

During the first half of the 1978/79 marketing year abundant oilseed supplies on the world market meant that the price level was relatively low and relatively stable.

Prices went up gradually during the second half of the year in response to strong world demand.

2. Community market

The 1978/79 Community colza crop was sold without any major difficulties because of strong world demand for vegetable oil, including colza oil. The price of colza oil was lower than that of its principal competitor, soya oil, throughout the year and this meant that there was a great demand for colza oil within the Community.

Prices received by producers were generally between the intervention price and the target price.

The sunflower crop is sold each year without difficulty at prices well in excess of the intervention price and often higher than the target price.

6. Outlook

The Community colza and rape-seed crop for the present marketing year is estimated at 1.097 million t, down by about 11% on last year, because of poor weather in France and hence disappointing yields. In Germany and the United Kingdom the poor weather has been compensated for by an increase in areas sown.

There are as yet no estimates for sunflower but a marked increase in the areas sown is to be hoped for in France as a result of land used for colza being turned over to sunflower following the poor weather conditions mentioned above. A higher yield is also expected in Italy. Community production in 1979 may reach 220 000 t, 70% up on last year.

Consumption of colza oil will depend on how its selling prices will compare with those of competing oils and on the results of measures undertaken to promote its consumption. Sunflower oil consumption will continue to increase since world production is expanding.

7. Economic aspects of the measures taken

a) Aid and refunds

Aid for colza in the 1978/79 marketing year fluctuated between 11.14 and 16.61 ECU/100 kg with an average of 15.159 ECU/100 kg. The export refund during the same period varied between 9.700 and 15 ECU/100 kg.

The sunflower seed crop was sold without difficulty. Aid varied between 17.79 and 15.84 ECU/100 kg, averaging around 14.27 ECU/100 kg. No export refund was fixed for this product.

b) Intervention

During the 1978/79 marketing year 1 199 t of colza were offered for intervention in Denmark and 61 t in Belgium. All of this except for 121 t still to be sold, was sold during the marketing year.

c) Change in rules

From 1 July 1979 aid is no longer granted for colza with an erucic acid content of more than 10%, except for seed of high erucic acid content, the oil from which is to be used for industrial purposes. From the same date intervention is limited to seed with a maximum erucic acid content of 9%.

d) Unity of prices

Differential amounts

In view of the present monetary situation, the system of differential amounts introduced on 20 July 1972 is still in force for colza.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure on colza and sunflowerseeds amounted to 131 million EUA in 1978. The provisional figure for 1979 is 180.6 million EUA and the estimate for 1980 205.4 million EUA. These figures are 1.5%, 1.8% and 1.9% respectively of total Guarantee Section expenditure.

b. Soya beans (1)

From 1974 to 1978 the area under soya in the Community, almost all in France, varied between 1 000 and 4 000 ha. Now that this difficult launching period is over the area has increased and is estimated as perhaps reaching 11 000 ha for 1979. This would mean an increase from 6 6000 tonnes in 1978 to around 25 000 tonnes. In spite of this initial progress this crop still accounts for only a very small proportion of Community UAA, of world production and of Community soya cake requirements, which in 1978 totalled around 17 mio t.

The guide price for the 1979/80 marketing year has been fixed at 39.48 ECU/100 kg compared with 38.89 ECU/100 kg for 1978/79 (+ 1.5%). Aid for 1978/79 was 18.65 ECU/100 kg. This aid was granted for yields of 200 kg/ha, i.e. the minimum yield to qualify for aid.

c. Flax seed (1)

Although Community flax production (2) accounts for only an infinitesimal proportion of Community UAA and of the total world area under flax seed (5.7 million ha and 2.7 million t in 1978 according to the FAO) it does help to cover the Community's substantial requirements. The import figures for 1978 are 402 000 t of seed (193 00 t from Argentina and 189 000 t from Canada), 84 000 t of oil (78 000 from Argentina) and 600 000 t of cake (475 000 t from Argentina).

In 1978 only 6 550 ha of seed flax (8 000 t) were sown in the Community compared with 19 600 ha in 1977. The reasons for the drop (the crop is grown in France, Italy and the United Kingdom) are uncertain as regards income because of the late fixing of the guide price and inadequate yields, compounded by the fact that producers who exceed the average yield receive aid, which represents a substantial part of total income, only on a quantity below the actual yield. This situation arises because aid is granted on the basis of semi-standardized yields.

For 1979/80 the guide price has been fixed at 39.79 ECU/100 kg compared with 39.21 ECU/100 kg for 1978/79 (+ 1.5%). Aid for 1978/79 was 19.77 ECU/100 kg.

Expenditure by the EAGGF Guarantee Section for seed flax is included in the expenditure for fibre flax.

(1) See Table M.7.4.

(2) See also under 7 : Fibre flax and hemp

d. Cotton seed (1)

Cotton represents an infinitesimal percentage of the value of final agricultural production, of the UAA in the Community, and of world production (26.0 million ha and 1.6 million in 1978 according to the FAO).

Thanks to the Community aid system, this crop is still a paying proposition in some of the less-favoured regions of Italy. The area under cotton has, however, fallen from 5 800 ha in 1977 to 2 750 ha in 1978, the amount produced being around 1 000 t of seed.

Aid for 1979/80 was fixed at 133.38 UA/ha, against 131.41 ECU/ha in 1978/79 (+ 1.5%).

(1) See Table M.5.1.

e. Castor seed

Castor represents an infinitesimally small proportion of the value of final agricultural production and of UAA in the Community and of world production (1.4 million ha and 861 000 t in 1978, according to the FAO). In the Community it is still at an experimental stage. The approximately 20 ha devoted to it yield around 100 tonnes. In 1978 imports were 44 200 t of seed and 75 000 t of oil.

The aid system operational since 1978/79 comprises the fixing of a guide price, 51.54 ECU/100 kg for 1979/80, against 50.78 ECU for 1978/79 (+ 1.5%), and the granting of an aid equal to the difference between this price and the world market price on condition that the producer has received at least a minimum price, fixed at 49.08 ECU/100 kg for 1979/80, against 48.36 ECU for 1978/79.

For 1978/79 the average amount paid in aid was 26.44 ECU/100 kg.

An additional aid (launching aid) of 12.09 ECU/100 kg will be given for the 1979/80, 1980/81 and 1981/82 marketing years.

6. DRIED FODDER; PEAS AND FIELD BEANS

(a) DRIED FODDER¹

1. Introduction

The common organization of the market in dried fodder covers the following products: dehydrated fodder (until the end of 1979/80 this includes dehydrated potatoes), the main sun-dried legumes, and protein concentrates obtained from lucerne and grass juice. The new common organization of the market (see below under 6) has been operating since 1 April 1978. It replaces and strengthens the common organization of the market for dehydrated fodder operating since 1 May 1974.

The new products covered by the new organization are sun-dried fodders and fodder protein concentrates. The importance of these compared to dehydrated fodders is still very limited at present. For this reason and since statistical information on these new products is not available, this chapter deals principally with dehydrated fodders.

2. Production

Production of dehydrated fodder, dehydrated potatoes excepted, in the Community in 1978 was 1 655 050 tonnes, 1.8% up on 1977. The recovery of production after 1976 (1 255 400 tonnes), when it was seriously affected by the drought, was thus confirmed. France remains the principal producer with 871 600 tonnes, 53% of Community production.

Compared to conventional dehydrated fodders (mainly lucerne and grass) dehydrated potatoes are much less important. In 1978/79 Community production was 68 474 tonnes, i.e. roughly the same as the previous year (68 270 t). The main producer is the FR of Germany, at around 56 700 t.

For sun-dried fodder the common organization of the market has been in application since 1 July 1978. Community production for which aid can be given is estimated at 70 000 t, 50 000 t, in France and 20 000 t in Italy.

3. Quantities available

The supply of dehydrated fodder in 1978/79 was 1 823 830 t, 6.3 % lower than in 1977/78 (1 945 775 t). This was due to a drop in imports and an increase in exports, notably from France to certain North African countries.

4. Trade

Imports of lucerne meal from outside the Community dropped for the second successive year. 229 000 tonnes were imported in 1978, against 334 000 t in 1977 and 389 000 t in 1976.

¹See Tables M 6.1 to M 6.4

In 1978, as in previous years, the United States and Hungary were the largest exporters of dehydrated fodder to the Community, with 135 000 t and 69 000 t respectively. Two other countries continued to export to the Community in 1978 : Spain with 14 400 t and Canada with 8 000 t. Imports went mainly to the FR of Germany (158 000 t) and Italy (40 000 t). In 1978, intra-Community trade in dehydrated fodder amounted to approximately 350 000 t and followed the usual pattern : Denmark exported 82 000 t to Germany and France exported around 250 000 t to Germany and the Benelux countries.

Community exports of dehydrated fodder have never been on a large scale and in 1976 and 1977 did not exceed 10 000 t, in 1978, however, 71 000 t were exported, including 57 000 t exported by France to Tunisia.

5. Prices

In 1978, prices for dehydrated fodder were relatively low at between 80 and 90 EUA/t, there being plenty of supplies on the world market of proteins generally and dried fodder in particular.

However, although there is generally a certain parallel between prices for dehydrated fodder and for other proteins (soya cake), dehydrated fodder prices have been following their own trend since the beginning of 1979. From December 1978 to July 1979 prices for soya cake CAF Rotterdam stayed practically unchanged whereas prices for dehydrated fodder CAF Rotterdam went up during the same period by approximately 30% (85 EUA/t in December 1978 and 110 EUA/t in July 1979). This increase which manifested itself as a gradual rise throughout the period, was due to a specific demand for dried fodder and to lower availability of world and Community supplies than in previous years.

6. Economic aspects of the measures taken

In order to improve the Community's protein supplies the Council has adopted new arrangements for dried fodder, which have been in force since 1 April 1978. These provide for the yearly fixing of a guide price at a fair level for producers (1978/79, 124.52 ECU/t; 1979/80, 126.40 ECU/t), the granting of aid at a standard rate (1978/79, 6.04 ECU/t; 1979/80, 6.14 ECU/t) to processing concerns and the granting of additional aid when the world market price falls below the guide price. Production of dehydrated fodder was formerly affected by price fluctuations on the world market but the new arrangements guarantee an income to producers of green fodder comparable to that obtainable for other products already covered by a common organization of the market.

The application of the new system for dried fodder has met with no great difficulties during the 1978/79 marketing year, its first year of application. In the period April-December 1978, the additional aid amount stayed relatively stable between 22 and 25 ECU/t for dehydrated fodder. Thereafter in line with increasing world prices it went down to between 8 and 10 ECU/t in the period of July-September 1979.

7. Outlook

Despite a slight increase in surface area, production of dried fodder in 1979 is expected because of poor weather to be a little below the 1978 figure. The cold wet weather during the spring was bad for green fodder production and a further cold wave during August delayed, i.e. reduced, the first cut. There is expected to be a drop in production in most Member States, apart from Italy.

Drying costs account for a considerable part of the production price of dehydrated fodders and they are thus particularly susceptible to increase in energy prices. Recent and foreseeable increases are creating a certain amount of concern over the outlook for the sector.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure for dried fodder was 42.6 million EUA in 1978. The provisional figure for 1979 is 49.3 million EUA and the estimate for 1980 55.8 million EUA.

B. PEAS AND FIELD BEANS USED IN ANIMAL FEED¹

In view of the Community's low degree of self-supply in proteins for use in animal feed, special measures were adopted by the Council on 22 May 1978 in order to promote the production of peas and field beans for this purpose. These measures have been applicable since 1 July 1978.

The products in question are in direct competition with oilcakes imported from non-member countries at zero duty. A system has therefore been set up whereby manufacturers of feedingstuffs using peas and field beans produced in the Community are granted aid when the price of soya cakes is lower than the activating price for aid. The amount of such aid varies with the fluctuations of soya cake prices. It is granted only if the manufacturer of feedingstuffs has paid a price to the producer at least equal to the minimum price fixed by the Council. In this way, producers are guaranteed a fair price.

For the 1978/79 marketing year, the activating price for aid for peas and field beans was fixed for soya cake at 34.455 ECU/100 kg (28.50 u.a./100 kg) and the minimum price at 21.157 ECU/100 kg (17.50 u.a./100 kg). Aid has varied between 6.953 and 8.199 ECU/100 kg and its relative stability reflects the stability of the market in soya cake during the marketing year.

When these special measures were instituted it was estimated that the amount that would be covered by the aid scheme in the first marketing year would be around 100 000 tonnes. Although the statistics for 1978/79 are not yet complete, it is clear that this figure has been substantially exceeded. Applications have already been made for aid for approximately 155 000 tonnes, 76 000 tonnes of peas and 79 000 tonnes of beans. Almost 60% of the applications have been lodged in the Netherlands. The explanation is the absence of compensatory amounts in this sector:

For 1979/80 marketing year the activating price for aid has been fixed at 34.970 ECU/100 kg and the minimum price at 21.480 ECU/100 kg, an increase of 1.5% on the previous year.

There was no EAGGF Guarantee Section expenditure for this sector in 1978. The provisional figure for 1979 is 6.2 million EUA and the estimate for 1980 7.5 million EUA.

¹ See Table M. 6.5

7. FIBRE FLAX AND HEMP¹

1. Introduction

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

Fibre flax is grown on about 15 000 farms in the Netherlands, Belgium and north-west France. Flax straw is processed there into fibres in about 250 retting and scutching concerns. Their number is decreasing sharply in recent years but they produce a high and relatively stable quantity of raw materials which the Community lacks : textile fibres, oilseeds and pulpwood particles. The Community accounts for 4% of the total world area under fibre flax (1.5 million ha) but 14% of world production of flax fibre (695 000 t) as a result of above-average yields. The USSR accounts for 80% of world production, the East European countries Egypt and China being the other producers.

Paper hemp is grown only in a very small area in France. The raw material supplied by 600 producers is used in manufacturing special types of paper. Italy produces a very small quantity of textile hemp.

2. Production

For some years the area under fibre flax in the Community has shown little change at about 60.000 ha. In 1978, it was 60 300 ha, against 61 500 ha in 1977 (-2%), France is increasing its proportion of the total -(77%)- while that of Belgium (14%) and the Netherlands (9%) is decreasing. The explanation for this is lower labour and ground rent costs in France and the fact that weather conditions and the greater size of plots these are more suitable for the dew retting which is increasingly taking the place of water retting, the higher cost of the latter being insufficiently compensated by the additional return from the production of certified seed. Another reason for a drop in areas sown in the Netherlands is a drop in retting and scutching capacity.

Straw and fibre yields were very satisfactory at 535 000 t and 92 400 t respectively.

The area under paper hemp remained unchanged in 1978 owing to lower demand for the finished product. The cultivated area was 10 800 ha and 65 000 t of stalks were produced. Approximately 300 ha of textile hemp was grown in Italy.

¹ See Tables M 7.1 to M. 7.5

3. Consumption and stocks of fibres

In 1978/79 demand for Community fibres went up slightly (104 900 t against 99 900 t for 1977/78) owing to an increase in both exports and internal consumption.

Fibre supplies increased in the same proportion (118 200 t against 113 400 t), the very marked increase in quantities imported being only partially offset by a drop in production.

Conditions were therefore favourable for building up stocks again and at the end of the marketing year these were 59 100 t, against 45 800 at the beginning. Stocks were fairly high for long fibres but most inadequate for short.

4. Trade

Since its value in terms of weight and volume is too small to justify long-distance transport, there is no trade in flax straw with non-member countries. Retting and scutching concerns in Belgium purchased 72 300 t in flax straw in France and the Netherlands to swell the Belgian crop. As the Belgian crop was down, this quantity was higher than in previous years (51 700 t in 1976 and 54 600 t in 1977) and the Belgian retting and scutching industry does not appear to have been affected by the drop in areas sown in Belgium.

In 1978 the amounts of flax fibre imported (21 600 t) and exported (22 200 t) were normal. The Community does not produce enough low and medium quality fibre, which it imports from Eastern Europe, Egypt and China, but it supplies the entire world with good and superior quality fibre.

9 600 t of hemp fibre were imported in 1978 and exports were, as usual, on a small scale.

5. Prices

Prices for flax straw and flax fibre remained at the level reached at the end of the previous marketing year.

The contract price for paper hemp straw agreed between producers and users went up from 410 FF/t to 420 FF/t (approx. 2.4%), i.e. from 85.75 ECU/t to 81.57 ECU/t.

6. Outlook

The area under fibre flax fell slightly in 1979 to less than 60 000 ha. Straw and fibre yields were very satisfactory however, particularly in quality. Although it is difficult to assess the level of demand for flax fibre in the near future, there need to be fear of the overproduction in 1979/80 despite the relatively high level of Community stocks and supplies of long fibres.

It is in fact to be expected that an abnormally high proportion of long fibres will be used in place of short, of which there will very probably be some shortage since the Community harvest will be lower than normal and imports are liable to be considerably down because of a serious draught in the USSR, the main supplier.

Pegging of the contract price for hemp straw for the 1979/80 marketing year has arrested the regular progress being made with this crop within the last few years.

7. Projections for fibre flax for 1980/81 and beyond

Consumption of long fibres is normally inadequate to absorb the Community's present production and it is to be feared that unless further outlets can be found it will not be possible to maintain this volume of production.

On the other hand, it appears that it will be difficult to avoid a shortage on the market in short fibres unless imports to supplement the Community harvest can be raised to a higher level, especially when it is particularly poor.

8. Budgetary expenditure

The aid amount for fibre flax for 1979/80 was fixed at 248.55 ECU/ha, against 244.87 ECU/HA for 1978/79 (+ 1.5 %). Aid is given for fibre-flax seed under the arrangements for seed-flax seed.

For hemp, the aid went up to 225.74 ECU/ha, against 222.40 ECU/ha for 1978/79 (+ 1.5 %).

EAGGF Guarantee Section expenditure for flax and hemp was 15.4 million EUA for 1978. The provisional figure for 1979 is 17.5 million EUA and the estimate for 1980 19.1 million EUA.

8. SEEDS¹

1. Introduction

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

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

The production of these seeds must be considered not only from the stand-point of the harvest obtained, but also in respect of the function of these species in crop rotation and in respect of the end-uses they serve, since the different varieties of a single species can have their own particular use. Leguminous plants are particularly important because they increase the nitrogen content of the soil in which they grow.

Community production of fodder seed in 1978 was 1.8 million quintals, approximately 25% of the world total (United States, Canada, New Zealand, EEC). The Community is a net importer of certain species, particularly hybrid maize for sowing.

2. Production

Denmark, producing nearly 26% of the total (and 40% of total grasses), is the main Community producer. France and Italy are the main producers of legumes.

Community production in 1978 was about 1 792 00 quintals, an increase of about 305 000 quintals (21%) over 1977. This was due to an extension in area sown of 23 500 ha (12%). The volume of grasses produced increased by more than 66 000 q and that of legumes by more than 161 000 q, figures for individual species being as follows : *Dactylis glomerata* L (+ 18 000 q), *Lolium perenne* L. (+ 71 000 q), *Medicago sativa* L. (+ 43 000 q), *Trifolium pratense* L. (+ 43 000 q), *Vicia faba* L. (+47 000)

¹See Table M.8.1.

The area declared for the 1979 harvest (240 000 ha) compared with that for 1978 (241 000 ha) reflects the stabilization of production. The provisional figure for 1979 is a total production of 1 700 000q.

Hybrid maize production in 1978 totalled about 1.64 million quintals. The provisional figure for 1979 points to an unchanged total production.

Community production in 1979 has been on the whole normal except in certain regions which have suffered from rain during the harvest. Generally speaking all grasses were harvested in September 1979 with normal yields except in Germany and the United Kingdom, where large areas of legumes have not yet been harvested because of bad weather.

Variations in production affected mainly the following species

	<u>1978</u>		<u>1979</u>	
	ha	qx	ha	qx*
Lolium perenne L.	23 991	400 685	19 319	174 000
Poa pratensis	7 757	58 778	9 383	74 800
Medicago sativa L.	51 707	100 799	63 952	152 000
Trifolium pratense L.	17 828	64 866	21 356	37 000
Vicia faba L.	9 096	239 240	17 759	337 000

* Commission estimates

3. SUPPLY SITUATION

Community supplies have been satisfactory in recent years and our dependence on imports from non-member countries has been reduced. With seed supplies amounting to 2.4 million quintals for 1978/79, the Community was able to meet its own requirements. For the coming marketing year, it will also be self-sufficient on the whole, as about 2.5 million quintals will be available in 1978/79 and demand is estimated at 1 540 000 quintals. Trade with non-member countries will, however, continue particularly in the case of species of which there is still a shortfall in the Community (*Arrhenaterum elatias*, *Vicia sativa*, *Phleum pratense*, *Festuca arundinacea*).

Stocks at 1 July 1978 totalled 785 000 quintals, and the figure for 1979 is about 825 000 quintals (*Lolium perenne* L. 215 000 q and *Lolium multiflorum* L. 498 000 q). The persistence of relatively large stocks is due to an excess of imports over requirements.

Supply and demand for oilseed seeds are in balance.

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

4. Prices

After their fall in 1978 Community market prices increased in spring 1979.

The level of producer prices in the Community can be regarded as generally satisfactory.

Prices on the Danish market, the main Community market, were (ECU/100kg):

	<u>September 1978</u>	<u>September 1979</u>
Lolium perenne L.	58	92
Lolium multiflorum L.	42	68
Festuca pratensis L.	131	131
Festuca rubra L.	81	99
Poa pratensis L.	126	149
Trifolium repens L.	180	172

Countervailing charges for hybrid maize according to type and origin range at the moment (September 1979) from 2 to 32.5 ECU/100 kg. For the 1979/80 marketing year, the reference prices have been fixed between 69 and 135 ECU/100 kg depending on type.

5. Action decided or proposed

A countervailing charge on the various types of hybrid maize was introduced in January 1979 because of imports at abnormally low prices from certain countries. Imports have been controlled since 1 July by the use of an import licence arrangement.

The Commission has proposed to the Council that rice seed be included in the field of application of Council Regulation (EEC) n° 2358/71 on the common organization of the market in seeds. The aid amount proposed is 12.1 ECU/100 kg, to be applicable from the 1979 harvest. The Commission has also proposed that Article 3 of the Regulation be amended to increase the period during which the aid amount for the second marketing year for which the aid is fixed may be adjusted.

6. OUTLOOK

The area which will be harvested in 1980 may be estimated at about 220 000 ha, i.e. the same area as in the previous year in which a measure of price stability was attained as there was a balance between supply and demand.

Price levels are expected to remain more or less unchanged in 1979/80. Stocks of *Lolium perenne* L (approximately 215 000 q) and particularly of *Lolium multiflorum* L (approximately 294 000 q) remain, however, very high. The increase for the latter is approximately 83 000 quintals, but this is counterbalanced by a very poor harvest.

Difficulties could rise with *Trifolium repens* L., for which areas harvested in 1979 show a significant drop in production. Denmark and New Zealand are the only two countries in the world producing this species.

The situation for *Phleum pratense* L., the area under which had fallen in recent years, is comparable.

Stocks of hybrid maize are expected to rise to about 1 million quintals in 1980.

Medium term Community production estimates are for the moment satisfactory on the whole. The subsequent development of the seeds sector will, however, also depend on the profitability of seed production compared with cereals in particular.

Account should also be taken of competing imports from non-member countries (particularly East European countries) which benefit from the system of equivalence with Community seed as regards production, and control.

World production of fodder seed is expected to remain stable over the coming years.

7. Budgetary expenditure

EAGGF Guarantee Section expenditure on seeds was 20.3 million EUA in 1978. The provisional figure for 1979 is 27.2 million EUA and the estimate for 1980 31.4 million EUA.

9. WINE¹

Introduction

In 1978 wine represented about 2.1% by value of the Community's final agricultural production. The area under wines in production amounted to 2 376 000 ha, or about 2.5% of the Community's UAA.

The FAO puts world wine production at 291 million hl, which is only 5% higher than the previous year's figure, already a low one. It was a very small volume compared with earlier years as the average for 1973/74 to 1977/78 was 314.3 million hl. Community production in 1978/79 was 138 million hl, compared with 128 million hl in 1977/78 and 148 million hl in 1976/77, representing 47.9%, 46.1% and 47.3% respectively of world production. Since the area under wines in the Community represents only about 23.2% of the world area under wines, the average Community yield is considerably higher than the world average.

Production

The 1978 harvest, at 138 million hl, was small. This follows the low 1977 harvest (128 million hl) and average harvests in 1976 and 1975 (148 and 145 million hl). The low level of production in 1978 is in no way the result of a reduction in wine-growing potential but was caused by bad weather conditions during the year.

Consumption

In 1977/78, total internal utilization accounted for 137 million hl compared with 146 million hl in 1976/77. A substantial part of this fall was caused by a drop in quantities distilled.

a) Human consumption

In 1977/78, direct human consumption was 125 million hl against 127 million hl in 1976/77, 130 million hl in 1975/76, 133 million hl in 1974/75 and 125 million hl in 1973/74. It is thus practically back at the level of 6 years ago. The substantial increase expected on the enlargement of the Community does not seem to have come about.

b) Processing

In 1977/78 the quantities processed, 11 million hl, were substantially lower than in 1976/77 and 1975/76 (18 million hl) and far lower than in 1974/75 (35 million hl), on account of the sharp reduction in the quantities distilled with Community aid, as a consequence of the substantial fall in supply.

c) Self-supply

The Community self-supply rate in 1977/78 was 93.7% (102% in 1976/77) in terms of all internal utilizations. If the quantities distilled under the various intervention measures taken for normal management (slightly over 1 million hl) are deducted from the supply figure, the rate of self-supply for 1977/78 becomes 94.4%. The figures for 1976/77 and 1975/76 were 105.9 % and 99% respectively. The volume of end-of-year stocks, after the substantial drop in 1974/75 (6 million hl) brought about by the massive distillations and the drop of 3 million hl in 1975/76, returned in 1976/77 (following an increase of 3.7 million hl) to the 1974/75 level. In 1977/78, end-of-year stocks fell sharply (by 7 million hl) to a moderate level of 74 million hl.

4. Trade

In 1977/78 Community imports amounted to 5.9 million hl against 5.5 million hl in 1976/77, a rise of 7%. This rise follows a rise of 10% in the previous year and reflects less abundant internal supplies.

Exports in 1977/78, at 4.4 million hl, were 5% lower than in the previous year (4.7 million hl).

In 1977/78, imports were 33% higher than exports, whereas in 1976/77 the difference was only 18%.

5. Prices

a) Common prices

The average increase in guide prices for all types of table wine was 1.5 % for 1979/80, compared with an increase of 2% in the previous year.

b) Market prices

All the average prices quoted for the various marketing centres in 1978/79 for table wines of types RI and RIII were higher than those of the previous year. The increase varied between 0.2% and 18.5% for type RI and was 21.7% for type RIII.

There was no uniform pattern in the average prices for type RII. In three centres there was a fall of between 2.7% and 8.3%, whereas in the three other centres prices were higher than in the previous year (by between 0.8% and 17.7%).

The situation for type AI was comparable, with lower prices in five centres (between 1.2% and 5.2%) whereas average prices were between 2.4% and 9.0% higher than the previous year in three centres.

There was a large increase in prices for types AII and AIII, of 20.7% for type AII and 27.0% for type AIII.

In France, prices for type RI remained above the guide price for the first nine months of the marketing year. After June 1979, prices fell below the guide price but remained above the activating price. Prices in Italy for type RI fluctuated more widely. For the first 8 months of the year, with the sole exception of November, they were above the guide price; from May prices fluctuated around the guide price and picked up towards the end of the year (from July) to a more or less steady level above the guide price. The annual weighted average of prices in France was 1.3% higher than in Italy.

Prices for table wines of type RII were above the guide price in France for the first 8 months of the year. They then fell, at first below the guide price in May and then below the activating price in June and remained at this level until the end of the marketing year. Prices for this type of wine in Italy fluctuated throughout the year around the guide price and were always, except in February and in May, above the activating price.

There was a sharp difference between the two producer countries in the prices for table wines of type AI; prices in France were consistently above the guide price whereas in Italy they were barely higher than the activating price for the first 2 months of the marketing year and except in March, were below the activating price for the remainder thereof. The difference between the annual weighted average prices in France and in Italy was 29%.

Prices for wines of type RIII were very encouraging and tended to rise through the year. The annual weighted average was substantially higher (47%) than the guide price. Prices for types AII and AIII were beneath the activating price at the beginning of the year but rose during the year to exceed the guide price level.

In general, the situation was satisfactory for practically all red wines and for French and German white wines. On the other hand, as in the previous year, the prices for Italian white wines indicate a serious crisis.

c) World prices

According to the FAO's information, wine prices on the main producers' markets remained firm throughout 1978, after the increase at the end of 1977.

On the Spanish market, which is one of those of most direct concern, there were spectacular increases up to the beginning of 1978/79, as a result of three poor harvests. In September 1978, prices were 130% and 60% above their September 1976 and September 1977 levels respectively. Since then, prices have fallen and are close to the September 1977 level. In spite of these fluctuations, there is still a substantial difference between Spanish and Community prices for corresponding types of wine.

6. Outlook

a) Short-term

The latest information available suggests that the 1979/80 harvest will yield some 29 million hl more wine than the previous year. According to the latest estimates by the Member States, production should amount to 167 million hl, against 138 million hl in 1978/79. This quantity far exceeds normal foreseeable utilization (some 140 million hl) and, existing stocks being quite large, market prices for French and Italian table wine (types RI, RII, AI) seem likely to drop. On the other hand, in view of the average harvest expected in Germany, prices for table wines of 'German' types (RIII, AII, AIII) could well remain unchanged. The increased quantities available within the Community for 1979/80 could well entail a slight drop in imports and a small increase in exports.

b) Medium-term

After two average harvests and two small ones, and following the most recent harvest which largely exceeded market requirements, the Community wine-growing potential (particularly with regard to the development of yields) has a tendency to exceed market demand, which, for various reasons, is practically static. To establish a better balance in the medium term, the Commission, at the beginning of August 1978, placed an "Action Programme 1979-1985" before the Council so that the market for wine might be progressively brought back into equilibrium, with a series of proposals for Regulations to achieve this end. The Council agreed to these proposals on 12 December 1979. This agreement will make it possible to publish the necessary Regulations shortly.

7. Economic aspects of the measures taken

a) Levies and refunds

1) Import levies

The import levies in the wine sector are known as "countervailing charges" and play only a very minor part since they do not apply to the 18 non-Community countries which have undertaken to observe the reference price and which are the Community's principal suppliers. The level of the countervailing charges remained unchanged throughout 1978/79.

2) Refunds

The level of refunds was increased. The quantities qualifying for refunds remained fairly low and now stand at some 220 000 hl for 1978: they are expected to rise in 1979.

b) Quantities in respect of which intervention measures were taken

All the "normal" intervention measures provided for in the Community rules were applied. As at the beginning of 1977/78, holders of long-term storage contracts were given the opportunity to have distillation carried out under the "guarantee of performance" measures (distillation of part of the wine and prolongation of the contracts for the remainder). The quantities distilled in this way were small, however, on account of the high prices at the beginning of the year. The quantities of wine distilled with Community aid under the various measures amounted to about 1.7 million hl (against 1.03 million hl in 1977/78).

At the beginning of 1979/80, the guarantee for holders of long-term storage contracts' covers a potential 9.3 million hl; in view of harvest estimates and the activation of the guarantee, it is likely that the quantity involved will be high.

The monthly average quantities covered by storage contracts amounted to 8.9 million hl (the same as in 1977/78), the maximum figure being 14.1 million hl (13.5 million hl in 1977/78).

c) Stock situation

At the beginning of 1978/79, stocks held by producers and the trade amounted to 74.4 million hl. At the end of that marketing year, stock stocks of 75 million hl may be expected. This quantity may be considered normal but, in view of harvest forecasts and the probable level of utilization, market management may present some difficulties.

1 Article 12 of Council Regulation;(EEC) N° 337/79.

d) Unity of prices

As in the previous marketing year, monetary compensatory amounts in the wine sector were applied only to the main producer countries (France, Italy, Germany) and only to table wines produced in those countries. However, in the course of the year (from 25 June 1979) a new method of calculation was introduced for the two Member States with depreciated currencies, i.e. France and Italy. Application of this new arrangement resulted in complete abolition of monetary compensatory amounts for France and a substantial fall in those for Italy.

Certain representative rates were adapted during the year (on 9 April 1978 and 1 October 1979). The new representative rates, which will apply from 16 December 1979, were anticipated on 1 Sept., in respect of certain intervention measures.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on wine amounted to 63.7 million EUA in 1978, is forecast at 94.4 million EUA in 1979 and estimated at 203.3 million EUA in 1980, or 0.7%, 0.9% and 1.9% respectively of total expenditure by the Guarantee Section. The figure of 94.4 million EUA can be broken into 2.1 million EUA on refunds and 87.7 million EUA on intervention.

10. RAW TOBACCO¹

1. Introduction

In 1978, world tobacco production rose by 2.1% compared with the previous year and reached 5.6 million tonnes (5.02 million baled). Virginia flue-cured makes up about 42% of total production and 42% of all trade. Community production in 1978 (171 000 tonnes) also increased, by 4.6%, compared with the previous year. Baled tobacco accounted for 0.4% of the value of the Community's final agricultural production in 1978.

2. Production and structure

Over the last decade there has been at world level a steady tendency for tobacco production to shift to the developing countries (about 40%) and the countries with planned economies (about 32%) : production has risen by only 13% in the industrialized countries, where rapid inflation and rising production costs (labour in particular) will continue to give impetus to this trend.

Over the same period, Community production has increased by about 34% as a result in particular of a marked increase in yield per hectare, especially in Italy and, to a lesser extent, in France. In Belgium, on the other hand, the downward trend in crop area and production continues. Furthermore, the tobacco sector has undergone a far-reaching change in its production structure (the development of cooperatives) and marketing structure (rationalization and concentration of undertakings) since the entry into force of the common organization of the market (1970) in the direction of better adjustment to actual market requirements.

As regards the major types of tobacco, world production of dark air-cured increased by about 0.8% in 1978 as compared with the previous year and that of Burley by 3.1% , that of flue-cured by 2.2% and sun-cured by 8.1%.

At Community level, with due allowance for fairly favourable weather in 1978, the following changes took place compared with 1977 :

- dark air-cured varieties : a rise of 15.1% (return to normal after the 28% drop in the Paraguay variety in 1976);
- light air-cured varieties : an increase of about 2%;
- flue-cured varieties : a decrease of 11.3%;
- sun-cured varieties : a fall of 2.5%;
- fire-cured varieties : an increase of 3.8%.

¹ See Tables M.10.1 to M.10.5.

3. Degree of self-supply

Consumption

In 1978, world consumption of baled tobacco amounted to 4.9 million tonnes : for the fifth successive year production outstripped consumption. A carry-over stock of 130 000 tonnes is therefore to be added to the 700 000 tonnes from previous years.

The Community self-supply rate is about 26%. Compared with 1977, world tobacco consumption rose by about 4% in 1978. Consumption in the Community of Nine has more or less stabilized, mainly as a result of the economic recession, the increase in taxes and the anti-smoking campaigns. Nevertheless, certain downward trends are evident in countries such as France, Germany, and the United Kingdom. It should be pointed out, moreover, that, although at world level the rise is 4%, this rise exceeds 5% on average and shows peaks of 10 to 15% in the developing countries and oil-producing countries. The steep rise in consumption of "light cigarettes" (low nicotine and tar content) continued in 1978 and trade may be expected to move to those countries exporting neutral-reaction tobacco for filling. The introduction of cigarettes containing tobacco substitutes met with no success on the United Kingdom market.

4. Trade

World exports in 1978 amounted to 1.41 million tonnes, which is 9.6% more than in 1977. This confirms that international trade is rising.

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

In 1978 Community exports were about 34% higher than in 1977 (around 29 100 tonnes) and imports were 26% up. Virginia flue-cured tobacco accounts for about 62% of total imports and Burley for only 7%. Furthermore, about one third of imports enters the Community at a zero or preferential duty under the terms of the EEC policy towards the developing countries (generalized preferences, ACP).

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

5. Prices

Prices on the world market were more or less compared with the previous year : in the United States, the most representative market on a world level, Virginia flue-cured and Burley reached.

FOB export prices of between \$4 and \$5 per kg; prices for Kentucky, on the other hand, have fallen sharply.

The prices of oriental tobaccos are still showing the effects of over-production in Turkey, Greece, Bulgaria and Yugoslavia and are still tending to fall : minimum export prices have been lowered, export subsidies and credit facilities have been granted. In Turkey and Greece large quantities of inferior-quality tobacco have been destroyed. This situation shows no signs of changing during the next marketing year.

As far as the situation within the Community is concerned, planters generally received the norm price for the 1978 crop but it should be pointed out that, in Italy, the prices for oriental varieties, after falling considerably in 1976 largely on account of the mediocre quality of the harvest and because of the situation on the world market in 1978, have increased slightly.

6. Outlook

First indications for 1979 are that world production of raw tobacco will drop (0.5%) although yields in the main producer countries more or less normal.

Nevertheless, with particular reference to the Community position, it should be stressed that the structural difficulties affecting some varieties (particularly oriental tobaccos and Beneventano) will continue and that, in spite of the drop in production, the Burley variety seems to have reached its ceiling. Intervention buying of oriental tobaccos from the 1977 harvest amounted to some 7.000 tonnes and the forecast for 1978 is some 5.000 tonnes. The Beneventano conversion plan is now completed and intervention buying from the 1977 harvest was 1.800 tonnes against 300 tonnes forecast for the 1978 harvest.

7. Economic aspects of the measures taken

To deal with the well-known difficulties of marketing the Beneventano variety, a conversion plan extending over 3 years was approved by the Council and applied for the first time to the 1977 crop, with some 1 200 ha (about 27% of the total area) being converted, mainly to the Kentucky and Paraguay varieties. The tobacco grown on the converted areas was marketed normally.

Applications for conversion for 1978 relate to some 1 500 ha.

During 1979, two invitations to tender were issued for the export of tobacco held by the Italian intervention agency (3.043 tonnes). The intervention agencies accordingly still hold in storage 27 459 tonnes from the 1974, 1975, 1976 and 1977 crops.

The granting of export refunds has certainly been a factor in enabling the Community to increase its share of world trade, where the Community varieties, hitherto little known, have now established their place. Indeed, although exports in 1970 amounted to only about 4 000 tonnes, as from 1973 (the year when the system of export refunds was introduced) exports have reached fairly high levels on the international market. However, recent tendencies in international trade have greatly restricted the scope for exports to the world market. Whereas the quantity from the 1975 crop for which export refunds were granted reached 22 690 tonnes, the quantities from the 1976 and 1977 crops barely exceeded 12 500 tonnes and 11 600 tonnes respectively.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section was 216.1 million EUA; it is forecast at 212 million EUA in 1979 and estimated at 280 million EUA in 1980, or 2.5%, 2.0% and 2.6% respectively of total expenditure by the Guarantee Section.

11. FRUIT AND VEGETABLES, FLOWERS AND LIVE PLANTS

a. FRESH FRUIT AND VEGETABLES¹

1. Introduction

Production of fresh fruit and vegetables in 1978, including crops for processing, represented 11.9 % by value of final agricultural production, which is not very different from previous years : 11.5 % in 1977 and 11.0 % in 1976.

Italy, with 52 % of Community fruit production and nearly 45 % of Community vegetable production is by far the largest producer among the Member States. Second place goes to France with 19 % for fruit and 19 % for vegetables while the third most important producer is Germany for fruit (18 %) and the United Kingdom for vegetables (16 %).

2. Production

Commercial fruit production² in the Community in 1978 amounted to 17.7 million tonnes, an increase of 17.2 % over 1977, and is back to the average figure for harvests prior to the abnormally low harvest in 1977. The increase in production was experienced in all Member States, to differing extents, except in Ireland where the harvest was the same and in Denmark where it fell by 8 %.

The annual rate of change of -1.6 % from "1974" to "1977" is still influenced by the insufficient harvest in 1977, partly caused by the secondary effect of the 1976 drought.

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

- in apple production, which accounted for 39 % of fruit production, the 1978 harvest was 34.1 % higher than in 1977 and the increase, although slight in Italy, took place in all the Member States except Denmark where there was a drop;
- in pears, (12 % of fruit production) the situation is similar, with a slight increase in the Italian harvest, a more substantial increase in the other Member States, except in the United Kingdom and in Denmark where production is falling. The harvest for the Community as a whole was 12.8 % higher than in 1977;
- the peach harvest in 1978 was slightly lower in Italy (- 1 %), but increased for the Community as a whole by 6.1 % largely on account of the increased production in France;
- citrus fruit production, which accounted for 15.4 % of total fruit production in 1978, was 3.6 % down on 1977, as the increase in orange production (1 %) did not offset the fall in lemon production (- 7.4 %) and small citrus fruit (- 2.4 %).

¹ See tables M.11.1 to M.11.9.

² This is "biological production".

Commercial vegetable production in the whole Community reached 24.7 million tonnes, a slight increase (1.6 %) over the 1977 figure. The increased output is accounted for exclusively by the two main Community producers - Italy and France - and there were falls in all the other Member States, varying from - 2 % to - 17.5 %.

3. Consumption

In 1977/78 internal consumption of fruit¹ in the Community amounted to 22.3 million tonnes, an decrease of 10 % on the previous year.

Internal consumption of vegetables, at 30.2 million tonnes, shows a rise of 11.5 % on 1976/77.

a) Human consumption

Human consumption was the principal use made of fresh or processed fruit and accounted for 91 % of all internal consumption.

Per capita annual consumption in the Community amounted to 78 kg (24.1 kg of citrus fruit and 53.9 kg of other fruit) but there are substantial differences between Member States : 11.5 kg of citrus fruit in Ireland and 54.1 kg in the Netherlands; 27.4 kg of other fruit in Ireland and 76.1 kg in Germany.

Human consumption of vegetables was 89.5 % of all consumption. Per capita annual consumption was 104.3 kg. Again there are large differences between Member States : 59.3 kg in Denmark and 149.9 kg in Italy.

The annual rate of change, calculated for the period "1973/74" to "1976/77", is - 1.1 % for fruit other than citrus fruit, 1.4 % for citrus fruit and 0.6 % for vegetables. These are scarcely perceptible variations which, although they differ in magnitude, are in the same direction as the variations observed over the same period in the corresponding usable production.

b) Animal consumption and industrial uses

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

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

c) Rate of self-supply

The Community's self-supply rate is particularly high for vegetables reaching 92.3 % in 1977/78; the figure for non-citrus fruit is 72.5 % and for citrus fruit 41.0 %.

4. Trade

In 1978 the Community's total imports of fresh fruit amounted to 4.4 million tonnes, a rise of 3.4 % over 1977.

Citrus fruits, 3.1 million tonnes, were by far the predominant import, since apples, which occupied second place, accounted for only 0.45 million tonnes.

Fruit exports did not greatly exceed 0.6 million tonnes including 0.15 million tonnes of apples, 0.1 million tonnes of lemons and 0.08 million tonnes of oranges.

Imports of fresh vegetables totalled 1.1 million tonnes, a decrease of 9.6 % on 1977, while exports, which rose by 11 kg accounted for 0.39 million t.

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

Although the quantity of fruit traded did not equal imports from non-member countries, it nevertheless totalled 2.5 million tonnes, making an annual increase of 3.8 % since 1973. Apples (1.06 million tonnes) were the main product, followed by citrus fruits (0.28 million tonnes) and stone fruit (0.32 million tonnes).

Intra-Community trade in vegetables, on the other hand, totalled 2.1 million tonnes, approximately 2.1 times the quantity imported from non-member countries. These figures are slightly on 1977 (4.1 %) and represent an annual increase of 3.67 % since 1973.

5. Prices

a) Common prices

The basic prices and buying-in prices for the 1978/79 marketing year have been increased so that the resulting average withdrawal prices, at which producer groups buy back their members' unsold produce, are 2 % higher than in the 1977/78 marketing year for all products.

The average overall increase for 1979/80 was 1.5 %.

The reference prices, which determine the minimum level of entry prices for certain products imported from non-member countries, increased by 5 % between 1977/78 and 1978/79 in the case of cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries and plums.

In the case of lemons, oranges and mandarins, however, reference prices have remained at the level of the previous year, because of the relationship between developments in the basic and buying-in prices, the penetration premiums and the reference prices of those products (see 7 (e)).

Between 1978/79 and 1979/80 reference prices increased by an average of 2 %, with the exception of citrus fruits, where the full increase in the basic and buying-in prices was reflected in the penetration premiums.

b) Market prices

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

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

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

As the average prices for the 1977/78 harvest had been pushed up by the small harvest, it is not surprising that prices for the 1978/79 harvest show a substantial fall of from 28.7 % to 58.7 % according to Member State. Only in Denmark was there a slight increase, of 4.8 %.

The monthly analysis carried out throughout the season shows that in Belgium, in Luxembourg and in the Netherlands, apple prices were practically constantly below the basic price.

In Germany they fluctuated around the basic price whereas in Italy and in France prices were always very high, although they did not reach the previous year's levels.

- Pears (various, quality Class I, 60 mm or 70 mm or over, according to area).

Average prices in the 1978/79 season followed no consistent pattern : there were slight rises in Italy (0.3 %) and in Germany (6.2 %), and a substantial increase in Denmark (68.4 %), but a considerable fall of 20-28 % in the other Member States (Luxembourg and Ireland have no significant prices for this product).

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

- Peaches (various, quality Class I, size 51/61 mm or 61/67 mm according to period).

In 1978, prices were 17.8 % lower than in 1977 in France and 5.3 % lower in Italy; it should be said that the 1977 prices sometimes reached three times the basic price. The seasonal trend was, however, normal and the monthly average was well above the basic price.

- Table grapes (various, quality Class I).

Grape prices were lower than in the previous year, both on the French and Italian markets. This is a result of the exceptional prices in 1978.

However, the figures are encouraging in view of the basic price level in respect of French prices, but in Italy only the "Regina dei Vigneti" variety reached, during August, prices substantially higher than the basic price. Prices for the "Regina" variety, on the other hand, remained more or less at the basic price level.

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

Prices in 1977 were more than double those in 1976 and it is therefore not surprising that they fell by 15.4 % in 1978.

However, the daily prices recorded throughout the year provide quite high monthly averages which, according to the variety in question, sometimes reached twice the basic price.

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

The average annual price for mandarins increased by 26.7 % compared with 1977/78.

The monthly prices did not vary greatly and were normally between 10 and 15 EUA above the basic price.

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

The annual average price for lemons for 1978/79 was 5.4 % lower than in the previous year, when very high prices were recorded as a result of falling production.

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

- Cauliflowers ("with leaves" or "trimmed", according to period, quality Class I).

The average annual price trends, compared with 1977 prices, were the opposite of those in 1976 and 1977, as prices increased in Member states where they had earlier fallen (France, Italy, United Kingdom, Denmark) and fell in those where they had earlier risen (Germany, Netherlands, Belgium).

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

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

As for cauliflowers, the annual average prices for tomatoes in the Member States moved in the opposite direction to that recorded between 1976 and 1977. Price increases between 4.5 % and 20.3 % took place in Germany, the Netherlands, Belgium, Ireland and Denmark, while prices fell in France, Italy and the United Kingdom.

The monthly analysis shows that the daily rates sometimes fell below the basic price in France and Italy, particularly during the high season in July and August.

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

c) World prices

Given the perishable nature of the products, fruit and vegetable prices are fixed more or less independently on the principal markets. There is, strictly speaking, no world market for such products and consequently no world price.

d) Consumer prices

In view of the wide diversity of products - types, varieties, qualities, size - and the wide variations of price for a given product at consumer level, it is not possible to determine consumer prices for the many types of fruit and vegetable.

If the retail price indices for fruit and vegetables are taken as a basis, it appears that, between 1977 and 1978, prices fell for the first time in most Member States : - 3.7 % in Germany, - 5.0 % in Ireland, - 5.9 % in Belgium, - 9.3 % in the Netherlands, - 11.5 % in Luxembourg and - 17.5 % in the United Kingdom. In the other Member States there were increases, 2.6 % in Denmark, 5.4 % in France and 15.9 % in Italy.

6. Outlook

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

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

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

7. Economic aspects of the measures taken

a) Import and export measures

i) Countervailing charges on imports

During the 1978/79 marketing year, countervailing charges were imposed on imports of the following products :

cucumbers, from Spain, Bulgaria, Greece, Romania and Albania;

tomatoes from Morocco, Romania and Bulgaria;

peaches from Greece and Bulgaria;

some varieties of apple from Spain and Poland;

table grapes from Greece and Bulgaria;

certain varieties of plums from Spain, Romania and Yugoslavia;

certain varieties of oranges from Greece;

mandarines from Algeria.

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 1978/79 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, table grapes, walnuts in shell, shelled almonds, shelled hazelnuts, peaches, dessert apples and tomatoes.

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

iii) Protective measures

Protective measures were adopted against aubergines from Spain, suspending their release to the market in France entirely from 8 to 31 May 1978 and, subsequently, partially from 1 to 21 June 1978.

Protective measures were also adopted against dessert apples from Chile, suspending their release to the Community market from 17 June to 15 August 1979.

iv) Apples from the southern hemisphere

In view of the large stocks of Community apples and the quantities available for export from countries in the southern hemisphere, the Community was able to obtain the agreement of the supplier countries in the southern hemisphere to adapting their programmes for exports to the Community, for March to August 1979, to take account of the situation on the Community market. It was not possible to reach an acceptable arrangement with Chile and the Commission was obliged to adopt protective measures (see 7 (a) (iii)).

b) Withdrawals from the market

Intervention during 1978/79 was on a larger scale than in 1977/78 for apples and citrus fruit; it was on a smaller scale for other products.

The quantity of apples withdrawn was 366 000 tonnes, 5.32 % of production. The largest withdrawals were in the Netherlands (120 000 tonnes) but the highest proportion of the harvest was reached in Belgium (24.81 %, 66 000 tonnes).

Withdrawals of citrus fruit took place only in Italy and accounted for 94 000 tonnes of oranges, 52 000 tonnes of mandarins and 24 000 tonnes of lemons, 5.82 %, 15.34 % and 3.31 % respectively of Italian output.

Peaches were withdrawn in Italy only (34 000 tonnes) but this only represents 2.19 % of Community production.

Withdrawals of other products were even lower : 1.86 % for cauliflowers, 1.23 % for pears, 0.35 % for tomatoes and practically 0 % for table grapes, only 19 tonnes of which were withdrawn.

c) Measures to promote the marketing of Community citrus fruits

Measures to promote the processing of oranges

Measures to assist the marketing of products processed from lemons

The so-called penetration premiums (financial compensation to promote the marketing of Community citrus fruits) were fixed at the following levels for the 1977/78 marketing year :

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

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

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

9.22 ECU per 100 kg net for mandarins;

5.38 ECU per 100 kg net for clementines;

6.58 ECU per 100 kg net for lemons.

Compared with 1977/78, the financial compensation was increased by the total percentage fixed for the increase in basic and buying-in prices of the same products, i.e. 2 %.

In application of Council Regulation (EEC) N° 2601/69 of 18 December 1969 laying down special measures to encourage the processing of certain varieties of oranges, the minimum price to be paid by processors to producers of oranges and the financial compensation payable to these processors were fixed at the following levels for the 1978/79 marketing year :

Type of product	Minimum price, ECU per 100 kg net	Financial compensation, ECU per 100 kg net
Oranges of the following types		
Biondo Comune		
grade I	10,13	6,79
grade II	8,32	4,99
grade III or mixed	6,55	3,22
Oranges of grade III or mixed of the following varieties :		
Moro and Tarocco	12,92	9,59
Sanguinello	11,99	8,66
Sanguigno	10,13	6,79

Finally, the measures adopted to assist the marketing of products processed from lemons which were applied for the first time in the 1977/78 marketing year, fixed the minimum price to be paid to growers by processors for 1978/79 at 12.39 ECU per 100 kg net and the financial compensation payable to the processors at 7.56 ECU per 100 kg net.

d) Single prices

No monetary compensatory amounts were fixed for fruit and vegetables.

e) The budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on fresh fruit and vegetables amounted to 70.1 million EUA in 1978, is forecast at 140.2 million EUA in 1979 and estimated at 173.2 million EUA in 1980, or 0.8 %, 1.3 % and 1.6 % of total expenditure by the Guarantee Section. The figure of 140.2 million EUA can be broken down into 26.0 million EUA on refunds and 114.2 million EUA on intervention.

b. PROCESSED FRUIT AND VEGETABLES

1. Introduction

From 1977 to 1978 production of processed fruit and vegetables changed as follows :

in '000 tonnes

Products processed from	1977	1978
VEGETABLES	5.234 (x)	4.745 (x)
FRUIT	2.575	2.791

(x) including preserved tomatoes.

Production of processed vegetables fell by 9 % from 1977 to 1978.

The production of jams, marmalades and jellies in 1978 was about the same as in 1977, namely 553 000 t as against 550 000 t. Production of fruit preserves in 1978 was 31 % up on 1977. Production of fruit juices rose by 3 % from 1977 to 1978.

Community production of some sensitive products was as follows :

- a) tomato concentrates : production was 279 000 t in 1978 compared with 175 000 t in 1977, a rise of 37 %;
- b) whole peeled tomatoes : production rose by 17 %, from 775 000 t in 1977 to 905 000 t in 1978;
- c) tomato juice : production fell by 20 % from 49 000 t in 1977 to 39 000 t in 1978;
- d) preserved mushrooms : production fell slightly from 173 000 t in 1977 to 164 000 t in 1978, a fall of 5 %;
- e) preserved peaches : production was 77 200 t in 1977 and rose by 29 % to 99 000 t in 1978;
- f) the production of orange juice in Italy was 77 000 t in 1977 and fell by 21 % to 60 000 t in 1978. Lemon juice production, however, rose sharply (from 28 000 t in 1977 to 38 000 t in 1978, an increase of 36 %).

2. Consumption and trade

The general state of trade in this sector is shown in the following table :

1977

	IMPORTS		EXPORTS	
	Tonnes	m EUA	Tonnes	m EUA
TOTAL	3 992 395	2 508,855	2 276 330	1 386,029
Intra-EEC	1 858 686	1 163,358	1 814 695	1 082,710
Non-member countries	2 133 709	1 345,497	461 635	303,319

1978

	IMPORTS		EXPORTS	
	Tonnes	m EUA	Tonnes	m EUA
TOTAL	4 012 000	2 674,500	2 971 400	1 924,000
Intra-EEC	1 912 000	1 280,300	1 537 500	1 620,000
Non-member countries	2 100 000	1 396,200	433 900	305,000

The available quantities of tomato concentrates and peeled tomatoes rose by around 22.5 % from 1977 to 1978. This was mainly due to an increase in production.

The quantities of tomato concentrates available for consumption were 333 000 t in 1977 and 376 000 t in 1978.

Imports fell from 158 000 t in 1977 to 93 000 t in 1978. Exports, on the other hand, remained steady (83 000 t in 1977 and 82 500 t in 1978).

Intra-Community trade slightly from 62 000 t in 1977 to 80 000 t in 1978.

Imports of peeled tomatoes rose from 57 000 t in 1977 to 61 000 t in 1978. Exports, on the other hand, fell slightly : 51 000 t in 1977 and 44 000 t in 1978. The quantities available for consumption rose from 676 000 t in 1977 to 863 000 t in 1978. Intra-Community trade fell slightly (from 162 000 t in 1977 to 156 000 t in 1978).

Imports and exports of tomato juice remained practically unchanged; from 1977 to 1978.

Imports of preserved peaches rose slightly 102 000 t in 1977 to 107 100 t in 1978. Exports remained insignificant, and even showed a tendency to fall.

The quantities of preserved mushrooms available for consumption increased considerably, from 196 500 t in 1977 to 210 000 t in 1978. Imports also rose : from 30 000 t in 1977 to 46 000 t in 1978; exports remained at the same level.

3. Prices

World prices for tomato-based products, after becoming slightly more stable in the early months of 1977, remained fairly stable in 1978 but showed a slight downward trend.

The Community price levels for other products did not give rise to any difficulties, generally speaking.

4. Outlook

Production of tomato-based products in 1979 will be up on 1978. The system of production aid for tomato concentrates, peeled tomatoes, tomato juice, peaches in syrup and prunes, applied for the first time in the 1978/79 marketing year, has succeeded in its objective of strengthening the position of Community products. It was possible to dispose of increased production without difficulty.

The protective measures adopted at the end of May 1978 for preserved mushrooms are still in force.

The objective of setting up a system of voluntary restraint has been partly achieved (People's Republic of China). Other non-member countries are expected to join the system, making it possible to relax the protective measures.

5. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on processed fruit and vegetables amounted to 30.6 m EUA in 1978, is forecast at 276.3 m EUA in 1979 and is estimated at 351.1 m EUA in 1980, respectively 0.4 %, 2.7 % and 3.2 % of total expenditure by the Guarantee Section. The system of production aid introduced in 1978 has had the effect of carrying expenditure for the 1978/79 marketing year forward to 1979.

c. LIVE PLANTS

1. Introduction

After some years of expansion, the live plants sector seems to have stagnated somewhat since 1977, although there is some movement between the various groups of products. With an estimated overall production of 3.5 milliard ECU, the sector represents 3 % of the total value of agricultural production in the Community.

2. Production

In the absence of statistical surveys, production data are based largely on estimates. These indicate the following position :

PRODUCTION IN MILLION ECU

YEAR	BULBS	NURSERY PRODUCTS	CUT FLOWERS AND POT PLANTS	TOTAL
1974	160	363	1 897	2 420
1975	167	395	2 091	2 653
1976	199	480	2 603	3 282
1977	225	534	2 891	3 650
1978	230	540	2 930	3 700

RATE OF CHANGE

YEAR	BULBS	NURSERY PRODUCTS	CUT FLOWERS AND POT PLANTS	TOTAL
1975	+ 4	+ 9	+ 10	+ 9
1976	+ 19	+ 21	+ 24	+ 24
1977	+ 13	+ 11	+ 11	+ 11
1978	+ 2	+ 1	+ 1	+ 1

3. Trade

Both intra-Community trade and trade with non-member countries have continued to increase : between 1977 and 1978 intra-Community trade rose by 8.5 % (the annual average for the period 1973/77 was 11.5 %). Imports from non-member countries rose by 29.4 % between 1977 and 1978 (the annual average for the period 1973/77 was 24 %). It should be noted that imports of cut flowers rose more steeply. Exports to non-member countries rose very slightly (1.8 % up on 1977).

In trade with non-member countries there was a reduction in the surplus of exports over imports, as indicated by the figures for previous years.

The surplus of exports over imports, expressed in million ECU, was as follows :

1974	120
1975	121
1976	141
1977	143
1978	105

4. Consumption

In the absence of specific figures any assessment of the trend in consumption must be based on an analysis of the market. This shows that consumption of Community products is levelling off and the overall increase in consumption is being absorbed by imported products.

5. Outlook

Until 1978 the sector had managed to hold its own, since 1973 against energy problems and since 1976 against the removal of import restrictions. Rising production costs and imports continue to exert pressure on the sector and this situation is aggravated by the most recent energy problems.

12. HOPS (1)

1. Introduction

World production in 1978 was 108 600 tonnes, 7 % down on 1977, and forecasts for 1979 predict a rise (about 114 500 tonnes). The world market is nevertheless still marked by a slight imbalance between supply and demand, particularly in respect of the bitter varieties resulting from the expansion of the areas under hops in 1969/74 and from the increasing use of hop extracts in the brewing industry. This results from the use of less hops per unit of beer and the development of new techniques for the manufacture of hop powders and extracts which enable these products to be stored for several years. Merchants' and brewery stocks remain high and exert constant pressure on international market prices.

The Community certification scheme for hops was applied in 1978 for the first time. This improved market transparency, which was reflected by an increase in prices, particularly for the aromatic varieties. At the same time, structural measures (to encourage quality production and reduce the area planted) had the effect of stabilizing the market and encouraging production of the varieties most in demand on the international market.

2. Structure

In 1978 the Commission recorded that there were 7 020 growers in the Community, including 6 307 members of recognized producer groups, the setting up of which is encouraged under Regulation (EEC) n° 1696/71, 403 members of non-recognized groups and 310 independent growers.

3. Production

EEC production was 42 700 tonnes in 1978 (about 39 % of world production of hops) 11 % down on 1977. The area under hops was 25 262 ha down about 1 970 ha on 1977). In 1979 the area is about 24 620 ha and production is estimated at 44 100 tonnes.

The increase in demand for varieties rich in alpha acid has led to large-scale replantings with those varieties in all Member States. The two main types of variety, aromatic and bitter, account for 49 % and 50 % of the EEC area respectively, as compared with 73 % and 26 % in 1971.

(1) See Tables M.12.1 to M.12.3

4. Consumption

The brewing industry is the only user of hops. World demand for beer is rising by about 3 % a year (the highest increase in beer production is in the Third World and Eastern European countries) but demand is stationary in the EEC. Because of the new manufacturing techniques, the demand for hops is increasing less rapidly, by about 1 % in the world-wide context, and is even falling slightly in the EEC.

5. Trade

In 1978 the EEC exported 43 % of its production to non-member countries. It thus remained the chief world exporter, followed by the United States, Czechoslovakia and Yugoslavia. However, exports from the Community have been falling slightly since 1975 because of the reduction in Community production and the international monetary situation (devaluation of the US dollar against European currencies). The Community's imports of cones and extracts have also fallen slightly.

6. Prices

As a result of the introduction of Community certification and structural measures prices rose by about 18 %, particularly for the aromatic varieties. This trend can be expected to have continued in 1979. The quantities sold in advance under contract for 1980 and 1981 should represent around 75 to 80 % of production, as against 65 to 70 % in 1977 and 1978.

7. Short-term outlook

The 1979 harvest is likely to see an increase of about 400 ha in the total world area under hops. The area in the EEC has fallen by about 2 000 ha while that in the rest of the world has increased slightly. Forecasts for the 1979 harvest predict that yields will be high but will fall well short of demand. This will help reduce part of the world's surplus stocks, which could have the effect of raising prices in 1980 and 1981.

For the 1980 harvest, attention should be drawn to the effect of the growing use of hop powders and extracts and the reduced bitterness of beers, which means that fewer hops are used per unit of beer; thus, despite an increase in beer production of about 3 %, demand for hops will rise only slightly (by about 1 %). It may thus be concluded that the restoration and preservation of a satisfactory world market balance in the 1980's will require the area under hops to be better adjusted to demand.

8. Economic aspects of the measures adopted

Despite the reduction aid for the 1978 harvest as compared with 1977, the average return (including aid) increased by 3 843 ECU/ha in 1977 and 4 220 ECU/ha in 1978. The trend by group of varieties was as follows in ECU/ha :

	<u>1977</u>	<u>1978</u>
Aromatic varieties	3 815	4 459
Bitter varieties	3 905	4 003
Other varieties	3 077	3 678

In view of the improvement in the market situation, for the first time since the 1974 harvest the Commission did not apply Article 12(6) of the basic Regulation to make new plantings ineligible for Community aid.

9. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on hops amounted to 11.2 m EUA in 1978; it is forecast at 11 m EUA in 1979 and estimated at 11 m EUA in 1980.

13. MILK AND MILK PRODUCTS (1)

1. THE PRODUCTION AND USE OF MILK

- a) The dairy cattle herd of the Community expanded once again in 1979 - there was an increase of 1.1% in dairy cow numbers. Since 1977, a premium has been granted for the non-marketing of milk and the conversion of dairy herds with the goal of reducing the number of cows in the Community. By the summer of 1979, 860 000 animals were covered by approved applications made under these measures. Almost half of the applications were from Germany. However, so far these measures have not prevented a further increase in the number of dairy cattle. In view of the general economic situation and because of the lack of alternatives for milk producers both within agriculture and outside, a significant decline in the number of dairy cows is unlikely in the short term unless economic measures on a longer scale are implemented as general milk policy.
- b) The trend towards higher milk production persists and has gathered momentum. In most regions of the Community this trend is facilitated by an adequate supply of farm-grown feed and by purchases of inexpensive concentrated feed, of which an important ingredient is soya. The economic situation in the milk sector is still attractive and in 1978 the weather was also favourable. As a result, for 1978 alone, there was a further increase in the average Community yield by 155 kg per cow, so that milk production for the first time exceeded 100 million tonnes. If no more restrictive measures are taken, milk production may be expected to rise again. Even if the number of cows fell slightly, it would not be sufficient to halt the increase in production if the yield per cow continues to rise. Compared with 1978, milk production in 1979 is expected to increase again by about 2%.
- c) Milk deliveries to dairies in 1978 exceeded those in 1977 by about 5%. This is a result of increased milk production and the fact that the percentage of production actually delivered to dairies in the Community has risen to over 90%. Since there is no corresponding demand for milk and milk products at current prices within the Community or outside, surpluses have to be stored as butter or skimmed-milk powder, at heavy expense.

(1) See Tables M.13.1 to M.18

2. PRODUCTION AND CONSUMPTION OF THE MOST IMPORTANT MILK PRODUCTS

a) Drinking milk

In 1978 the production and marketing of fresh milk recovered back to the level of 1976. All the signs suggest that in 1979 a slight fall in production and sales of fresh milk is to be expected. The shift of manufacture towards fresh milk products is continuing. It also seems that in the Community more UHT or sterilized drinking milk products are being sold and less pasteurized drinking milk products. As a matter of convenient marketing, both producers and shop-keepers seem to accept the lower quality of these products.

There has been a steady decline in the average fat content of drinking milk products.

The expansion in yoghurt sales, of previous years, has not been maintained. Cream consumption has market time at about the level of previous years.

b) Butter

The production of butter rose by 150 000 t. in 1978 alone, an increase of over 8 %. On the other hand, consumption at market prices is falling. The volume of demand has decreased, particularly in the United Kingdom following the very sharp price increase in connection with the harmonization of prices. The sizeable United Kingdom subsidy on butter for final private consumers has slowed, but not halted, the fall in the consumption of butter.

In 1979, butter production is again expected to exceed that of 1978 by about 20 000 t. The imbalance on the butter market continues to grow on account of the persistent decline in consumption. Although special marketing measures enable butter to be sold at greatly reduced prices within the Community and although exports at world market prices and as food aid also provide some relief, stocks are continuing to rise. By the end of September 1979 total public and private stocks has risen for the first time above the 600 000 t. mark.

In addition the butter figures include imports under Protocol 18, amounting in 1979 to 120 000 t.

Since 1977, exports have expanded, particularly to state-trading countries, on the basis of contracts concluded in the period up to the end of 1979.

c) Skimmed-milk powder

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

In 1978 production was 2.2 million, exceeding the 1977 figure by almost 10%. A slight drop is expected (50 000 t.) for 1979, as more of the available skim milk is being used for other purposes.

The manufacture of skimmed-milk powder far exceeds demand at market prices. Only about 12% of the powder manufactured can be sold in the Community at the fixed price. 60% is sold as feed with a 50% price reduction for fattening calves, while almost 15% is exported, with sizeable refunds, to non-member countries.

Furthermore, skimmed-milk powder is sold both within the Community for the feeding of pigs and outside the Community as feed or as food aid at prices which do not even return the costs of drying and packing the powder.

As a result of these measures, which are a heavy burden on public funds, stocks have been reduced so successfully that by the end of 1979 there will be less than 250 000 t. of skimmed-milk powder in public storage.

d) Cheese

Community cheese production and consumption also increased in 1978 by about 3%. This trend, which has been apparent now for several years, seems to have persisted in 1979. The cause of this is a steadily improving supply situation with regard to quality and preparation, as well as the active marketing policy of cheese manufacturers throughout the Community.

e) Whole-milk powder

Production of whole-milk powder has risen in recent years mainly on account of increased exports. Consumption within the Community, however, has remained unchanged. Fluctuations in this sector will continue to be determined chiefly by demand on the world market. This trend will continue in 1979 as a result of an expansion in export outlets.

f) Condensed milk

Following the reduction in demand and export outlets, the production of condensed milk dropped in 1978. Community consumption has not increased for several years.

g) Casein

In the Community the manufacture of casein and caseinates is only possible thanks to heavy expenditure of public funds; the import duties for the main tariff headings are bound under GATT at a very low level.

However, Community manufacturers have been succeeded in increasing their share of the international market and the world market in recent years.

3. WORLD MARKET SITUATION

INTERNATIONAL TRADE AND PRODUCTION DEVELOPMENT

MILK PRODUCTION

International statistics show that the number of dairy cows throughout the world increased by about 1 % in 1978. There was a downward trend in the numbers of dairy cows in North America, Australasia and in Western European countries which are not members of the EEC. In some cases this trend is due to a planned reduction in milk production. Nevertheless, the number of dairy cows increased in the United States during the second half of 1978 and then dropped in the first few months of 1979. In Australia the number of dairy cows dropped by over 5 % in 1978 mainly because of weather conditions and uncertainty about the effects of the new policy. In Eastern Europe the number of cows has on the whole increased to meet the growing demand for milk there. East Germany is the only country where the number of dairy cows has fallen, since supplies of animal feed were poor in 1978. As already mentioned in another chapter the number of dairy cows increased by about 1 % in 1978 in the EEC but it is uncertain whether this increase will continue.

Total world milk production slowed down to an increase of less than 2 % in 1978 compared with a growth rate of 3 % in 1977. World milk production has been almost stable during the first half of 1979.

As regards 1978 as a whole, growth in milk production was considerably slower in developing countries than in developed countries. The greatest relative increases have been in Latin America and in the Middle East. It is, however, in the developed countries and in particular in the EEC where there has been the largest quantitative increases despite the fact that the volume of EEC milk deliveries only increased by about 2 % in the first half of 1979. Milk production dropped in the United States, and also fell, by about 2 %, in the USSR compared with the 1978 level. Production increased slightly in Australasia and is continuing to rise sharply in Japan but it suffered from the hard winter as in most other developed countries. The growth of milk production in developing countries has lost a good deal of momentum.

The total increase in world milk production will be slight in 1979. On the whole, milk yield per cow should increase more slowly since the animal feed situation is less favourable than in 1978. On the whole, the price of concentrated feed is expected to rise on the world markets in 1979/80, despite the prospect of ample supplies next year of oilseed feeding cake and oilseed feeding cake meal.

There is also the question of the general effect of the various political decisions taken in certain countries and described in last year's report.

The situation has changed as follows in some of the major producing/importing countries outside the EEC :

Several quantitative and tax changes have been made in Canada's milk policy with regard to the system of quotas and levies and recently by a change in the milk marketing year, which will now run from August to July (starting 1 August 1979). Between August 1978 and August 1979 the target price for industrial milk increased by 10 % and intervention prices for butter and skimmed-milk powder by 11.8 % and 12.9 % respectively. The inquota levy on deliveries is unchanged for 1979/80 but the overquota levy is being raised by 6.6 %. In the latter case, it had however dropped from 60.4 % to 58.6 % of the target price.

The Canadian Government is also contemplating authorizing an increase of about 3 % in the quota, provided that the additional quantity is exported as condensed milk, whole milk powder or cheese to countries other than the United States or the EEC. For the whole of 1978 Canadian deliveries of industrial milk dropped by 4.2 %. Nevertheless, there was a 3.3 % increase for the various types of liquid milk so that total milk production fell a little (1.7 %) compared to 1977. It seems therefore that the relatively minor changes in Canadian milk production, despite the restrictions under the federal quota for industrial milk, are due mainly to increased consumption and the simultaneous rise in provincial quotas for liquid milk. In the first half of 1979, there was an increase in supplies of industrial milk and milk production in 1979 will probably more than compensate for the drop in 1978. Last year, the Canadian quota for imported cheese was reduced by 45 million lb (20 412 t.) This quantity will remain the same for 1979/80 and accounts for about 12.5 % of total Canadian cheese consumption.

In the United States, where the total number of dairy cows fell by 1.1 % in 1978, the average yield per cow increased by only 0.5 % although the relationship between the milk price and the animal feed price has never been more favourable. Consequently, total milk production was 0.6 % down on the 1977 figure. The fact that yields varied relatively little, despite a favourable relationship between the price of milk and that of feed, is perhaps a sign of an important change in economic behaviour which will have major repercussions on long-term milk production. During the first half of 1979, milk production was at a level close to that of the previous year and, during the second half of the year, it is anticipated that the increase in the price of milk and the continuing favourable relationship between the milk price and that for feed, will be compensated for by an increase in the price of cull cows.

On the whole, 1979 should be a year without any major changes at least as far as United States milk production is concerned. Industrial use should remain at a level close to that of the previous year so that the decline in the growth rate will continue, reflecting the general slow down in the economy and the increase in retail prices. Nevertheless, the total volume of sales of milk products rose appreciably in 1978, since there was a 6.4 % increase in sales of American cheeses, an 8.0 % increase for other cheeses and an increase of 5.6 % for butter, although sales of whole milk dropped by 2.2 %. It seems that the trend towards lower butter prices has halted; it should be noted, however, that less than half the butter sold is used for direct consumption and the proportion of production absorbed by restaurants and the processing industry has probably a lower price-elasticity than retail demand.

From 1 April 1979 the support price for industrial milk was increased to USD 10.51 for 100 lb, 11.5% up on the previous year. Consequently the CCC's support buying-in price, was fixed at USD 1.24 per pound for butter (New York), USD 0.79 per pound for skimmed-milk powder and USD 1.16 for standard Cheddar cheese (weighing 40 lb). The support price for milk again increased with effect from 1 October 1979, by 6.8% compared with 1 April 1979.

The number of dairy cows in New Zealand dropped by 1 % in 1978 and by 0.6 % in 1979. These slight variations have, however, had only a marginal effect on milk production compared with the effect of poor weather conditions, which led to an 8 % fall in the use of industrial milk between 1977 and 1978.

This is why the good weather in 1979, an almost stable number of cows and a slight increase in yield, could well lead in 1979 to a 9% rise in milk production. Following the 1978 drop in milk production, butter production was reduced by 39 000 t and that of skimmed-milk powder by 31 000 t. There was even a slight fall (3 000 t.) in whole-milk powder production which dropped to 69 000 t. after reaching the unprecedented figure of 72 000 t. in 1977. The production of cheese and condensed milk has remained almost stable and that of casein has only dropped slightly. Higher production levels for almost all products leave no doubt that there has been a upturn in milk production in 1979 during the first five months of 1979, production increased by 26 % for butter, 22 % for skimmed-milk powder and 30 % for cheese.

At the beginning of the milk marketing year 1978/79, the Dairy Products Prices Authority fixed the prices of milk fat and non-fat solids at 111.86 c/kg and at 53.86 c/kg for the marketing year, ex-farm. This decision was equivalent to a 15.60 % increase for milk fat while the value of non-fat solids remained the same, so that the total value of whole milk rose by 10 %, from 150.66 c/kg in 1978 to 165.72 c/kg in 1979.

The decision followed the publication of the budget, which contained an undertaking to guarantee the payment of 180 c/kg of milk fat on average for the 1978/79 marketing year, ex-farm. In particular, the Government decided that if the value of milk fat fixed by the Prices Authority and the advance payment by the Board at the end of the season, based on 50 % of the commercial surplus in products derived from milk fat did not, taken together, reach the figure of 180 c/kg, it would make up the difference.

In Australia the Stage II arrangements came into force on 1 July 1978 (milk year 1978/79). This is a system of selective guarantees for specific milk products designed to channel production towards profitable markets. The purpose of the scheme is to reduce the production of unprofitable products such as butter and increase the capacity for more remunerative products such as fresh products, cheese and whole milk powder. The quantity of butter supported by guarantees has been fixed at a maximum of 101 000 t. for 1978/79. This ceiling has been allocated among undertakings in proportion to their production during the reference period (1976/77 and 1977/78). Any excess will bring in only the average export price, so that over-production will be penalized by about 400 Australian dollars per tonne. The 1978/79 guarantees have all been given on a basic figure equivalent to 1.65 Australian dollars per kg butter-fat, ex-farm. A factory may pay this amount or not depending on its production level, overheads, etc.

Although milk deliveries increased by 1 % in 1978 and by about 3 % during milk year 1978/79, there is no doubt that this system of selective guarantees has achieved its aim of diversifying production and channeling it towards the most profitable range of products. This trend is expected to continue during marketing year 1979/80. Cheese production could well increase by 5 % to 145 000 t. Production is expected to drop to 90 000 t. (against 101 000 t.) in the case of butter, to 65 000 t. (against 77 000 t.) in the case of skimmed-milk powder, to 70 000 t. (against 75 000 t.) in the case of whole-milk powder and a slight drop (1 000 t.) will bring casein production down to 17 000 t. According to forecasts, exports will amount to 55 000 t. (up 14.6 %) for cheese and 15 000 t. (up 15.4 %) for casein, while Australian exports of whole-milk powder will probably drop to 40 000 t. (down 9.1 %).

In Japan the increase in milk production, estimated at over 8 % for 1978, is due to the increase in the number of cows and also to increased yield. Consumption of liquid milk has risen by 7 %. Nevertheless, a large proportion of the heavy additional production has had to be processed into butter or skimmed-milk powder (increased by 20 % and 21 % respectively). As a result, surplus stocks in these products have increased although Japan still has a reasonable deficit in milk and milk products. In 1978, cheese imports totalled 73 000 t. (up 12.5 %) and skimmed-milk powder imports for animal feed reached 100 000 t. (up 5.4 %); at the same time imports of skimmed-milk powder for human consumption dropped to 19 000 t. (- 13 %).

World consumption - especially of cheese has increased. Butter and liquid milk consumption has increased slightly in developed countries with a market economy and at a faster rate in Eastern Europe. Milk products have been used increasingly for animal feed, especially in Eastern Europe.

For 1979 one can say that, in general, demand by developing countries has increased, with Iran recommencing its purchases of butter and cheese. The USSR has also purchased considerable quantities of butter from Western European countries and from Australasia. Nevertheless, the figures for world trade for 1978, point to stagnation after the rapid expansion of 1977, especially in respect of cheese and whole-milk powder. As regards total trade in butter and butteroil, international statistics show a drop of 6 %, while the figure is 12 % for skimmed-milk powder. The slightly regressive trend for condensed milk also continued in 1978. This background explains the 2 to 3 % drop in the average value of butter imports. The average value of imports of skimmed-milk powder and cheese have however remained surprisingly stable and that of whole-milk powder imports has continued to go up. The main reason for this has probably been the effects of international negotiations in 1978 and 1979 to strengthen trade agreements within GATT.

The results of the Tokyo Round can be summarized as follows :

- participation by the Community in international arrangements covering in particular the milk sector;
- bilateral agreements with the United States, Canada, New Zealand and Australia on certain types of cheese.

These arrangements or agreements form a well-balanced package for the entire Community.

Nevertheless, the short-term prospects for the world market in milk products point to a persistent and serious imbalance. Although the market showed signs of hardening up in 1979, one should not be too optimistic as long as supplies remain much higher than trade outlets.

Community exports

Last year's report stated that although exceptional outlets for butter had been found in 1977, in particular in the USSR, this was not expected to be the case in 1978. Unexpectedly, requirements in fact increased in Eastern Europe and other countries so that EEC butter exports reached the same level in 1978 and are even expected to increase again in 1979. As a result of this trend, the EEC share of the world butter market (including food aid deliveries) rose from 44 % in 1977 to 48 % in 1978.

In the case of skimmed-milk powder, unaltered EEC exports have, because of slack world trade meant an increase in the market share, which rose from 39 % in 1977 to 45 % in 1978. EEC exports both of cheese and whole-milk powder tended to lose momentum at the same rhythm as world trade, so that the corresponding market shares have hardly altered (37 % and 67 % respectively). EEC exports of concentrated milk declined slightly, although at a slower rate than world trade, so that the corresponding share of the market was 79 % compared with 78 % in 1977.

Community imports

Community statistics show that the Community imported 139 000 t. of butter in 1978, compared with 120 000 t. in 1977. This quantity is roughly equivalent (124 971 t.) to imports of butter from New Zealand to the United Kingdom under the special agreement extending Protocol 18 of the Act of Accession in respect of such imports.

Total Community imports of butter in 1978 accounted for 24 % of world trade in butter and butteroil, including food aid. EEC cheese imports fell in 1978 to 78 000 t. compared with 89 000 t. in 1977, which is connected with the suspension of the arrangement provided for in Protocol 18. In reality, leaving aside this arrangement, cheese imports increased slightly in 1978. Total EEC cheese imports accounted in 1978 for 13 % of world trade in cheese.

4. PRODUCER MILK PRICES

- a) The target price for milk was fixed for the 1979/80 milk marketing year, with effect from 2 July 1979, at 21.40 ECU/100 kg. This meant that there was no change on the previous year. Intervention prices for butter, skimmed-milk powder and certain Italian cheeses were fixed accordingly, in order to follow the aims of the target price as defined in Article 3 of Regulation n° 804/68.

In 1978 actual milk producer prices again showed differences which are attributable chiefly to the monetary measures and the attendant fixing of representative rates for the various national currencies in relation to the ECU. Moreover, the dairies in the various regions of the Community differ in their use of milk, their specific cost situation and their particular market position.

b) Wholesale and consumer prices

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

As a result of economic and monetary differences among the Member States and certain national measures concerning consumer prices, the trends in these prices, expressed in national currency were again very varied in 1978 as compared with 1977.

The Community's cautious price policy for the 1979/80 milk marketing year should enable the situation to settle down somewhat in the long term.

5. MARKET OUTLOOK

The number of dairy cows in the Community rose by 1 % in 1978 after marking time for two years. The increased production seems to have been mainly accounted for by the large herds. The reason is perhaps that more sophisticated management and feeding methods are used for these herds, including wide use of concentrates. It is nevertheless doubtful whether this growth will continue. Inflationary pressure on farmers will mount next year so that programmes for the conversion of herds or the non-marketing of milk may arouse greater interest in the winter 1979/80. Although the number of cows may not rise further, the productivity of the cows, expressed in terms of milk yield per dairy cow, is continuing to rise at an average rate of 1.5 to 2 % per year. Milk production will tend to increase at the same rate, which is why milk deliveries to dairies will increase by between 2 and 2.5 % in 1979 and 1980.

Consumption of fresh products and cheese has been increasing for years at a firm rate in periods of prosperity and at a slower rate in times of recession. Since the slowdown in the European economy seems to be continuing, consumption forecasts for these products are not as optimistic as they were over the last two or three years. On the whole it is unlikely that increases in milk production will be absorbed by higher market demand. On the contrary, it is likely that butter production will expand further as will production of the main by-products, skimmed milk and skimmed-milk powder.

The commercial demand for butter is tending to decline and the quantity of skimmed milk paid for at the full price by consumers seems low compared to the quantities available. The Community has no choice but to adopt measures to segment the butter and skimmed milk markets. This policy entails a reduction in the retail price for butter compared to the common price level and as great an increase as possible in the consumption of butter and skimmed milk, by isolating the markets which are likely to absorb surplus production at the lowest possible charge to the Community budget. This split market formula has enabled skimmed-milk powder stocks to be dealt with. The same does not however hold good for butter, where intervention stocks are increasing. The present set of Community measures is incapable of dealing with the problem of continually growing butter production. The conclusion is that the basic imbalance on the market in the milk sector will get worse in the immediate future.

World trade in most milk products was lively in 1979, mainly because of demand from the Eastern European countries, which had suffered from unfavourable weather conditions. Nevertheless, the world market is in serious short-term imbalance, since total supply still far exceeds commercial demand.

6. ECONOMIC EFFECTS OF THE MEASURES TAKEN

a) Imports

Under Article 14 of Regulation (EEC) N° 804/68, the import levy is normally the difference between the threshold price and the Community's free-at-frontier price. When prices were fixed for the 1979/80 marketing year, threshold prices, except those for powdered whey and lactose were not changed. The fixing of the levies did not lead to imports of milk and milk products liable to disturb the market.

Under the existing trade agreements between the Community and various non-member countries, the minimum prices for the tariff headings and quantities concerned were maintained unchanged so that it was possible to respect the export conditions agreed for butter, various cheeses and baby food.

b) Exports

Exports of most milk products made gains as a result of increased demand on the world market in 1978. Refunds were granted to make these exports possible and for long periods there was no need to change these for most milk products. This favourable development continued in 1979. With the exception of condensed milk, exports of all milk products increased slightly, in particular butter, cheese and whole milk powder.

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

At the start of the milk year 1979/80 the aids have been fixed as follows :

	ECU/100 kg
Liquid skimmed milk for fodder purposes	5.65
Skimmed milk powder for fodder purposes	55.60
Skimmed milk used for the manufacture of casein	6.71

A special aid amounting to 7.86 ECU/100 kg was granted for feeding pigs and poultry.

Since September 1977 a special aid has also been granted for the use of skimmed-milk powder for feeding animals other than calves. The amount of this is fixed by a tendering procedure.

In 1978 in all sectors where aid was granted, the quantities have continued to increase. The use of skimmed-milk powder for feeding calves has stabilized in the Community, because aid is granted only if at least 60 % of the powder is incorporated into the compound feed.

d) Storage

Butter

In 1978, 347 000 t. of butter was bought in by the intervention agencies. Over the same period 174 000 t. of butter was sold in connection with special measures and a further 49 000 t. from public storage were allocated for food aid. Public stocks of butter were 231 000 t. at the end of 1978 and are continuing to increase.

During 1978 private storage aid was granted for 309 000 t. of butter. At the end of 1978, 180 000 t. were still in storage. In 1979, 280 000 t. were stored in private warehouses, of which 100 000 t was still in storage at the end of the year.

Skimmed-milk powder

In 1978, 467 000 t. of skimmed-milk powder were bought in by the intervention agencies, while 754 000 t. were removed from storage, 496 000 t. in connection with special measures within the Community, 216 000 t. for export and a further 42 000 t. for food aid.

Italian cheeses, long-keeping cheeses

In 1978, few intervention measures for Grana and Parmigiano were applied. In 1978 and 1979 private storage aids for certain long-keeping cheeses, which have been applied regularly since 1978 and which were extended to Provolone from 31 July 1978, were also fixed.

e) Food aid

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

The quantities supplied were as follows :

	Butteroil	Skimmed milk powder
1976	45 000 t.	150 000 t.
1977	45 000 t.	105 000 t.
1978	45 000 t.	150 000 t.
1979	45 000 t.	150 000 t.

The deliveries are made on the basis of set administrative procedures from the moment recipients have stated that they are ready to take the goods over.

7. UNIFORMITY OF PRICES

MONETARY COMPENSATORY AMOUNTS

Monetary compensatory amounts are fixed in the milk sector on the basis of the general monetary policy applicable to agriculture. For some time the Commission had noticed certain shifts in intra-Community trade in milk products. This led it to change some of the calculation methods initially from 5 September 1977, and then, finally, from 4 June 1979.

In essence, in all agricultural sectors, the monetary compensatory amounts are calculated for the basic agricultural product, except in the case of milk, where it is butter and skimmed-milk powder which are used for reference. The changes adopted should help to provide a better balance. Since the fixing of prices in ECU did not actually alter prices, the rates of monetary compensatory amounts were maintained at the same level for the 1979/80 milk year in the Member States with appreciated currencies (Benelux and Germany).

8. BUDGETARY EXPENDITURE

The Expenditure by the Guarantee Section of the EAGGF in respect of milk products amounted to 4 014.7 million EUA in 1978; the provisional figures are 4 420 million EUA in 1979 and the estimate is 4 709.6 million EUA for 1980, 46.3 %, 42.9 % and 43.0 % respectively of the total expenditure of the Guarantee Section.

The 1979 figure of 4 420 million EUA is broken down as follows :
2 032 million EUA for refunds, 1 087 million EUA for aid for skimmed milk for animal feed, 202.1 million EUA for aid for casein, 306.9 million EUA for expenditure on storage and measures to dispose of skimmed-milk powder, 588.8 million EUA for premiums for the non-marketing of milk and conversion to beef herds. Financial participation by means of a "coresponsibility levy", which was introduced in the milk sector on 16 September 1977, accounted for 156.1 million EUA in 1978; the provisional figure for 1979 is 96.0 million EUA and the estimate for 1980 is 93.2 million EUA.

14. BEEF AND VEAL¹

1. Introduction

Beef and veal production (adult and calves) accounted for 15.8% of the value of final agricultural production in 1978.

The number of farms engaged in beef and veal production is now down to about 2.7 million; or roughly two thirds of all farms in the Community. Since 1973, the number of beef farmers has dropped at average annual rate of 4.5%. Grassland represents about 60% of the Community's UAA and, since cattle rearing is essentially dependent on the land, it is not surprising that most beef and veal is produced in countries with large areas of pasture.

The Community, with just over 13% of world production, is in third place, just behind the USSR, among world producers of beef and veal, but far behind the USA.

2. Production

(a) Cattle numbers

The number of slaughterings has been relatively low in the Community; the Community market in beef and veal was thus more stable than others in 1978.

The survey of cattle numbers in December 1978 revealed 77.8 million head of cattle (31.2 million cows), i.e. up 0.8 and 1.0% respectively on the previous year, which indicates, in fact, a modest recovery in numbers, but is 2% below the 1973/1974 figure.

In december 1978 the number of calves (cattle less than one year old) was over 1% up on December 1977 and the number of beef cows had risen by 0.7% after decreasing two years running.

In the past, the average increase in cattle numbers has been about 1% per year, while the number of cows has remained relatively unchanged.

¹See Tables M.14.1 to M.14.7

(b) Production of beef and veal

1978 marked a turning point for the Community market in beef and veal; although slaughterings of cattle were down on 1977 in terms of headage, the tonnage of beef and veal was up.

Slaughterings

In 1978, slaughterings of adult cattle amounted to about 20.1 million head, i.e. some 1.1% less than in 1977; in the first half of 1979, the number of adult cattle slaughtered was considerably (4%) higher than the figure for the corresponding period in 1978, while about 7.4% more cows were slaughtered.

On the basis of the trend in Community cattle numbers and in view of the slaughterings of cows under the reorganization programme in the milk sector, it is estimated that the number of adult cattle marketed in 1979 will be up on the 1978 figure.

It is expected that more young cattle (young bulls) and fewer adult cattle (beef animals) will be slaughtered, while slaughterings of cows will be markedly up.

Slaughterings of adult cattle have shown a different trend from slaughterings of calves in recent years; there has been a slight increase in the former and a substantial fall in the latter.

In 1978, slaughterings of calves amounting to 6.9 million head, showed a decrease of 1% on the 1977 figure; but during the first half of 1977 the number of calves slaughtered rose by around 2.7% compared with the level recorded in the first half of 1978.

Slaughterings coefficient (i.e. the relationship between slaughterings and cattle numbers)

Although down on the four previous years, the slaughtering coefficient in 1978 was still at quite a high level.

Average slaughter weight

In 1978 average slaughter weights, 281.9 kg for adult cattle and 108.1 kg for calves, were 1.5% and 3.7% heavier respectively than those recorded in 1977.

Since feed prices were relatively low, the average slaughter weight of adult cattle continued to rise quite substantially in 1978 and for calves the rise was even more marked.

Production of beef and veal

After reaching the trough of the cycle in 1976 and 1977 production of beef and veal showed a slight recovery in 1978. Net production, 6 427 million t in 1978, was 0.7% up on 1977.

In 1978 beef production increased by 0.4% in the Community; during the first half of 1979 production rose sharply.

Production of veal rose by 2.8% in 1978 as a result of the marked increase in average slaughter weight. During the first half of 1979 veal production was again up on the corresponding period of the previous year.

Over the last 15 years, there has been an average increase in beef and veal production of 1.5 to 2% per year.

In recent year stock-rearing structures have greatly changed :

- the number of stock farmers has been falling at the rate of 4.5% a year, mainly owing to the disappearance of small farms, and
- the number of animals per farm has been increasing.

Thus in December 1977, the average size of cattle herd per farm was over 28 head for the Community, about 12 in Italy and 72 in the United Kingdom.

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

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

As a result of the great expansion in the organized production of young bulls up to 1974, young male animals now account for about one third of all adult cattle slaughtered.

3. Consumption

(a) Consumption of beef and veal

Despite continuing economic difficulties, such as the fall in the growth rate as a result of the energy crisis and the significant increase in unemployment, beef and veal consumption again increased substantially in 1978.

On account of still plentiful supplies, consumption of beef and veal increased by about 1 to 2% to 6.7 million tonnes. The consumption trend for the coming years is expected to be less favourable, one reason being that there is relatively little income/demand elasticity in the Community at the moment.

Bearing in mind the general economic problems and the unemployment situation in the Community, there is unlikely to be a substantial increase in beef and veal consumption in 1979.

The trend of beef and veal consumption is affected by the following factors :

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

(a) Annual per capita consumption of beef and veal increased steadily between 1964 and 1971; in 1972 and 1973, however, it stabilized in the Community at around 24.5 kg, about 1 kg less than the maximum attained in 1971. After marked growth again in 1974, per capita consumption levelled out in 1975 and 1976 at 25.2 kg. In 1978, per capita consumption rose again to 25.7 kg, compared with 25.4 kg in 1977 : 22.8 kg for beef and 2.9 kg for veal.

In the past, per capita consumption has been increasing by an average of about 1% per year. As a result of the present economic difficulties, however, the annual increase is now well below 1%.

Over the medium term, per capita consumption of beef has increased, while per capita consumption of veal has dropped.

- (b) Thanks to substantial population growth, overall consumption of beef and veal increased considerably between 1963 and 1971 (by more than 1.5%); but in 1972 and 1973 it fell from the 1971 level, no doubt on account of the cyclical fall in production.

Although consumption of beef and veal increased considerably in 1974, when production rose sharply, it remained static at around 6.5 million tonnes in 1975 and 1976, and in 1977 and 1978 it rose only slightly to around 6.6 million and 6.7 million t. respectively.

The annual rise in total beef and veal consumption will probably be less in future than in the decade preceding 1973 because of the drop in the birth rate and in the level of economic activity.

(b) Self-supply rate

In the past years the Community market had had abundant supplies of beef and veal, as a result, among other things, of the import commitments entered into and intervention stocks.

Over 100% in 1974 and 1975, the self-supply rate for beef and veal dropped to about 96% in 1977 and 1978. The Community consumption of beef and veal has not been keeping pace between supply in recent years, as is evidenced by the stocks of intervention meat.

If public stocks have not yet been run down, this is largely because of the fact that, sizeable imports of beef and veal and intervention buying-in have continued. The quantities of intervention beef and veal (including meat qualifying for private storage aid) still in storage in autumn 1979 amounted to some 0.28 million t., expressed in terms of bone-in meat. It is likely, therefore, that there will still be a considerable quantity in storage at the end of 1979.

4. Trade

Intra-Community trade in beef and veal has totalled over 1 million t a year for the past five years and has increased by about 9 to 10% a year since 1973.

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

455 000 t in 1974
 289 000 t in 1975
 415 000 t in 1976
 379 000 t in 1977 and
 415 000 t in 1978

It should be noted that the major part of these imports enter the Community under special conditions.

The Community's external trade

Trade	Period	1973	1974	1975	1976	1977	1978
<u>Imports from non-member countries :</u>							
Beef and veal		990	445	289	415	379	415
of which live animals		168	102	35	54	46	67
('000 head)		(846)	(517)	(183)	(265)	(257)	(385)
Fresh or chilled meat		235	83	29	47	48	62
Frozen meat		548	171	77	154	141	122
Preserves		39 ¹	99	148	160	144	164
<u>Exports</u>							
of which preserves		11 ¹	22	20	38	41	38
Net trade balance		904	255	52	206	227	247

¹EUR 6 only.

Exports of beef and veal, which had exceeded 200 000 t from 1974 to 1976, fell to 152 000 t in 1977 and totalled 168 000 t in 1978.

The beef and veal deficit in the Community's external trade was thus more than 200 000 t in both 1977 and 1978.

The main suppliers of beef and veal to the Community in 1978 were :

- Latin America countries, notably Argentina and Uruguay, supplying around one fifth of total imports and two thirds of imports of live animals, in particular from Hungary and Poland (33%),
- Australia and New Zealand, supplying around 5% of total imports,
- Yugoslavia, supplying about 13% of imports of live animals and fresh and chilled meat,
- Austria, supplying around 18% of live animal imports,
- Lastly, ACP countries (Botswana, Swaziland, Kenya, Madagascar), supplying more than 8% of total imports.

Our main customers in 1978 were :

- Mediterranean European countries (Spain, Yugoslavia, Greece) taking around one fifth of our total exports,
- East European countries, taking roughly 15% of our total exports,
- Middle East countries, particularly Syria and Iran, for over 12% of our total exports and more than 50% of our exports of preserves,
- African countries, particularly Libya and the Maghreb countries for our live animal exports and Nigeria and Angola for meat products.

5. Prices

(a) Common prices

The guide price for adult cattle for the 1979/80 marketing year has been fixed at 154.58 ECU/100 kg live weight for the whole Community.

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

The Council has also fixed the intervention price at 139.12 ECU/100 kg live weight or 90% of the guide price, thereby derogating from Regulation (EEC) N° 805/68 for this marketing year.

(b) Market prices

In 1973 there was a reversal in the trend in beef and veal prices in the Community; this trend has been upward since the 1968/1969 marketing year, but a downward trend in market prices began in 1973/74.

In 1978, the average Community market price for adult cattle rose by only 1.3% which was well below the inflation rate (1). The average prices for adult cattle settled at around 86.5% of the guide price, i.e. at a level well below the Community intervention price.

In mid-September 1979, Community market prices for all qualities of adult cattle still stood at around 85% of the guide price.

The Community market price for calves rose by only 3.3% in 1978, compared with 4.9% in 1977.

Trend in prices for adult cattle

Price	Period	In ECU/100 kg live weight		
		1978/79	1979/80	% Change
Guide price		152,29	154,58	+ 1,5%
Intervention price		137,06	139,12	+ 1,5%
Market price				
- in money terms		130,55	132,45*	+ 0,3%
- as percentage of guide price		86,1	86,5	
Import price		76,47	81,60*	+ 6,3%

* April to September 1978.

(1) In national currencies, however, this rise averaged about 8.4%.

(c) Import prices

Since 1975, the free-at-frontier offer price, although about 20% less than in 1973, varied little up to the end of 1978.

However, from the beginning of 1979 the offer price for live animals and fresh or chilled meat rose by about 10% and the offer price for frozen meat increased even more by over 40%.

(d) Consumer prices

Consumer prices for beef and veal have risen fairly sharply over the years; similarly in 1978 they rose again by some 10% on average, in national currencies.

(e) Cost of animal feed

The drop in world prices for feed grains in 1977 and their relatively low level in 1978 and the further marked reduction of prices for protein-rich products used in animal feed in 1978 made the cost of commercial feedingstuffs relatively low in 1978.

6. Outlook

- (a) After the successive falls in cattle numbers recorded up to 1977, there was little change in cattle numbers in the Community as a whole between December 1977 and December 1978, albeit 2% down on the 1973/74 figure.

In 1979, Community production of beef and veal is expected to be slightly higher than the 1978 figure, i.e. some 6.6 million t.

It is estimated that 1980 will see either no change or a slight increase in Community production of beef and veal and that, as from 1981, an upturn in the Community production cycle will take place.

Consumption of beef and veal rose by about 2% in 1978.

Since consumption of beef and veal depends not only on the general economic and employment situations and on the rate of population growth but also on the supply of beef and veal as compared with other red meats, consumption of beef and veal is expected to increase only slightly in the coming years.

Given the probable production and consumption trends and the stocks of intervention meat may be sold in the coming months, net imports may be assessed at about 200 000 tonnes for both 1979 and 1980.

The self-supply rate will be below 100% in 1979 and perhaps in 1980, as in 1977 and 1978.

With supplies of beef and veal at a low level and with demand becoming more stable, an upward movement of market prices for adult cattle may be expected in 1980.

- (b) The decline in production of beef and veal recorded in 1978 is going to continue not only in the major non-member countries using intensive rearing methods, particularly the USA, but also in exporting countries which use extensive methods.

As the import requirements of the traditional importing non-member countries such as the USA will probably exceed availabilities and now that new markets have opened up (Middle East), world prices can be expected to remain form in 1980.

7. Economic aspects of the measures taken under the common organization of the market in beef and veal

(a) Market support measures

In order to support the beef and veal market in the Community has continued to apply a number of measures :

- market clearance measures :

- granting of export refunds with the possibility of advance fixing of these amounts,

- direct buying-up by public intervention agencies :

23 000 t in 1973 (from July 1973)

465 000 t in 1974

414 000 t in 1975

362 000 t in 1976

260 000 t in 1977

227 000 t in 1978

about 330 000 t (up to 1 September) in 1979

- granting of private storage aid for forequarters and quarters of adult cattle (with provision for boning);

(1) However, the relationship between total quantities available (including stocks) and consumption should remain at around 100%.

- measures to stimulate consumption (reduced-price sales to social welfare organization); sale of intervention meat for consumption in the Community through the French and Italian intervention agencies; implementation in 1978 and up to April 1979 of the provisions of the basic Regulation whereby frozen meats for processing may be imported, within annual limits, if frozen meat held by the intervention agencies is also purchased.
- possibility of granting variable premiums for the slaughter of certain adult beef cattle (clean cattle); only the United Kingdom has availed itself of this possibility;
- lastly, the continued grant of a calving premium in Italy.

(b) International agreements

Under GATT the Community has agreed to the following annual import quotas :

- 38 500 tonnes (in terms of boned meat) of frozen beef and veal, at the rate of 20%
- 20 000¹ heifers and cows of certain mountain breeds at the rate of 6% and 5 000 head of certain Alpine breeds at the rate of 4%, other than animals intended for slaughter.

Under the ACP/EEC Lomé Convention special arrangements were introduced for the import of 27 532 tonnes (in terms of boned meat) of beef and veal from Botswana, Kenya, Madagascar and Swaziland. The agreement provides for the exemption from customs duties and the reduction of other import charges.

Under an agreement reached with Austria, Sweden and Switzerland, specific levies may be fixed on imports of live cattle and fresh and chilled beef and veal from those countries.

Similarly, reduced levies have been applied to certain imports from Yugoslavia (baby beef).

Given the length of time required for sea transport, the Community has also agreed to the advance fixing of the levy for chilled meat imported from Argentina, Uruguay and other distant non-member countries.

¹quantity increased autonomously by 18 000 head.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on beef and veal amounted to 683.7 million EUA in 1978, is forecast at 688.3 million EUA in 1979 and estimated at 759.3 million EUA in 1980, i.e. 7.4, 6.7 and 6.9 % respectively of total guarantee Section expenditure. The sum of 688.3 million EUA may be broken into 244.7 million EUA for refunds and 443.6 million EUA for intervention expenditure, including 363.5 million EUA for private and public storage and 71.6 million EUA for premiums, notably the calving premium.

15. PIGMEAT¹

1. Introduction

In December 1977 there were in the Community altogether 72.1 million pigs for breeding and fattening on about 2.5 million farms.

Farms with more than 200 animals numbered in 1977 about 75.000, or 3% of the total (2.7% in 1975).

There are still considerable structural differences in pig production from country to country : 198 pigs per farm in the United Kingdom, 8 pigs per farm in Italy, while the Community average is about 29 per farm. The size of the farms continues to increase in the Community Member States but the difference between the extremes is growing wider (in 1975, 171 pigs per farm in the United Kingdom and 7 in Italy, Community average 26).

Specialization in pig farming is continuing : between 1975 and 1977 the number of farms with over 200 pigs increased by 6% while farms with less than 50 pigs are becoming fewer in all Community countries (2.2 million in 1977 compared with 2.4 million in 1975) but still represent almost 90% of all farms.

The smallest farms (1-2 pigs) are disappearing less rapidly than average-sized farms with a slightly larger number of pigs (3 to 50 animals), especially in France and Italy. Given the uncertain economic situation in recent years, many families still fatten a pig to make sure of the supply of a reasonable quantity of cheap meat for their own use.

The size of farms with 10 sows and over is still increasing. The number of farms with more than 9 sows decreased by 5.4% between 1975 and 1977 but the number of sows per farm increased.

The number of small farms (1 to 9 sows) decreased by 12.2% between 1975 and 1977 and the number of sows kept on them dropped by 12.5% over the same period.

The geographical distribution of pig production has not changed much: it remains concentrated in the areas bordering the North Sea and the English Channel and in Northern Italy.

In 1978, pigmeat accounted for almost 12.4% by value of the gross final agricultural production and 43% of the total tonnage of meat produced in the Community.

The Community is the second largest pig producer in the world after China.

¹ See Tables M.15.1 to M.15.7.

2. Production

Of the 75.0 million pigs in the entire Community on 1 December 1978, 8.7 million were sows.

Compared with December 1977, the total number of pigs has risen by 4.0% and the number of sows by 3.5%. Although prices continued to fall in 1978, the breeding stock is on the increase for the fourth consecutive year. A further increase in supply was therefore taken place in 1979. The results of the surveys on pig numbers as of 1 August 1979 show that the increase in potential supplies; compared with August 1978, the total number of pigs is 0.2% greater and that of sows 0,1% smaller.

The main point to emerge from the results of surveys is the widening differences in potential as between the Member States. In 1978, the Community produced 9.3 million t of pigmeat, 5.2% more than in 1977. The increase in production continued in 1979 : during the first six months the pigmeat produced by slaughterhouses in the Community was about up on the same period in 1978. However, during the second half of 1979 the rate of increase slowed down considerably and the annual average is likely to be between 4 and 5% up on 1978. The plentiful supply of pigs has further depressed prices for pig carcasses, and support measures had to be reintroduced in mid-January 1979.

3. Consumption

In 1978, pigmeat consumption increased in the Community as a whole by about 47% compared with 1977 (8.81 million t. in 1977 and 9.29 million t in 1978). Per capita consumption increased from 34 to 35.7 kg.

	Internal consumption 1000 tonnes	kg/inhabitant	Self-supply rate %
EUR 9	9.286	35,7	99,9
BLEU	399	39,1	170,9
Denmark	233	45,7	349,8
Germany	3 414	55,7	87,8
France	1 982	37,2	83,6
Ireland	96	29,8	144,7
Italy	1 208	21,3	76,3
Netherlands	532	38,2	224,4
United Kingdom	1 423	25,4	61,6

In 1978, Germany again increased its consumption of pigmeat and, with a per capita consumption of almost 56 kg, remains by far the largest consumer (internal consumption in Germany represents 36.8% of the Community total).

There was another large increase in pigmeat consumption in Italy : 21.3kg per capita compared with 20.1 kg in 1977; nevertheless, Italy is still in the last place.

In 1978, the balance between gross home production and consumption corresponded to a self-supply rate of 99.9%.

Denmark still has the highest self-supply rate in the Community (349.8%) but this has been falling steadily since 1974 (427%). Germany (87.8%) is maintaining its self-supply rate. The rate has dropped in France (83.6%), the United Kingdom (61.4%) and Belgium (170.9%) but continues to increase in the Netherlands (274.4%), while in Italy, with a slight improvement, the level has remained unchanged for several years.

4. Trade

The export-import balance in the various Member States is as follows :
 -(all intra-Community and extra-Community trade)

	Net imports (t)	Net exports (t)	Percentage change 1978/77	
			Net imports	Net exports
BLEU		278 400		- 2,5
Denmark		557 200		+ 6,5
Germany	311 700		+ 1,4	
France	319 800		+ 19,1	
Ireland		41 600		- 10,0
Italy	266 600		+ 17,3	
Netherlands		683 100		+ 12,5
United Kingdom	781 600		+ 11,5	

The positive trends in intra-Community trade, which has steadily increased over the years, show that the integration of the Community pigmeat market is continuing satisfactorily.

In 1978, the quantity of pigmeat products traded ⁱⁿ the member countries amounted to 1.97 million t, an increase of 11.4% over 1977 (1.77 million t). Intra-Community trade had increased by 6.4% between 1976 and 1977.

In trade with non-member countries in 1978, 292 000 t of products were imported and 191 000 t of products were exported (1).

Compared with 1977, imports from non-member countries increased by 5.0% while exports to these countries fell by 11.0%.

The Community import-export deficit in terms of quantity increased with 1977 (net imports rose from 73 700 t in 1977 to 100 300 t in 1978. This deficit is however, lower than in 1976 (110 450 t)

In 1979, however, the trade situation is quite different. The figures for the first nine months show a marked increase in intra-Community trade (+ 9.5%), a very substantial fall in imports from non-member countries (-63.0%) and a similiary large increase (+ 30.4%) in Community exports to non-member countries. On the basis of these figures, the export-import balance shows net exports of about 43 100 tonnes.

The breakdown by type of product imported or exported in 1978 is given in the following table :

	<u>Imports from</u> <u>non-member countries</u>	<u>Exports to</u> <u>non-member countries</u>
- live pigs	10,4%	0,15%
- fresh and salted meat	39,2%	30,0%
- lard	24,1%	3,6%
- offal	19,7%	9,2%
- prepared and preserved meat	6,6%	57,1%
Total		

The Community is still a net exporter of processed pigmeat products.

Compared with previous years, the breakdown of exports remains practically unchanged. However, the situation as regards imports has changed because more live pigs and less lard have been imported.

(1) Source : DG.VI; figures include lard and offal.

Exports of preserved meats to the USA also fell. In 1978, the Community's external trade was mainly with its traditional trading partners among the non-member countries.

However, as in the past, certain East European countries (the German Democratic Republic, Hungary, Poland and Roumania) were the main suppliers of live pigs and fresh meat.

The other main supplier countries were :

- United States of America -(mainly offal and lard)
- China (boned meat)
- Sweden (mainly carcasses, fresh meat)
- Canada (offal and pig fat)
- Spain (lard)
- Brazil (boned meat)

The EEC continued to export to :

- United States (preserves)
- Japan (meat and preserves)
- Sweden (cuts and offal)
- Certain non-member countries in Europe.

5. Prices

(a) Common prices

Basic price

Management of the Community pigmeat market depends on the basic price, which is fixed annually for the marketing year from 1 November to 31 October and which applies to Class II carcasses on the Community scale.

The basic price represents an equilibrium at which pigmeat production can develop and provide a fair return to producers while the balance between supply and demand is maintained.

The intervention measures provided for in the Community rules can be taken when prices on the representative markets fall below 103% of the basic price.

The level of the basic price for the period from 1 November 1978 to 31 October 1979 was 148.22 ECU/100 kg.

Given the trend in all production costs and the economic situation the new basic price applicable from 1 November 1979 to 31 October 1980 was fixed at 150.446 ECU/100 kg of pig carcasses (+1.5%).

Sluice-gate price

The sluice-gate prices, which are fixed every quarter, are considered to be the normal world market offer prices at the Community frontier, at which products from non-member countries may enter and comply with the prices aimed at through the organization on the market. These

prices vary with the price of feed grain on the world market. In 1978/79 the sluice-gate prices were fairly low but slightly higher than during the preceding period.

(b) Market prices

Prices for pig carcasses started to fall at the beginning of 1978 and continued to do so throughout the year, reaching their lowest level, in June, when support measures in the form of private storage aid were adopted and applied until October. In the autumn prices stabilized at higher levels than in the summer, but still below the basic price. The beginning of 1979 saw another slight drop in pig carcass prices and private storage aid, reintroduced in mid-January was maintained until September. The effect was a stabilization of prices and a slight improvement at the end of the summer. The price trend shows that the traditional cycle has been broken. Although pig carcass prices have remained well below the basic price (87% on average), the ample supply of pigs on the Community market has steadily increased and demand has also expanded.

It should be noted that this situation is largely attributable to major improvements in weaning and fattening techniques, the genetic improvement of breeding stock and lastly the prices of some basic animal feeds. Some upward trends on the market in feedingstuffs have not yet been felt on the pig market.

Pig carcasses prices

ECU /100 kg pig carcass

	1 Nov.73	7 Oct.74	1 Aug.75	15 Mar.76	1 Nov.77	1 Nov.78	1 Nov.79
	6 Oct.74	31 Jul.75	14 Mar.76	31 Oct.77	31 Oct.78	31 Oct.79	31 Oct.80
<hr/>							
<u>Basic price</u>							
Absolute value	103,97	118,05	128,15	138,40	149,32	148,22	150,44
Percentage change	100,00	113,50	123,30	133,10	139,80	142,60	144,70
<u>Market price</u>							
Absolute value	118,60	121,87	144,23	140,99	135,62	129,00	
Percentage change	100,00	102,70	121,6	118,90	114,40	108,76	
As a percentage of basic price	114,20	103,20	112,50	101,90	93,30	87,03	
<u>Sluice-gate price</u>							
Absolute value	102,27	117,28	104,21	103,95	83,78	87,04	
Percentage change	100,00	114,70	101,90	101,60	81,92	85,00	
<hr/>							

(c) World prices

Of the "market economy" non-member countries, the USA is the biggest producer.

The trends in pig prices in the USA have been similar to those in the Community although the fluctuations have been much wider and the two movements are out of phase. Prices were very low during the second half of 1976 and 1977 but improved considerably during 1978, and even more at the beginning of 1979, followed by a substantial drop from March onwards.

The other countries producing pigmeat on a largescale are the East European countries with State-run economies.

(d) Consumer prices

The consumption of fresh pigmeat is only about half of all uses, and the cuts and presentations vary from one country to another. Comparison of prices and qualities at European level is therefore very difficult.

A sharp rise in prices at the production stage always leads to an increase in retail prices. However, a reduction in prices at the production stage does not necessarily bring about a reduction in retail prices.

In 1978, the relatively low prices paid at the production stage kept consumer prices at a stand-still in most Member States. In all Community countries the retail price of pigmeat rose at a slower rate than consumer prices as a whole between 1973 and 1978. In each Member State there is nevertheless a close correlation between the overall trend in consumer prices and the trend in the price of pigmeat.

6. Production costs

Feedingstuffs

Prices of feed grain on the world market were fairly low throughout 1978. In spring 1979, the price of these cereals increased. On the Community market these prices remained fairly stable and then rose during the early months of 1979. The correlation between feed barley prices and pig carcass prices was not very high throughout 1978. It fell to a very low level during the first few months of 1979, but improved at the end of the summer.

In several Member States pig feed costs remained relatively stable, lower than in 1977.

This situation seems to be changing as prices for certain cereal substitutes (notably tapioca) are rising.

Other costs

Although new techniques have resulted in more efficient and profitable pigmeat production, higher labour and energy costs have combined with inflationary trends in general to push up pigmeat production costs, other than feedingstuff costs. It is probable that these costs, which make up 25 to 35% of total production costs, will follow the general trend of agricultural and non-agricultural production costs in the various countries.

7. Outlook

1978 should normally have been at the phase in the cycle at which production remains stable and prices rise. However, the supply of Community-produced meat continued to increase and prices fall further.

The ample supply of pigs in 1979 kept prices weak all year. Economic conditions appear to have halted the expansion of the breeding herd in some Member States in summer 1979, while in others expansion continued. In the Community as a whole, therefore, production of pigmeat during the first half of 1980 is likely to be about the same as during the corresponding period of 1979.

8. 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 additional amounts on imports and, if necessary, export refunds may also be granted.

The levies fixed depend on the trend of world and Community feed grain prices.

Additional amounts had to be applied to certain products throughout 1978 and up to October 1979. They helped to maintain the prices of imported products at a fair level, in line with Community internal prices.

Export refunds had to be increased to keep the markets of non-member countries accessible to Community products. Some increases date back as far as April 1978 and larger ones were made later, for example, in May 1979.

Special refunds were also fixed for some exports with specified destination.

(b) Intervention

New support measures had to be adopted in January 1979 as a result of the market price situation : private storage aid for certain frozen meats and for dried or dried and smoked hams.

The extension of aid to a wider range of products was necessary because there was no prospect of prices picking up in the very near future.

The results obtained were satisfactory on the whole, stabilizing prices throughout the year, and by September there was a slight seasonal increase and the conditions were right for suspending aid, although prices remained below the basic price.

While the intervention measures were in force, i.e. from January to September 1979, about 115 000 t of pigmeat products were placed in storage.

9. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section on pigmeat amounted to 45 million EUA in 1978, is forecast at 84.8 million EUA in 1979 and estimated at 77.1 million EUA in 1980, i.e. 0.5, 0.8 and 0.7 % respectively of total Guarantee Section expenditure. The amount of 84.9 million EUA in 1979 includes 68.6 million EUA for refunds and 16.3 million EUA for intervention measures.

16. EGGS¹

1. Introduction

The relative value of eggs production in the Community may be gauged from recent estimates.

	<u>1977</u>	<u>1978</u>
Eggs/livestock products	6.5 %	6.0 %
Eggs/total agricultural production	3.8 %	3.5 %

Production continues to be concentrated in an ever smaller number of enterprises.

According to the 1975 Structures Survey about three million agricultural holdings (=52% of the total) kept laying hens, but the 5 700 holdings with 10 000 hens or more accounted for about 51% of the total flock. More recent national data indicate that the corresponding percentage is now far higher in the United Kingdom (70%) and the Netherlands (63%).

The degree of concentration is even higher in sectors upstream of production. In 1978, 151 hatcheries (10% of the total) incubated almost 60% of the total number of incubated hens'eggs (laying and table strains).

At the sectoral level there have been many contacts in the Community between representative groups and associations. No single coordinating body has yet been established, however.

2. Production

Statistics relating to the number of laying hens indicate that flock in 1978 was 3.1% up as compared with 1977 in the Community as a whole but in individual Member States the change varied from - 2% to + 17%.

Figures on the number of chicks hatched indicate an overall increase of 1.3% in 1978 compared with 1977 although some member countries show greater increases (up to 20% in Denmark) or fairly sharp falls (- 10% in the United Kingdom).

¹ See Tables M.16.1 to M.16.6

These two factors, the present and future number of laying hens and the slight increase in yield per laying hen, determine the cyclical pattern of production, which was roughly the same in 1977 as in 1976, higher in 1978 (+ 2.8%) and will probably be higher still in 1979.

According to FAO estimates, overall production in 1978, at 3 933 000 t, represents about 15% of world production.

3. Consumption

After remaining virtually unchanged for three years, per capita consumption increased by 2.3% in 1978 compared with 1977 as a result of favourable prices in most of the Member States.

4. Supplies and trade

The Community self-supply rate is approximately 100%.

In 1978 intra-Community trade increased strongly to reach 395 000 t (about 10% of production), of which Germany imported more than 260 000 t, mainly from the Netherlands and Belgium. France remained a net importer, while the United Kingdom became a net exporter.

Trade with non-member countries amounted to 97 000 t, of which 41 000 t were imports and 56 000 t exports (1.0% and 1.4% of production respectively).

5 900 t were imported from certain East European countries which had undertaken to observe the sluice-gate price. Most imports were effected under the inward processing arrangements, i.e. the imported eggs or egg products were processed and re-exported as eggs products or foodstuffs containing eggs.

The Community exported only small quantities of eggs (1.4% of production), mainly to the Middle East, Switzerland and Austria and as supplies for armies and shipping. Exports were 36% up on the previous year, mainly because of higher refunds.

5. Prices

The price of eggs followed the opposite trend to that of production between 1975 and 1978. Thus, prices were low in 1975 but increased considerably in 1976 and in the first half of 1977. At the end of 1977 prices began to drop rapidly and continued to do so in 1978, with the result that production costs were no longer covered by market prices. After a slight, short-lived revival at the beginning of 1979, prices were again very low after Easter. Only on the end of the year did the improvement from the end of July onwards restore prices to a level which is satisfactory in relation to production costs.

Consumer prices are not, however, in line with producer prices. Generally speaking, traders' profits are tending to increase, which means that the producers are bearing the brunt of the market fluctuations.

6. Outlook

The production of eggs in shell seems to follow a long-term cycle, which reached its lowest point towards the end of 1976. The number of laying chicks placed in 1977 was 3% higher than in 1976. Production thus increased but because exports were higher and consumption increased slightly, producer prices were relatively high in 1977. This increase, which was made all the more significant by a reduction in compound feed prices, stimulated production; during 1978 the number of laying chicks placed was as high as in 1977.

Following the price collapse in 1978 the number of chicks placed - which had already fallen slightly in the second half of 1978 - was substantially lower in the first ten months of 1979 than in the corresponding period of 1978 (- 8%); the only exceptions to this trend were the Netherlands and France, where numbers continued to increase slightly in 1979. Consequently, there is reason to hope that the peak of the cycle has been passed and that supplies in 1979/80 will be substantially lower than in the previous year.

The increase in export refunds in 1978 eased the situation on the egg market by boosting exports, which remained steady in the first ten months of 1979.

7. Measures taken under the common organization of the market

- (a) In accordance with a Council Regulation applicable on 1 February 1978, the tariff subheadings 04.05 A I a) (hatching eggs) and 01.05 A (day-old chicks) were subdivided into eggs and chicks of turkeys and geese, in the one hand, and those of other poultry species, on the other.
- (b) Between November 1978 and July 1979 the world price trend for feed grain was paralleled by a reduction in the sluice-gate prices for egg products. On 1 August 1979 there was a 4% increase.

Levies followed the opposite trend.

- (c) The refunds on eggs in shell were changed several times. On 1 February 1978 the refund was increased to 14.4 ECU/100 kg and on 15 May 1978 to 21.8 ECU/100 kg.

As from that date the Commission granted export refunds on hatching eggs for a three-month period only.

The refund on eggs in shell was raised to 24 ECU/100 kg on 1 January 1979.

The refunds on egg products have not changed; on 1 January 1979 they were approximately twice what they were when first introduced on 1 May 1976.

The fixing of the refund three months in advance, which was authorized for eggs in shell only until the end of March 1979, was extended to include egg products from 1 April 1979 onwards.

(d) The fixing of monetary amounts raised no particular problems in this sector.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on eggs amounted to 6.9 million EUA in 1978, is forecast at 14.6 million EUA in 1979 and is estimated at 12.6 million EUA in 1980. All this expenditure is on refunds.

17. POULTRYMEAT¹

1. Introduction

In 1978 the relative value of poultrymeat production was still substantial and fairly similar to that of eggs, that is, together about 13.0% of livestock production and 7.6% of total agricultural production. The figures relating to poultrymeat alone are :

	<u>1977</u>	<u>1978</u>
Poultrymeat/livestock products	7.0%	7.0%
Poultrymeat/total agricultural production	4.1%	4.1%

Poultrymeat production is still characterized by concentration and by horizontal and vertical integration. The degree of concentration is greater in the poultrymeat sector than in the egg sector, with a large proportion of some Member States' production being in the hands of very few producers. In 1975, the 6 700 holdings with more than 10 000 chickens (= 0.4% of all poultry farmers) accounted for 72% of the total Community flock. At the present time, the corresponding percentages for the individual countries are more than 90% in the United Kingdom, the Netherlands, Germany and Denmark, but in the 50-60% range in France, Italy and Belgium.

2. Production

The figures for poultrymeat production show an increase of 4.7% in 1978 compared with 1977, but incubations of day-old chicks for meat production increased by only 3.2% (Table M.17.1). This apparent discrepancy can be explained by the fact that the incubation figures are for "chickens" only and that the slaughter weights were higher in 1978. Placings of day-old chicks of all other meat-producing species increased in 1978.

In 1978 total Community production was estimated at 3 581 000 t, the degree of change (as compared with 1977) varying considerably from one Member State to another; in particular, production fell in Belgium and Denmark.

According to FAO estimates, Community production of poultrymeat represents about 14% of world production.

¹See Tables M.17.1 to M.17.5

3. Consumption

Poultrymeat is probably the cheapest form of meat available to consumers and evidence from numerous countries suggests that there is scope for an increase in consumption levels in the EEC.

The standstill of consumption in 1974 and 1975 was followed by an upward trend which gathered momentum in 1978 (+ 6%). The more marked difference between the price of poultrymeat and that of other meats is responsible for this trend.

4. Supplies and trade

Following the rise in consumption the Community's self-supply rate dropped to 103% in 1978. Imports from non-member countries represented about 2% (69 000 t) of Community production and exports about 5% (193 000 t).

The increase in imports from non-member countries (+ 15%) represented only an additional 9 000 t, which hardly changed the effect of imports on the Community market.

Most imports from Eastern Europe benefited from the arrangements pursuant to Article 8 of Regulation (EEC) No 2777/75 whereby additional amounts are not imposed if the exporting country guarantees that sluice-gate prices will be respected. Such imports totalled 7 900 tonnes of ducks and 8 300 tonnes of geese in 1978.

Imports of turkeys and turkey cuts from the USA reached 11 000 t in 1977 and 1978 but nowadays these products are almost always declared under subheading 16.02 B. Since the rate of duty in respect of this subheading has been bound under GATT, additional amounts are not applied to these imports, although justified by some offer prices.

Other non-member countries, in particular Israel, have almost tripled their deliveries of these products to the Community; the figure for 1978 was 17 000 t (+ 53%).

Exports to non-member countries in 1978 were 14% down on the previous year. This drop of 30 000 t was mainly made up of chickens from Germany and the Netherlands.

In 1978 intra-Community trade amounted to 276 000 t, 4% more than in 1977; the quantities traded included 180 000 tonnes of chickens, 7 000 tonnes of duck, 15 000 tonnes of turkey and 55 000 tonnes of poultry cuts and 20 000 tonnes of preserves.

The principal trade flows are from other Member States towards Germany, which continues to import more than 40% of its consumption. By contrast the Netherlands exports 60% of its production.

Health, veterinary or zootechnical problems continue to inhibit complete freedom of trade between the Member States.

5. Prices

Chicken prices reached a peak in the months of July, August and September 1976. After that, prices gradually dropped, reaching their lowest level at the end of 1978; since then there has been a gradual improvement, with the average 1977 price being reached by mid-1979. There are some exceptions to this general trend: in France, Italy, the United Kingdom and Denmark producer prices (in NC) were the same in 1978 as in 1977. And in Benelux and Germany, in particular, producer prices have not kept pace with the favourable progression of market prices since the beginning of 1979.

Except in Germany, consumer prices were all higher in 1978 than in 1977 despite the fact that producer prices fell in some Member States. But in all member countries the variations of consumer prices were again not in line with those of producer prices. There seems to be no simple explanation for these divergent movements in a very competitive market.

6. Outlook

It is difficult to forecast poultrymeat production accurately on the basis of parent stock. The problem is that only a very short production period is necessary to increase parent stock - a matter of six to 12 months - and that the number of chicks used can vary greatly in relation to the potential available.

Poultrymeat production is variable and depends on many factors including recent prices, feedingstuff costs, export possibilities and the general trend in demand.

Following the downward price trend of 1977/78, placings of breeding hens in the Community fell by 1% in 1978 while exports of chicks increased by about 20%. This trend in the parental stock continued in 1979 and placings in the first ten months were already 3% below those of the same period in 1978. It may therefore be expected that the increase in table fowl production will have slowed down by the turn of the year 1979/80.

Exports in the first ten months of 1979 - supported by higher refunds than in the same period of 1978 - increased to 210 000 t after the USSR resumed its purchases. At the end of 1979, export prospects are still difficult to assess. Consequently, table fowl producers should show caution in exploiting their potential.

A similar warning should be addressed to the turkey sector, where there was another substantial increase (more than 8 %) in placings during the first ten months of 1979.

7. Measures taken under the common organization of the market

- (a) The fall in feed grain prices on the world market between summer 1978 and summer 1979 had repercussions on the sluice-gate prices for poultry, which also decreased. The recovery on the world market at the beginning of 1979 increased sluice-gate prices slightly on 1 August 1979.

Levies followed the opposite trend to that of sluice-gate prices since the former are based on the differences between cereals prices on the world market and the Community prices.

- (b) Refunds granted in this sector in 1978 were limited to chicken carcasses exported to certain non-member countries, particularly in Europe and the Middle East. The amount of this refund was 14.5 ECU/100 kg at the beginning of 1978 and was raised to 18.1 ECU/100 kg on 1 February 1978 and to 26.6 ECU/100 kg on 15 May 1978. This amount was maintained until 15 August 1979 when it was reduced to 25 ECU/100 kg. Refunds granted in respect of certain cuts of poultry other than turkeys and geese were introduced on 1 June 1979 and have not changed since then.

- (c) Water content of frozen chickens :

The date of application of the Regulation limiting the water content of frozen chickens was postponed by the Council until 1.1.1980 on technical grounds concerning the chemical analysis methods. Meanwhile the Commission had further research carried out in order to clarify the conditions for applying the methods described in the Annexes to the Regulation.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on poultrymeat amounted to 31.2 million EUA in 1978, is forecast at 51.6 million EUA in 1979 and is estimated at 53.2 million EUA in 1980. All this expenditure is on refunds.

18. SILKWORMS¹

Silkworm rearing, which is practised in Italy and on a small scale for research purposes in France, represents only a tiny fraction of Community agricultural activity and of world sericulture, which produces about 52 000 t of raw silk from about 425 000 t of cocoons.

Relatively high prices for raw silk on the world market since the end of 1976 have had a stimulating effect on raw silk production. The number of boxes of seed used has increased steadily over the last three years but the extremely bad weather (floods and hard frosts) have kept the number of boxes successfully cultivated - and hence the number of cocoons produced - at virtually the same level in 1977, 1978 and 1979 (about 8 700 boxes and 200 t of cocoons).

For 1979/80 the amount of the aid has been fixed at 67.50 ECU (55.83 u.a.), compared with 55 u.a. for 1978/79 (+ 1.5%).

Expenditure by the EAGGF Guarantee Section in the silkworm sector amounted to 0.5 million u.a. in 1978, is forecast at 1.2 million EUA in 1979 and is estimated at 1.2 million EUA in 1980.

¹See Table M.18.1

II. PRODUCTS NOT SUBJECT TO COMMON MARKET ORGANIZATION

19a. AGRICULTURAL ALCOHOL¹

1. Introduction

The situation still lacks any organized pattern in this sector.

2. Production

During 1978 agricultural alcohol production as a whole declined very slightly (- 4.6 %). However, there was an increase in the production of beet alcohol (+ 41%) but it was easily offset by cyclical downturns, especially in the production of vinous alcohol. Production of molasses alcohol is decreasing (- 4%).

A new type of alcohol, lactose alcohol produced in Ireland, has made its appearance on the market.

3. Consumption

Generally speaking, consumption has been at a standstill for several years. The two main reasons for this are the continual tax increases and the decelerating rise in the standard of living in the Member States.

4. Prices

The year was characterized by fairly sharp price increases, especially for molasses alcohol but also for vinous alcohol in Italy where an increase in government tax on molasses alcohol induced a corresponding increase in the price of vinous alcohol. Increased prices for molasses alcohol may well create problems for some producers (Belgium) and cause them to change the raw materials used (cereals instead of molasses). The keen competition from synthetic alcohol became even stronger (especially in the Netherlands).

5. Trade

Two member countries now do trade outside the Community frontiers, namely France (1 128 000 hl of alcohol exported, mainly agricultural alcohol) and the United Kingdom (939 000 hl, almost all synthetic alcohol).

Intra-Community trade in agricultural alcohol was dwindled to almost nothing, especially since the German market stopped importing Italian alcohol.

¹See Table M.19a.

6. Outlook

The market in agricultural alcohol is scheduled for common organization. Consequently, the Member States are making virtually no effort to liberalize it.

7. Expenditure

This is no more than a token entry because there is not yet any common financial responsibility for this sector. However, the Community has a commitment as regards the granting of export refunds for spirituous beverages obtained from cereals, under Protocol No 19 of the Accession Treaty.

19b. POTATOES (1)

1. Introduction

No common market organization yet exists for potatoes. A proposal was presented by the Commission to the Council on 23 January 1976 concerning the whole range of fresh and processed products.

The proposal provides for :

- marketing standards;
- measures promoting the formation of producer groups;
- support measures aimed at market stability;
- a system of trade with non-member countries including a reference price system for new potatoes.

Products such as potato starch (2), dehydrated potatoes (3) and products processed from potatoes (4) are already subject to a common market organization. The marketing of seed potatoes is subject to a Council Directive (5).

2. Production

According to FAO statistics, the world harvest in 1978 was 302 830 000 tonnes. The Community, with a production of 37 574 000 t, grew about 12.4% of the world total. The average yield per hectare in the EEC is almost double the world yield per hectare.

The value of potato production represented 18% of the value of final agricultural production in the Community. The latest statistics show that the number of holdings which grow potatoes is about 2.4 million (in the enlarged Community). At national level the production structure is very variable, the average crop area per farm being 5.3 ha in the United Kingdom and about 0.4 ha in France and Italy.

(1) See Tables M.19b.1 to M.19.b.4

(2) Regulation (EEC) 120/67 of 13.6.1967, OJ L 117 of 19.6.1967, p. 2209.

(3) Council Regulation (EEC) 1117/78 of 22.5.1978, OJ L 142, 30.5.1978.

(4) Council Regulation (EEC) 516/77 of 14.3.1977, OJ L 73, 21.3.1977.

(5) Consolidated version of Council Directive of 14.6.1966, OJ 66, 8.6.1966, p. 35.

Since the period from 1951 to 1955, the total area under potatoes in the EEC has dropped by about 63%. 3 512 000 ha in 1951/55 compared with 1 291 000 ha in 1978. Because of the increase in yield per ha, however, production has fallen by only about one third (61 957 000 t in 1951-55; 37 574 000 t in 1978).

The Community is basically self-sufficient. However, there have been supply problems following very dry years (in 1975 about 33 million t and in 1976 about 29 million t).

Both the area under new potatoes (about 116 000 ha) and the production of new potatoes (about 2 million t) have remained almost the same over the past 10 years. There is a shortage of home-grown products in this sector, however, and the Community imports about 450 000 t per year.

In 1978 the area under seed potatoes in the EEC was about 112 000 ha. About 3 million t of seed potatoes were produced, mainly in the Netherlands, the United Kingdom, France and Germany.

Processed products (crisps, instant potato, chips, etc.) are also important in the potato sector. About 3 million tonnes of fresh potatoes are processed annually in the EEC. Some varieties are particularly suited to processing and they are mainly grown under contracts concluded between the farmers and the processing industry. The sector has developed very rapidly but production seems to have stabilized for the time being. The basis exists, however, for further expansion in this sector in the very near future.

3. Consumption

Unprocessed potatoes are used mainly as foodstuffs. They are employed to a lesser extent in animal feed. The quantities turned by the processing industry into products for human consumption represent about 14% of total human consumption.

(a) Human consumption

Per capita consumption of potatoes in the natural state has tended to diminish over the last few years. It fell from 109 kg in 1956 to 76.2 kg in 1977/78. The latter figure is higher than the very low one registered in 1976/77 when potatoes were scarce as a result of the 1976 drought. (69.1 kg).

(b) Animal feed

The amount used in animal feed depends on the volume of the harvest. In 1976/77 it was 4 731 000 t in the EEC. In 1977/78 it was 7 654 000 t, comprising 3 863 000 t in Germany, 500 000 t in France, 820 000 t in the United Kingdom, 649 000 t in the Netherlands, 377 000 t in Italy, and 770 000 t in Ireland.

(c) Products processed for human consumption

The consumption of products processed from potatoes (about 3 million tonnes in 1978) continues to increase.

Consumption of certain products, such as frozen pre-cooked products should increase further.

4. Trade

Intra-Community trade in potatoes represents only about 4% of total production while trade in seed potatoes and new potatoes stands at between 12 and 15%. The main net exporting countries are the Netherlands, France and Ireland. The United Kingdom exports seed potatoes and imports new potatoes. Denmark and the BLEU also have a considerable import-export trade.

The structure of Community trade in processed products is similar to that in unprocessed products. The main exporting countries are the Netherlands and France while the other countries are importers.

Trade with non-EEC countries is mainly in seed potatoes and new potatoes. The EEC exports seed potatoes to South America, Africa and Asia and imports new potatoes from the countries round the Mediterranean.

5. Prices

Prices are very unstable, varying from year to year. Because of the inelasticity of the demand curve plentiful harvests have an adverse effect on price levels. Other factors may also affect prices, such as the weather and unexpected exports to countries with a shortage.

In 1978/79, potato prices started at very low levels. (at Rotterdam, 4.50 EUA/100 kg on 6 September 1978 for Bintje + 35 mm; at Arras 4.09 EUA/100 kg for Bintje + 40 mm; at London 7.50 EUA/100 kg for several varieties). Prices rose in January 1979 as a result of widespread frosts in Europe and in April because of substantial exports to Greece and Spain. At the end of the marketing year (end May/beginning June 1979) prices remained at a good level at London (16.1 EUA/100 kg on 13 June 1979), at Rotterdam, for the + 50 mm size (9.00 EUA/100 kg on 13 June 1979) and in Bavaria (10.8 EUA/100 kg on 18 May 1979). But they fell in France (4.1 EUA/100 kg on 30 May 1979) for various reasons : large stocks, hot weather which always adversely affects consumption of ware potatoes, the poor quality of certain consignments, the sharp increase in imports of new potatoes from Italy.

At New York, prices remained at 9.67 EUA/100 kg throughout the marketing year. Prices of new potatoes and seed potatoes are higher than those of ware potatoes. The difference varies considerably depending on the size of the harvest and the prices of ware potatoes. Low prices for the latter tend to bring down prices of both new potatoes and seed potatoes.

6. Outlook

The 1978/79 marketing year was one of "medium" prices. However, according to the first provisional data from the SOEC, the area under potatoes in 1979 was much smaller than in 1978 [$\bar{1}$ 289 000 ha in 1978, 1 188 000 ha in 1979 (- 7.8 %)], the sharpest drop occurring in Germany (-22%) and the United Kingdom (-14%). (However, the German statistical office appears not to have counted areas of less than 1 ha).

Rainfall was irregular in all regions of Europe and the crop of large potatoes was not very plentiful in the Netherlands. In the United Kingdom, hopes were pinned on satisfactory rainfall during the month of September.

Consequently, first estimates put the harvest at about 36.5 million tons (37 574 000 t in 1978).

On the Rotterdam market, the beginning of the marketing year was characterized by higher prices than those of the previous year (4.8 EUA/100 kg for Bintje + 35 mm in September 1978; 7 EUA/100 kg in September 1979), whereas prices are almost twice as high as last year in France and the United Kingdom.

Prices will probably not undergo any substantial changes before Christmas. Long-term market trends will not be discernible before early January. If the harvest of late varieties is satisfactory and the stocks are sound, prices will probably progress normally. But if the harvest of late varieties is not satisfactory, prices could start mounting after Christmas.

7. Economic aspects

In the absence of a Community market organization in the sector, steps have been taken by some Member States : intervention in respect of ware potatoes in the United Kingdom, support measures for early potatoes in Brittany.

19c. SHEEPMEAT (1)

1. Sheep numbers

In 1978 the number of sheep in the Community continued to increase, as it has been doing almost uninterruptedly since 1970 (1978/70 + 14%). Sheep numbers increased in France, Italy, the Netherlands and above all, the United Kingdom (+ 6%). They remained at a standstill in the other Member States except Ireland where they have been declining continuously since 1976.

2. Production

1978 marked a halt in the short-term downward trend which had begun in 1976. There was a general revival of production in all the Member States, but particularly in Italy and Ireland (+ 8%) and the United Kingdom (+ 4%). The upswing was less sharp in France (+ 2%).

3. Consumption

Consumption of sheepmeat revived fairly markedly in the Community in 1978. This was the result of the continuing increase in the continental Member States and the halting of the decline in the United Kingdom. In Ireland, however, consumption continued to drop as a result of the very sharp rise in market prices.

4. Market prices

In 1978 the Community weighted average market price increased by 3% from 254 ECU per 100 kg in 1977 (2) to 261 ECU per 100 kg (+ 4%). However, this result conceals divergent trends. There was no change in French prices but a considerable increase in UK prices (+ 8%). Thus, the trend which has begun in previous years was continued, i.e. the difference between the French and UK market prices diminished further. The relationship between these two prices went from 46% in 1975 to 54% in 1976, 59% in 1977 and 63% in 1978.

5. Trade

(a) Trade with non-member countries

In 1978 total Community imports of live animals and sheepmeat were considerably higher than in 1977. This fact, however, conceals opposing trends :

- Increased imports from Oceania, where production conditions were good, and from some East European countries (particularly Bulgaria) following a reduction in their outlets in the Middle East;
- A considerable drop in imports from South America, because of health restrictions (foot and mouth disease).

Altogether, the Community imported 281 000 t (carcase equivalent) in 1978, compared with 268 000 t in 1977.

(1) See Tables M.19.c.1 to M.19.c.6.

(2) Average market prices in the Member States converted into ECU at the commercial rate and weighted in accordance with the size of flocks.

Imports by product categories were as follows (in decreasing order):

- Live animals : Hungary, Poland, the German Democratic Republic, Bulgaria, Romania (1), Yugoslavia (1),
- Fresh meat : Yugoslavia, Hungary, Spain, Bulgaria, Czechoslovakia (1),
- Frozen meat : New Zealand, Australia, Argentina, Uruguay.

The United Kingdom, with 216 000 t (1977 : 216 000 t), is still by far the leading importer in the Community.

With the exception of Germany (18 000 t) and France (5 600 t), which imported less, the Member States imported larger quantities in 1978 than in the previous year, especially Italy (23 300 t compared with 18 800 t in 1977).

In 1978 the Community exported 3 500 t of sheepmeat, 1 800 t going to Switzerland and 600 t to Algeria. Of this total, 3 000 t were exported by the United Kingdom.

(b) Intra-Community trade

In 1978 the volume of trade increased further to 102 500 t (compared with 92 800 t in 1977). It continued to be dominated by a flow of some 50 000 t towards France: from the Netherlands (15 000 t), Ireland (14 300 t), the Federal Republic of Germany (11 500 t) and the United Kingdom (9 000 t compared with 20 000 t in 1977).

The United Kingdom also exported 17 000 t to the BLEU (compared with 13 000 t in 1977), 12 000 to Germany (compared with 16 000 t in 1977) and 5 400 t to Ireland (compared with 3 500 t in 1977).

Irish exports (16 500 t) more than doubled (7 000 t in 1977).

5. Provisional estimate for 1979 and outlook for 1980

(a) The upward trend of production, first apparent in 1978, continued in 1979 although at a slower pace owing to the fact that the particularly severe winter kept UK production short of the original estimates.

- With regard to consumption in 1979 it is estimated that :
 - on the continent the steady upward movement will continue;
 - in the United Kingdom there will be a slight decline;
 - the reduction in Ireland will continue as a result of the French market being opened to good quality Irish meat.

(1) Quantities not exceeding 1 000 t/year carcase weight.

These divergent movements should result in only a slight increase in Community consumption in 1979.

- In 1979 market prices began by rising considerably until May, after which they declined sharply until the autumn when they attained a level similar to that in autumn 1978.

(b) In 1980 it is expected that Community production will go up (+3%), especially in the united Kingdom (+ 4%). Community consumption should also rise, although less notably (1-2%); in France, in particular, consumption should increase as a result of the pressure on market prices from foreign supplies (mainly United Kingdom).

The reversal of the market price trend which occurred in spring 1979 should continue; the steepness of the decline will depend on the market protection measures decided at Community level.

7. Self-supply rate

The Community self-supply rate is still tending to increase - albeit modestly - the medium term :

1973	59,3%
1974	66,4%
1975	63,1%
1976	64,0%
1977	63,8%
1978	65,0%
1979	65,7% (provisional)
1980	66,8% (estimates)

8. Situation in non-member countries and outlook

- In 1978 sheep numbers increased considerably in all the world trading countries as a result of two favourable factors : high prices for wool and high prices for sheepmeat. In Australia, where numbers had been falling up to 1975, they reached 135.4 million head at the March 1979 census, representing an annual increase of 3%. In New Zealand, where numbers have been steadily progressing since 1976, the figure was 62.2 million head at 30 September 1978 (+ 5%).

Numbers also rose substantially (+ 2% on average) in the East European countries (including the USSR).

New Zealand, with 323 000 t of lamb and 97 000 t of mutton, is still the leading world exporter of sheepmeat. The other main world suppliers are Australia (240 000 t) and Argentina (38 000 t), whose exports were considerably lower than in 1977¹.

¹In Australia production dropped further as a result of more animals being kept for breeding.

Of the non-member countries, the main importers of sheep and sheepmeat were Japan with 280 000 t and Iran with 100 000 t. The USSR, which has been a major importer of mutton in previous years, bought very little in 1978.

- World prices for lamb rose again in 1978, but less sharply than in previous years.
- In 1979, sheep numbers increased still further, especially in New Zealand where the flock was estimated at 63.8 million head in June (+ 2.5%). In the East European countries, sheep numbers are still increasing. However, production and exports should remain fairly steady.

The USSR has now resumed its purchases of mutton. The Middle East (except Iran), North Africa and South Korea have remained lively markets, so that prices have stayed fairly firm despite a temporary drop at the beginning of 1979 as a result of reduced purchases by Iran and short-term problems in transport to the United Kingdom.

- In 1980 it is expected that supplies for export will increase, especially from New Zealand : it should be possible to absorb these without too much difficulty on the world trade market, if the long-term agreement with Iran proves successful¹. However, there is a risk that market prices for lamb will fail to keep pace with inflation. In contrast, market prices for mutton should remain firm.

¹200 000 t of lamb over four years, of which 45 000 t to be imported.

19d. HONEY¹

1. Introduction

Honey is not subject to a common market organization. The only general charge on imports is a 27% customs duty, which is reduced to 25% in the case of certain developing countries.

2. Production, consumption and trade

In 1977/78 the EEC produced 39 000 t of honey and imported 88 000 tonnes. Germany alone produced 44% of Community supplies in 1977/78 and France contributed 20% of the total product.

The Federal Republic of Germany is also the biggest importer (60%) in the EEC, followed by the United Kingdom (16%). The EEC produces only 32% of its requirements but the amounts produced by the Member States differ widely. Basically the EEC may be divided into those countries with a high degree of self-supply (France, Italy and Denmark) and those dependent on imports for most of their requirements. France increases its degree of self-supply by applying quantitative restrictions to honey imports from certain countries and by applying Article 115 of the Treaty of Rome (protective clause) to others.

The divergent trade policies of the Member States make it difficult to set up a common market organization.

3. Common measures to assist beekeeping

Between 1968 and 1974 the Community granted indirect aid to beekeepers in the form of a premium for denatured sugar intended as food for bees. This aid was abolished in 1975 because of the sugar shortage. In 1976 the EEC granted direct aid amounting to 3 million EUA to associations of beekeepers; this aid came from special funds voted by the European Parliament and not from the EAGGF budget.

In view of the sugar supplies currently available, the EEC again granted a premium for denatured sugar to be used as food for bees from 1977 onwards.

¹ See Table M.19.d.1.

C. SURVEY OF CERTAIN GROUPS OF SECTORS

20. MEAT (1)

1. Gross meat production within the Community

Community gross production of all meat in 1978 reflects the changes that have come about in the three largest sectors: beef and veal, pigmeat and poultrymeat. It increased from 20.9 million in 1977 to 21.6 million in 1978 (+ 3.4%).

The breakdown of this figure is as follows :

	<u>1976</u>	<u>1977</u>	<u>1978</u>
pigmeat	41.3%	42.2%	42.9%
beef and veal	31.3%	30.3%	29.5%
poultrymeat	16.0%	16.3%	16.5%
sheepmeat and goat meat	2.5%	2.3%	2.3%
horse meat	0.3%	0.3%	0.3%
other meat (rabbit and game)	2.4%	2.4%	2.3%
offal	6.2%	6.2%	6.2%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Comparison of these data with those for previous years brings out the following general points :

- pigmeat and poultrymeat continue to advance, largely as a result of the steady improvement in production structures;
- beef and veal production is declining;
- the market share of all the other types of meat remains unchanged.

Meat production

(a) Pigmeat production in 1978, at 9.3 million t, was about 5.2% up on 1977 (8.8 million t). In 1979, although the pigmeat production cycle was due to enter the downward phase, there was on the contrary a further increase. The data available for 1980 show that the expansion of production has ceased in some Member States, while in others it continues. This phenomenon can be attributed to the very favourable situation on the market in feedingstuffs, the continuing progress in genetics and production technology and the diversity of pig production structures in the different Member States.

(b) Beef and veal

In 1978 the gross Community production of beef and veal slightly increased (+0.7%) compared with 1977. This increase, the result of an appreciable increase in average slaughter weight (+1.5% for adult cattle, + 3.7% for calves) brings to an end the downtrend in production observed since 1976.

(1) See Tables M.20.1 to M.20.4

During the first half of 1979, the production of beef showed a noticeable increase (+ 4.0%) compared with 1978, and the same was true for veal production (+ 5%). It is estimated that in 1979 the production of beef and veal within the Community will have been higher than in 1978, i.e. by about 6.6 million t.

(c) Poultrymeat

The production of poultrymeat in 1978 (3.6 million t) increased by 4.7% compared with 1977. The prices reached their lowest level at the end of 1978. As a result, the acquisition of parent stock was reduced during the first half of 1979 compared with the previous year.

(d) Sheepmeat and goat meat

Sheepmeat showed an increase in 1978 compared with 1977 (+ 3.3%). The upswing in production should continue in the coming years.

(e) Horse meat

The production fell in 1978 (62 000 t compared with 68 000 in 1977, i.e. -8.8%). Since horse meat represents only a very small proportion of the total production, it seems that the total production will stabilize in the long term between 60 000 and 70 000 t, with fairly substantial yearly variations.

(f) Other meat

Production of game and rabbit increased slightly in 1978 (+ 1.4%). Production seems likely to stabilize in the long term at around 0.5 million t.

The situation as regards feed prices could encourage the development of rabbit production, which is now arousing some interest among Community operators, if certain health problems find practical solutions.

(g) Edible offals

Production is closely dependent on the number of slaughterings of cattle, pigs and sheep. In 1978, 1.3 million t were produced, 2.9% more than in 1977.

2. Meat consumption in the Community

In 1978 per capita consumption of meat (86.8 kg) in the Community as a whole increased more than in previous years (+ 3.5% compared with 1977). The increase was mainly in the consumption of pigmeat (+ 4.7%) and poultrymeat (+ 6.2%). Broadly speaking, the percentages for the consumption of each type of meat were the same as in the previous year; a slight drop can be seen, however, in beef and veal consumption and a slight increase in pigmeat and poultrymeat consumption.

Consumption of the various meats (as a percentage of total)

Pigmeat	41.0%
Beef and veal	29.6%
Poultrymeat	15.3%
Sheepmeat and goat meat	3.4%
Horse meat	1.0%
Other meat (rabbit and game)	2.7%
Offal	7.0%
<hr/>	
Total meat	100.0%

(a) Pigmeat

In 1977 pigmeat was in abundant supply at moderate prices, which led to a further increase in consumption in 1978 (35.6 kg per head, as compared with 34 kg in 1977).

Germany, with almost 55.4 kg per capita, remains the Community's largest consumer; Italy, although its consumption again increased substantially (21.3 kg per capita in 1978, as against 20.1 kg per capita in 1976), still consumes the least pigmeat in the Community. The proportion of pigmeat in total meat consumption in the Community was slightly higher (41.0% in 1978, as compared with 40.5% in 1977). As for the future, pigmeat is likely to consolidate its position vis-à-vis the other meats.

(b) Beef and veal

Although still curbed by the persistent economic difficulties, total consumption of beef and veal increased by about 1% in 1978, mainly because of the large stocks available. After remaining steady from 1974 to 1976, per capita consumption rose to 25.7 kg, i.e. slightly above the 1970 level. Nonetheless the proportion of beef and veal in the Community's total meat consumption again dropped slightly, to 29.6% as compared with 30.3% in 1977.

Since 1976, France has been the largest consumer (32.1 kg per capita in 1978). Denmark remains the smallest consumer of beef and veal : 16.8 kg per capita in 1978.

In the medium term a very slight increase in beef and veal consumption can be expected, since account must be taken of widespread unemployment, the slow rate of population growth, the high level of production of other types of meat and the relatively high price of beef and veal.

(c) Poultrymeat

In 1978 consumption of poultrymeat continued to increase (13.3 kg per capita as compared with 12.5 kg in 1977).

Since 1973, the advance has been slow but steady (11.8 kg in 1973).

In the near future this growth will probably slow down. As a percentage of total meat consumed, poultrymeat now exceeds 15%.

It should be noted that Italy continues to be the largest consumer with 17.3 kg per capita, while Denmark (8.4 kg per capita) has the lowest consumption.

(d) Sheepmeat and goat meat

The trends which had emerged in recent years and more particularly in 1976 were confirmed in 1978. Community consumption of sheepmeat again declined in 1978, the increase in the continental Member States failing to offset the substantial drop (- 10%) in the United Kingdom.

In 1978 and 1979 the steady upward trend is expected to continue on the continent. The downward trend in the United Kingdom is likely to be checked following an upswing in sheepmeat production, which is particularly noticeable.

With a per capita consumption of 9.3 kg, Ireland remains the largest consumer. The lowest consumption is found in the Netherlands (0.4 kg per capita).

(e) Horse meat

Consumption remained at about 1 kg per capita in 1978. As a percentage of total meat consumption it remained around 1%. The differences from one country to another continue to be much the same as before; the largest horse-meat consumer is the BLEU : 3.9 kg per capita.

Virtually no horse meat is eaten in the Federal Republic of Germany, the United Kingdom or Ireland.

(f) Other meats

Consumption of rabbit and game in the Community has remained almost unchanged since 1971, at 2.2 kg per capita.

France remains by far the largest consumer (5.8 kg per capita), although since 1975 consumption has steadily declined.

Consumption of rabbit and game is small in the Netherlands, the United Kingdom and Ireland.

(g) Edible offals

At 6.1 kg per capita, consumption of edible offals is increasing (5.9 kg in 1977).

Ireland eats the most offals (15.7 kg per capita); at the other end of the scale is Italy with a per capita consumption of only 3.3 kg.

3. Self-supply in meat

- Community meat production meets some 96% of overall Community requirements. This rate of self-supply has been stable for a number of years. There are quite large differences from one category of meat to another, however.

The lowest rate of self-supply is still in horse meat (27.1%) and the highest is in poultrymeat (103.2%).

- The Community remains a major buyer of meat on the world market with a deficit of nearly 1 million t (net import balance including live animals). This figure rose in 1978 in line with an increase in consumption.

4. Expenditure on the management of the meat markets

Only beef and veal, pigmeat and poultrymeat are subject to common market organization and therefore financed by the EAGGF Guarantee Section. These represent nearly 89% of all meat and edible offals produced within the Community : pigmeat 42.9%, beef and veal 29.5% and poultrymeat 16.5%. Expenditure on the management of the three markets totalled 721.8 million EUA in 1978, broken down as follows :

pigmeat	45 million EUA
beef and veal	638.7 million EUA
poultrymeat	38.1 million EUA

The percentage of expenditure of the EAGGF Guarantee Section for this group of three categories of meat is relatively constant and represents in 1978, 1979 and 1980 about 8.2% of the total expenditure of the Guarantee Section.

21. OILS AND FATS¹

1 Introduction

The oils and fats sector comprises :

- oils and fats of vegetable origin, which, in view of structural market differences, must be subdivided into olive oil on the one hand and other vegetable oils on the other;
- oils and fats of land animal origin, which again must be subdivided between butter on the one hand and lard and tallow on the other;
- oils and fats of marine animals.

The above are the basic raw materials, but they may be consumed as they are, or in the form of prepared oils and fats, such as margarine; they may be used for animal or human consumption, or in industry or they may be incorporated into other products. Further, depending on end-use, the various basic products are largely interchangeable. The form of end-use varies considerably within the Community. For example, in the Northern countries, consumption of oils and fats is largely in the form of butter and margarine, whereas in France and Italy, oils and fats consumption is preponderantly in the form of fluid vegetable oils.

Consumption of the various categories, as a proportion of total human consumption, varies only slightly from year to year. The following table shows the quantities of the various categories of oils and fats consumed in 1976 and 1977 and the percentages of total consumption which each accounts for.

¹ See Tables M.21.1 and M.21.2

TABLE I

Apparent human consumption of each category of oils and fats in absolute terms and as percentages of total human consumption.

	'000 t			
	Quantity		Percentage	
	<u>1976</u>	<u>1977</u>	<u>1976</u>	<u>1977</u>
1. Vegetable oils and fats	3 454	3 506	54	53
2. Oils and fats of land animals	1 255	1 374	19	21
3. Oils and fats of marine animals	340	324	5	5
4. Butter	1 400	1 391	22	21
Total	6 449	6 595	100%	100%

Different policies are applied in the Community for each category of products. In the vegetable oil sector, all oilseeds enter the Community free of duty. Oils are subject to duties ranging from 10% to 15%, but lower or zero tariffs are applied to oil imports from associated countries - and these imports represent up to 70% of oil imported as such.

Hence vegetable oil prices in the Community, apart from olive oil, tend to be at world market level. Similarly, oils and fats of marine and land animal origin are subject to relatively low import duties. For both butter and olive oil, however, they are support prices fixed within the Community, and imports are subject to a levy. This diversity of policy regarding products which are naturally interchangeable has an inevitable effect on consumption.

Factors external to the sector may also affect the relationship between the various oils and fats available and hence their consumption figures. For instance, the drought in the Community in 1976 led to an increase in the use of oilcake. The very high demand resulted in an 11% increase within a year in the quantities of seed crushed in Community oil mills; this meant that availabilities of vegetable oils also expanded, hence the greater consumption of these oils.

2. Production

The factors determining Community production of oils and fats vary according to the category concerned.

Of the total quantity of oilseeds crushed in the Community, soya represents between 70 and 75%. It is mainly processed for its oilmeal content, which represents 80% of its volume. Its oil is a byproduct which, totalling 1.5 million t in 1976/77, none the less accounts for no less than 30% of Community vegetable oil requirements. Between 35 and 40% of our vegetable oil consumption is covered by other oilseeds crushed within the Community, and the rest is imported in the form of oil. Of the total quantity of seed crushed, 13.8 million t in 1976/77 (about 10%) is of Community origin.

According to official figures, production of vegetable oils in the Community, excluding olive oil, totalled 3 536 000 t in 1976/77.

Production of olive oil usually ranges from 400 000 to 600 000 tonnes annually in the Community. Since olive trees are perennial plants, output depends not on demand, but mainly on weather conditions.

Output of oils and fats derived from land animals - mainly lard and tallow - amounts to nearly 2 million tonnes annually. In this category again, insofar as these fats represent a by-product of the slaughtering industry, it is largely the size of the livestock population, and the demand for meat, which determine output.

The production of oils and fats obtained from marine animals is concentrated in Denmark, although the United Kingdom and Germany also contribute to Community output, which ranges between about 125 000 and 140 000 t per year.

The factors which determine butter production in the Community are the number of cows, the milk yield and demand for other milk products. The Community is more than self-sufficient in butter, for which demand is stagnant or declining. So here again demand is not the sole factor determining output. In 1977 butter productions totalled 1 766 000 tonnes, as compared with 1 745 000 tonnes in 1976.

3. Consumption

The level of consumption of oils and fats in the Community is determined, as elsewhere, by the following factors :

- absolute level and rate of growth of population
- absolute level and changes in incomes
- price and availability of the product
- level of consumption already attained.

Within the Community the population is growing only slowly. The level of economic development, while high compared to much of the world, has been relatively stagnant over the past few years.

Per capita consumption of oils and fats (excluding butter), fell between 1974 and 1975 from 19.5 kg per head to 19.1 kg per head, largely because of the sharp increase in the price of oils and fats in 1974 and early 1975, but rose again to 20 kg per head in 1976, the figure also recorded in 1977.

Apparent human consumption of oils and fats of land animals has remained relatively stable since 1975, at about 1.2 million t or 5 kg/head. Consumption of oils and fats of marine animals seems to have declined a little, the figures being 368 000 t in 1975, 340 000 t in 1976 and 324 000 t in 1977.

According to official statistics, apparent consumption of all vegetable oils and fats, except olive oil, increased in 1977, as compared with 1976, to reach 3 506 000 t (3 454 000 t in the preceding year). Those working in the oils and fats sector have, however, offered a much larger estimate (4 million t).

In 1974 consumption of olive oil declined in the Community, since its increase in price was even higher than the increase for competing vegetable oils. When the price for other oils fell in 1975, that of olive oil, being fixed, could not follow the trend, and consumption continued to decrease to a low level at which it has since tended to mark time.

As regards butter, per capita consumption was 6.5 kg in 1976, and the same figure was recorded in 1977.

The use of butter within the Community declined from 1 683 000 t in 1976 to 1 677 000 t in 1977. This narrow margin would have been wider if special measures had not been taken to promote consumption.

4. Trade

As mentioned above, the Community imports the bulk of its vegetable oil requirements (apart from olive oil) in either oilseed or oil form. Imports are therefore an exact reflection of demand -- demand for protein-rich oilcake as well as demand for oil. Since 1974, the total quantity of oilseeds imported and crushed in the Community has risen, but most of the increase has been accounted for by soya beans, which, as already stated, tend to be processed for their protein content. The statistics show that 13.8 million t of oilseeds were crushed in 1976/77, 8.8 million t of which were soya beans, comparing with total crushings in 1975/76 of 14.8 million t, 8.7 million t of which were soya beans. The total quantity of vegetable oil imported as such declined from 2.014 million t in 1975/76 to 1.992 million t in 1976/77. Community exports of vegetable oils represent 12 to 14% of total supply, averaging 600 000 to 700 000 t per year.

Trade in oils and fats of land animals is relatively insignificant since the Community's degree of self-supply in this sector is 80%. Exports are negligible.

The situation in respect of fats and oils derived from marine animals is quite different. Imports represent between 70 and 80% of total consumption but, since EEC production increased, imports have tended to fluctuate depending on demand or on world market supplies.

Although the Community produces more butter than it consumes, it imports about 120 000 t of this product per year, as a result of an international commitment to New Zealand accepted by the Community in 1973. Butter is exported partly as food aid and partly at world market prices with the aid of export refunds.

5. Prices

As has already been noted, prices for oils and fats tend to gravitate to world market levels for all products except olive oil and butter, for which the prices are fixed in the Community.

The table below gives the price of soya oil on the Rotterdam market, the pilot price for vegetable oils, lard, tallow and marine animal oils.

TABLE II

Prices of selected oils quoted at Rotterdam (USD/t)

	1973	1974	1975	1976	1977	1978	1979 (August)
Soya oil (Netherlands)	436	832	563	438	523	607	682
Lard	373	602	479	480	618	626	757
Tallow (US)	356	448	340	377	421	483	625
Fish oil (any origin)	342	559	344	373	472	451	445

During the same period, the prices fixed for butter and olive oil were as follows :

TABLE III

ECU/100 kg

Olive oil market target price						
<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>
96.23	114.85	123.14	181.29	175.17	171.56	146.02*
Butter - intervention price						
224.87	212.78	221.94	253.37*	270.56*	279.21	284.97

* Representative market price.

22. FEEDINGSTUFFS¹

1. The supply and consumption of raw materials for animal feed in 1978

As in 1977, there were ample supplies both of energy-giving raw materials and proteins in 1978.

It is true that during the 1977/78 marketing year oilcake, and especially soya cake, prices did vary a little, but needs were always covered thanks to bumper crops in the United States and in Brazil. As compared with 1977, consumption of oilcakes increased by about 18% and that of soya by more than 26%. But the consumption of fishmeal fell by about 130 000 t, or 15.5%, as compared with the previous year.

Fluid conditions prevailed on the cereals market in 1977/78, prices came under little strain, and the increase in the production of compound feed did not prevent a slight increase in the consumption of cereals.

It should be noted, however, that the increase in the production of compound feed was not confined, as it had been in the previous year, to the cattle sector, but was also noted with regard to pig feed and "miscellaneous".

The consumption of skimmed-milk powder for animal feeding fell by 6%.

On the demand side, the prices of livestock products were declining and, the prices of feed having also tended to fall, it is not easy to assess the productivity of stockfarmers, but in general it is certain that no major progress was made.

2. Production of compound feedingstuffs

From 1970 to 1978, production of compound feedingstuffs increased by 23 million t, or 49%, an annual increase of 5%. There were, however, wide differences by type and by intended use. For example, the production of feed for poultry increased by only 19%, while that for pigs increased by 59%, and that for cattle and sucking calves by 76%. The increase for other animals was 16%.

In 1976, production increased sharply - at a rate of 12.8% - compared with 1975. Those working in the industry agreed that the drought in that year, following the two previous years of stagnant production, was the reason for this.

¹See Tables M.22.1 to M.22.8.

There was certainly no reason to believe that, given normal weather, the level of production reached in 1976 could be maintained in the following years.

Nonetheless, total output of compound feedingstuffs is still growing. In 1977, the rate of growth as compared with 1976 was 3% and in 1978 the annual rate of growth in comparison with 1977 rose to 5.9%. These annual growth rates are not the same for all uses - the rate is 4.8% for cattle and pigs, 1.8% for poultry and 11% for the other sectors (sheep, goats, horses, donkeys, mules, rabbits, etc.). Part of the increased consumption of feed is due to changes in livestock production and part is accounted for by the increase in the "rate of penetration" in the various sectors.

This rate of penetration can be assessed only by comparing the respective growth rates for "demand" and "production" in relation to a reference year.

With 1973 as base year, the growth rates are as follows :

Sector	Livestock production %	Production of compound feedingstuffs %
Pigs	8.12	16.7
Cattle	0.57	43.6
Poultry	2.80	3.7
Total	3.00	22.05

The annual rate of increase in the production of compound feedingstuffs as compared with 1973 was 4.1% per year for the Community taken as a whole.

3. Outlook

In 1979, Community livestock numbers will probably show little change, and this will also be the case for overall demand for feed.

Even assuming an increase in milk production, cattle feed requirements are unlikely to show any major change as compared with 1978. Forecasts for the pig and poultry sectors also suggest that overall demand will mark time.

Forecasts of industrial production of compound feedingstuffs, established with due regard to rates of penetration of industrial feed at the expense of farm fodder and assuming stable demand, suggest that the increase in tonnages will not exceed the increase in the rate of penetration and the increase in demand for cattle feed.

With regard to raw materials, supply forecasts are optimistic, so that the tendency should be for price increases to be low. Even if prices fell a little, the decline would not be passed on to producers because of the foreseeable increase in other costs entering into the final cost of feed.

Agricultural development

Statistical information (revised)

The other statistics referred to in this document appear in the annex "Agricultural development - Statistical information" of the report "The Agricultural Situation in the Community - 1979 Report".

M.I.1. Production of cereals (excluding rice)

	1000 t		% TAV		1000 t		% TAV		1000 t		% TAV	
	1978	1979**	1978	1979	1978	1979**	1978	1979	1978	1979**	1978	1979
1	2	3	4	5	6	7	8	9	10	11	12	13
	Common wheat			Durum wheat			Rye and meslin			Bailey		
D	8 118	7 948r	- 2,1r	-	-	x	2 549	2 183r	- 14,4r	8 608	8 151r	- 5,3r
F	20 745	18 713r	- 9,8r	311	327r	5,1r	451	349r	- 22,6r	11 414	11 228r	- 1,6r
It	5 718	5 554	- 2,9	3 473	3 400	-2,1	36	36	-	819	818	- 0,1
NL	792	803	1,4	-	-	x	68	46	- 32,4	355	294	-17,2
B	992	968r	- 2,4r	-	-	x	57	48r	- 15,8r	765	773r	1,0r
L	29	26	-10,3	-	-	x	8	9	12,5	76	66	-13,2
UK	6 450	7 045r	9,2r	-	-	x	30	20	- 33,3	9 830	9 680r	- 1,5r
Irl	247	224r	- 9,3r	-	-	x	-	-	x	1 321	1 344r	1,7r
Dk	642	573r	-10,7r	-	-	x	315	358r	13,7r	6 301	6 627r	5,2r
EUR 9	43 734	41 854r	- 4,3r	3 784	3 727r	-1,5r	3 513	3 049r	- 13,2r	39 488	38 981r	- 1,3r
	Oats and mixed cereals			Maize			Other cereals			Total cereals		
D	4 049	3 721r	- 8,1r	617	604r	- 2,1r	-	-	x	23 940	22 607r	- 5,6r
F	2 692	2 317r	-13,9r	9 581	10 597r	10,6r	396	348r	- 12,1r	45 590	43 879r	- 3,8r
It	461	442	- 4,1	6 162	6 300r	2,2r	48	55	14,6r	16 717	16 605r	- 0,7r
NL	140	103	-26,4	3	0r	x	-	-	x	1 358	1 246r	- 8,2r
B	161	114r	-29,2r	37	36r	- 2,7r	-	-	x	2 013	1 939r	- 3,7r
L	30	18	-40,0	-	-	x	-	-	x	143	119	-16,8
UK	780	590r	-24,4r	2	-	x	-	-	x	17 092	17 335r	1,4r
Irl	124	98r	-21,0r	-	-	x	-	-	x	1 692	1 666r	- 1,5r
Dk	234	162r	-30,8r	-	-	x	-	-	x	7 492	7 720r	3,0
EUR 9	8 671	7 565r	-12,8r	16 402	17 537r	6,9r	444	403r	- 9,2r	116 036	113 116r	- 2,6r

Source : EUROSTAT

165

M.3.1. Production (1) of sugar

	1 000 t		% TAV
	1978/79	1979/80	$\frac{1979/80}{1978/79}$
1	2	3	4
Deutschland (2)	2 758	2 819r	2,2
France (3)	4 118	4 311r	4,7
Italia	1 501	1 562r	4,1
Nederland	951	853r	- 10,3
Belgique/België	831	913r	9,9
United Kingdom	1 023	1 100	7,5
Ireland	188	173r	- 8,0
Danmark	406	453r	11,6

EUR 9	11 776	12 184r	3,5

Source : EC Commission, Directorate General for Agriculture

- (1) In terms of white-sugar value
- (2) Including production of molasses e
- (3) Including the French Overseas Departments

M.8.1. Seed production in q and related aid (1978)

CCT Head No.	Designation	100 kg = q											EUR 9	ECU	ECU			
		D	F	It	NL	B	L	UK	Irl	Dk	EUR 9	ECU						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
12.01 A	Linum usitatissimum L. partim (fibre flax)	8 204			42 462	47 920										98 586	17,5	1 725 255,09
	Linum usitatissimum L. partim (seed flax)	9	1 291													1 300	13,9	18 070,12
	Cannabis sativa L. (monoica)		9 031	172												9 203	12,7	116 878,13
12.03 C	I. Gramineae																	
	Arrhenatherum elatius (L.)	1 269						1								1 271	39,9	50 713,16
	idem J. et C. Presl.	105	22 865	24	372		5	2 506		24	150				50 027	33,9	1 695 915,17	
	Dactylis glomerata L.		13 698		2 855			208							16 761	35,1	588 311,18	
	Festuca arundinacea Schreb.	10	17		1 170	1 202					290				2 689	25,4	68 301,19	
	Festuca ovina L.	11 339	2 700		3 490	100		1 594		28 730					47 953	26,6	1 275 550,20	
	Festuca pratensis Huds.	4 972	768		21 750	497		271		70 260					98 518	23,0	2 265 914,21	
	Festuca rubra L.	37 954	136 833	139	55 033	8 345		1 318:38 373		376	85 640				364 011	13,3	4 841 346,22	
	Lolium multiflorum Lam.																	
	Lolium perenne L.	9 961	562		69 503	1 494		170:37 113		1 997	62 790				183 590	21,8	4 002 262,24	
	(high persistence)																	
	Lolium perenne L.	13 707	3 188	2	26 182	831		4:49 318		5 315	84 430				182 977	16,9	3 092 311,26	
	(new varieties and others)																	
	Lolium perenne L.	8 511	728		1 638					111	23 130				34 118	12,1	412 828,28	
	(low persistence)	889	12 196					21 756							34 841	13,3	463 385,29	
	Lolium x hybridum Hausskn.	2 819	839	23	198		33	4 353			7 040				15 305	45,9	702 500,30	
	Phleum pratense L.				594										694	24,2	16 795,31	
	Poa nemoralis L.	50			33 858						24 870				58 778	24,2	1 422 428,32	
	Poa pratensis L.					214					7 130				7 344	24,2	177 725,33	
	Poa trivialis L.																	
	2. Leguminosae																	
07.05 A1	Pisum arvense L.	28 660	4 040					27 680			42 060				102 440	4,8	491 712,35	
07.05	Vicia faba L.ssp.faba var. equina Pers.	14 080	35 061	20 251		1 652		168 196						239 240	6,0	1 435 440,37		
A III	Vicia faba L. var minor(Peterm)bull.																	
12.03 C	Medicago sativa L. (ecotypes)	1	53 922	2 927											43 539	12,1	526 822,39	
	Medicago sativa L. (varieties)	631	51 971	1 336	1		18	4 159			6 750				64 866	31,4	2 036 792,41	
	Trifolium pratense L.														20 755	33,9	703 595,42	
	Trifolium repens L.			3				582			20 170				774	33,9	26 239,43	
	Trifolium repens L. var.giganteum	3 096	45 031	1 592				5 234							54 953	19,3	1 060 393,44	
	Vicia sativa L.																	
		138 063	403 359	70 779	259 206	62 255	1 548	361 344	7 799	487 440	1 791 793				30 457 009,46			

Source : EC Commission, Directorate-General fo

M.12.3. EC Market balance - hops

Aggregate		Unit	1978	1979**	%TAV 1979 1978
1	2	3	4	5	6
Hops					
A	Area	:1000 ha	25,3	24,6	-2,8r
B	Yield	:t/ha	1,69	1,80r	6,5r
C=AxB	Production : hops	:1000 t	42,7	44,2r	3,5r
D	of which:- Alpha Acid	%	6,13	6,36r	3,8r
E=CxD/100	- Alpha Acid	t	2616	2809r	7,4 r
	- loss	t	2411	2596r	7,7r
Beer					
F	Beer production (1)	Mio hl	233	234	0,4r
G	of which: - Alpha Acid	grammes/ hl	9,2r	9,1r	-1,1r
H=FxGx1000	- Alpha Acid	t	2159r	2122r	-1,7 r
	- loss	t	1985r	1965r	-1,0r
Alpha Acid					
I=E-H	(Deficit)/Surplus	t	(144)r	(51)r	X
J	Stocks : beginning of the year	t	1045r	899r	X
K	Normal	t	827r	819r	X
L=J-K	Surplus	t	218	80	X

Source : EC Commission, Directorate-General for Agriculture
(1) Following year

M.13.9. Detailed breakdown of butter supplies (1)

	(1000 t)						
	1974	1975	1976	1977	1978	1979	**
Opening stock							
- private aided by EC	84	94	93	79	78	187	
- public (intervention)	117	54	71	176	117	231	
Production							
- dairy (2)	1 605	1 664	1 745	1 766	1 917	1 940	
- farm (2)	58	58	52	51	49	48	
Imports (2)	157	160	132	120	125	120	
Total availability	2 021	2 030	2 093	2 192	2 286	2 526	
Consumption							
- at normal prices (3)	1 597	1 673	1 613	1 547	1 328	1 423	r
- at reduced prices (5)	-	-	-	72	123	157	
Special measures (4)	141	125	107	108	140	171	
Total consumption	1 738	1 798	1 720	1 727	1 591	1 751	r
Export at world market prices	103	32	84	219	214	350	
Food aid	32	36	34	51	63	55	
Total exports (2)	135	68	118	270	277	405	
Closing stock							
- private aided by EC	94	93	79	78	187	100	r
- public (intervention)	54	71	176	117	231	270	r
Total closing stock	148	164	255	195	418	370	r
Source : (1) EC Commission, DG for Agriculture							
(2) EUROSTAT							
(3) Prices currently subsidized by EAGGF in United Kingdom, Ireland, Luxembourg and Denmark							
(4) Including (1.000 t) social measures	1974	1975	1976	1977	1978	1979	
- Social measures	33	20	8	5	2	6	
- Armed forces and non-profit organizations	23	24	28	28	31	35	
- Butter concentrate	5	4	4	3	3	5	
- Sales to food industry	80	77	67	72	104	125	
(5) 1977 : Reg. 2370/77 (Christmas Butter),							
1978 : Reg. 1901/78							
1979 : Reg. 1269/79							