

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## Report

on the progress made towards specific objectives and the  
implementation of structural measures in Portugal

(forwarded by the Commission to the Council pursuant to Article 264  
paragraph 2(c) of the Act of Accession).

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## Introduction

For Portugal, the Act of Accession of Spain and Portugal makes provision, in respect of several agricultural products listed in Article 259, for a transition in two stages, the first ending on 31 December 1990 and the second on 31 December 1995.

During the first stage Portugal is not subject to the common agricultural policy but merely has to adjust the organization of its market gradually on the basis of certain general objectives referred to in Article 263 and certain specific objectives listed, by sector, in Articles 309, 312, 315, 319, 321, 326, 328, 330 and 333 of the Act.

For the achievement of the said objectives, the Act of Accession makes provision in Article 264 for the Commission, in collaboration with the Portuguese authorities, to draw up specific programmes.

Such programmes were drawn up for most of the products in question and published in the OJ of the EC<sup>1</sup>.

Article 264 also requires the Commission to monitor progress in Portugal, with regard to achieving the specific objectives and implementing the socio-structural measures, and to inform the Council of its opinion in this respect.

Having followed attentively the progress made in Portugal in this respect in recent years, the Commission, in presenting this report, is fulfilling its obligation to the Council.

The report sets out, sector by sector, the progress made towards each specific objective. At the expense of some repetition, due to the fact that certain objectives are common to more than one sector, it was considered preferable to review progress in each sector separately.

The report also contains information on the implementation of the socio-structural measures.

The Commission's opinion on the situation in Portugal and the problems arising for the transition to the second stage are set out in the conclusions.

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<sup>1</sup> See the following action programmes:  
"Milk and milk products" OJ C 325, 4 December 1987  
"Beef and veal" OJ C 131, 20 May 1988  
"Fruit and vegetables" OJ C 46, 28 January 1986  
"Pigmeat" OJ C 350, 29 December 1987  
"Eggs and poultrymeat" OJ C 350, 29 December 1987

MILK AND MILK PRODUCTS

## I. MILK AND MILK PRODUCTS

The specific objectives are listed in Article 309; they are set out below together with a note on the progress made in implementation.

### A. ABOLITION OF THE JUNTA AND PROGRESSIVE LIBERALIZATION OF INTERNAL TRADE, IMPORTS AND EXPORTS WITH A VIEW TO SETTING UP AN ARRANGEMENT FOR FREE COMPETITION AND FREE ACCESS TO THE PORTUGUESE MARKET

This objective had already been achieved to a large extent when the action programme was drawn up since the Junta had been abolished and access to the market liberalized. Since 1 January 1989 import trade has been further expanded following the abolition of quantitative restrictions on certain cheeses from non-member and Community countries.

### B. CREATION OF AN INTERVENTION AGENCY AND THE FORMATION OF A MATERIAL AND HUMAN RESOURCES INFRASTRUCTURE TO FACILITATE INTERVENTION OPERATIONS

This objective too had been achieved when the action programme was published. Following promulgation of Decree No 282/88 on 12 August 1988, the INGA added to its previous function as a paying agency that of intervention agency under the joint supervision of the Ministries of Agriculture and Finance. The material and human infrastructure is now sufficient to implement the mechanisms for the common organization of the markets.

### C. MODIFICATION OF THE PRICES STRUCTURE SO AS TO ENABLE THEIR FREE FORMATION ON THE MARKET AND MODIFICATION OF THE RELATION BETWEEN THE FAT CONTENT VALUE AND PROTEIN CONTENT VALUE OF MILK

The rigid price structure previously existing in Portugal had already been modified prior to accession by introduction of a system similar to that used in the Community.

All prices for milk products are now fixed freely, the sole exception being pasteurized milk in the Azores for which a maximum selling price is fixed in conjunction with the aid described at E.

The situation with regard to the relation as to value between the fat part and the protein part of milk is as follows:

- . the intervention price for milk powder is still higher than the common price, although by a smaller margin;
- . the intervention price for butter, which was formerly higher, is now lower;
- . in these price changes, the relation as to value between the fat part and the protein part has come closer to that in the Community but work on this process must be continued and stepped up.

At the beginning of the second stage, a correction must also be found for the abnormal situation in which the intervention price for butter is lower than the common price while that for milk powder is higher, since that situation would create negative accession amounts for those two products.

D. HARMONIZATION OF DOMESTIC PRICES FOR MILK, BUTTER AND DRIED MILK OBTAINING IN MAINLAND PORTUGAL WITH THOSE OBTAINING IN THE AZORES

The prices in the Azores and in mainland Portugal have converged. In the case of butter they are now almost identical while milk powder is still about 10% more expensive on the mainland.

E. ELIMINATION OF NATIONAL AID WHICH IS INCOMPATIBLE WITH COMMUNITY LAW AND THE PROGRESSIVE INTRODUCTION OF THE SCHEME FOR COMMUNITY AID

All aid in mainland Portugal has been discontinued. Only the following are still paid:

- . aid for the consumption of pasteurized milk in the Azores;
- . aid for production, collection and distribution in Madeira.

In the case of Community aid, the Council has made provision for Portugal to receive aid for school milk.

F. ABOLITION OF THE EXCLUSIVENESS OF MILK COLLECTION ZONES AND OF THE EXCLUSIVENESS OF PASTEURIZATION

The exclusiveness of collection zones had already been abolished and in the case of pasteurization zones will be abolished completely during 1990.

G. CREATION OF AN INFORMATION SERVICE FOR AGRICULTURAL MARKETS AND AN APPROPRIATE FORMATION OF ADMINISTRATIVE DEPARTMENTS, THESE BEING ESSENTIAL FOR THE SMOOTH RUNNING OF THE COMMON ORGANIZATION OF THE MARKETS

The information service was set up using pre-accession aid. It is entitled SIMA and was established by Decree No 91/85 of 9 April 1985.

The service has a computer network which it uses to gather and manage the information it secures from markets and to communicate with the Commission.

However, Portugal has not yet set up a producer price recording system in the milk sector; this will be done at the beginning of the second stage.

H. IMPLEMENTATION OF MEASURES TO PROMOTE THE MODERNIZATION OF PRODUCTION,  
PROCESSING AND MARKETING STRUCTURES

Considerable efforts to modernize viable firms have been made under Decree-Law No 79 A/87 which implemented Regulation (EEC) No 797/85, while respecting the limitations it contains.

In the case of the processing and marketing structures, the sectoral programme already sent to the Commission when the action programme was drawn up was approved in 1988. Thirty projects have been approved under the programme representing a total investment of ESC 5 billion.

BEEF AND VEAL



## II. BEEF AND VEAL

The specific objectives are listed in Article 312; they are set out below together with a note on the progress made in implementation.

### A. ABOLITION OF THE JUNTA AND LIBERALIZATION OF THE INTERNAL MARKET AND OF IMPORTS AND EXPORTS

The Junta had already been abolished when the action programme was drawn up in 1988.

On the liberalization of the market, it should be noted that:

- (a) only in the Azores is there still a maximum price scheme for young bulls and a ban on the export of cows for slaughter. These restrictions will, however, be lifted by the end of the first stage;
- (b) the position with regard to the quantitative restrictions referred to in Article 343 of the Act of Accession is as follows:
  - . importation of certain breeding animals (Frisian, Charolais, Limousin, Saler, Retinta andaluza, Bava, Gelbvieh, Fleckvieh and Perda Suiça) has been completely liberalized;
  - . although the import of animals of other breeds has been freed, such animals may not benefit from the special arrangements (reduction of import duties) which apply to breeding animals.

It should also be noted that:

- . market prices in Portugal are still higher than Community prices although intervention prices are lower than common prices (92.3%);
- . such a situation encourages faster alignment of Portuguese prices with common prices. This alignment could even happen at the beginning of the second phase.

### B. CREATION OF AN INTERVENTION BODY AND FORMATION OF A MATERIAL AND HUMAN INFRASTRUCTURE TO FACILITATE INTERVENTION OPERATIONS

Following promulgation of Decree No 282/88 of 12 August 1988, the INGA added to its previous function as a paying agency that of intervention agency under the joint supervision of the Ministries of Agriculture and Finance. IROMA is responsible only for the management of public slaughter houses, market information (see para. 4) and the classification of carcasses.

The material and human infrastructure is now sufficient to implement the CAP intervention mechanisms.

### C. FREE FORMATION OF PRICES ON REPRESENTATIVE MARKETS TO BE ESTABLISHED AND CREATION OF AN INFORMATION SERVICE

The Community scale for the classification of carcasses was introduced in stages by Orders Nos 396/89 of 5 June 1989 and 727 of 25 August 1989. However, implementation is encountering some practical difficulties because of established trading practices and, particularly in the Azores, the lack of staff to undertake classification. These difficulties will be overcome before the beginning of the second phase. Special bodies will be set up during 1990 to determine prices according to the scale.

The list of representative markets and their weightings is being prepared and will certainly be ready during the course of next year.

The information service was set up using pre-accession aid. It is entitled SIMA, is a department of the IROMA and was established by Decree No 91/85 of 9 April 1985. The service has a computer network which it uses to gather and manage the information it secures from markets and to communicate with the Commission.

### D. MODERNIZATION OF STRUCTURES

1. The national measures on the improvement of structures of production (Decree-Law No 79.A/87) adopted pursuant to the Community provisions apply to the beef and veal sector.

2. As regards the programme approved by the Commission pursuant to Regulation (EEC) No 355/77 (which also covers pigmeat and sheepmeat), it is now possible to assess the investments made and this is shown in the attached table. There is also a specific programme for the Azores which provides for a regional slaughter network.

Investments under the programme pursuant to Regulation (EEC) No 355/77  
Sectors: Beef/veal, sheepmeat, pigmeat

	New slaughter houses		Modernizations		Total	
	No of projects	: Amount of investment	No of projects	: Amount of investment	No of projects	: Amount of investment
Entre Douro e Minho	1	: 800.2	-	: -	1	: 800.2
Tras-os-Montes	1	: 355.9	1	: 54.3	2	: 410.2
Beira Litoral	-	: -	-	: -	-	: -
Beira Interior	1	: 834.0	-	: -	1	: 834.0
Ribatejo e Oeste	1	: 1 012.3	-	: -	1	: 1 012.3
Alentejo	1	: 617.4	-	: -	1	: 617.4
Algarve	-	: -	-	: -	-	: -
Total	5	: 3 619.8	1	: 54.3	6	: 3 674.1
: Estimated budget 1988-92	5 000		500		5 500	
: Degree of implementation of programmes	72.4%		10.9%		66.8%	

FRUIT AND VEGETABLES

### III. FRUIT AND VEGETABLES

The specific objectives are listed in Article 315; they are set out below together with a note on the progress made in implementation.

#### A. ELIMINATION OF THE JUNTA

The Junta was abolished by Decree No 15/87 of 9 January 1987.

#### B. DEVELOPMENT OF PRODUCERS' ORGANIZATIONS

Portugal transposed the provisions concerning producers' organizations contained in Regulation (EEC) No 1035/72 into its domestic law by means of Decree No 362/87 of 26 November 1987, Order No 775/86 of 5 December 1986 and Joint Decree No A-200/88 of 8 September 1988.

Since 1987:

- . bodies have been appointed to recognize producer organizations;
- . large sums of money have been entered in the budget to provide start-up and operating aid.

Despite these efforts, and the fact that there are a number of organizations in Portugal which satisfy the conditions laid down in Regulation (EEC) No 1035/72, no producers' organization has yet submitted an application for recognition.

This situation, which gives cause for concern in view of the fundamental role of producers' organizations in the market organization, is due to a certain lack of interest on the part of producers arising from the fact that the Portuguese Government has not yet implemented the intervention scheme. The Commission and the Portuguese authorities agree that the introduction of the market organization and the pressure resulting from the removal of quotas will provide a useful stimulus in this respect.

In any case the Portuguese authorities will continue until the end of the first stage to encourage producers to form groups and to speed up the process of recognizing existing producer organizations which already satisfy the conditions for recognition.

The authorities have also announced their intention of fixing and publishing institutional prices in Portugal for products for which there are common prices at the beginning of 1990 so as to permit the alignment referred to in Article 265(1)(b) of the Act of Accession.

#### C. PROGRESSIVE AND GENERALIZED APPLICATION OF COMMON QUALITY STANDARDS

In a series of instruments implementing Decree No 519/85,<sup>1</sup> the Portuguese authorities laid down quality standards for a number of products, in particular those subject to intervention under the market organization, with the exception of aubergines.

Quality standards for other products are being adopted and will apply before the second stage begins.

It should, however, be noted that the standards at present:

- . do not by law apply to sales by producers to wholesalers;
- . are applied systematically to foreign trade (to which they applied already before accession) while so far the efforts made<sup>2</sup> have not yet resulted in their general application to domestic trade.

#### D. SETTING UP AN INTERVENTION BODY AND CREATING A MATERIAL AND HUMAN INFRASTRUCTURE TO FACILITATE INTERVENTION OPERATIONS

Promulgation of Decree No 282/88 of 12 August 1988 gave the INGA responsibility for acting as intervention body under the joint supervision of the Ministries of Agriculture and Finance. It is responsible for organizing any public operations and where necessary making use of private facilities.

The material and human resources are now available to apply the market organization, but the INGA will still have to make use of private facilities to carry out public intervention.

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1 Order No 182/86 of 6 May 1986;  
Order No 767/87 of 4 September 1987;  
Order No 90/88 of 9 January 1988;  
Order No 220/89 of 16 March 1989.

2 Under Article 315(2) of the Act of Accession, during the first three marketing years in which standards apply to a given product, the Portuguese Government has provided degressive aid for the costs of packaging and presentation of products subject to standards. Considerable sums have been earmarked for this purpose. A substantial effort has also been made to make those concerned by the application of standards more aware and better informed.

E. FREE FORMATION OF PRICES AND THEIR DAILY RECORDING ON REPRESENTATIVE MARKETS TO BE DEFINED ON THE BASIS OF THE DIFFERENT PRODUCTS

Prices of products subject to market organization are fixed in complete freedom, the marketing margins laid down earlier having been abolished.

The list of representative markets has already been adopted for the various products subject to intervention and is to be found in the annex to Regulation (EEC) No 1847/85, as amended by Regulations (EEC) Nos 984/86 and 277/88.

Prices are recorded daily on wholesale markets and weekly on representative producer markets.

However, the failure systematically to apply quality standards in producer markets and the complete lack of standards for certain products may impede the recording required under the market organization and even the calculation of reference prices, which are based on producer prices for the three preceding marketing years. That is a further reason why standards must apply generally before the beginning of the second stage.

F. CREATION OF AN INFORMATION SERVICE ON AGRICULTURAL MARKETS IN ORDER TO RECORD PRICES DAILY

This service, known as SIMA, was set up using pre-accession aid by Decree No 91/85.

It has a computer network which it uses to gather and manage market information and to communicate with the Commission.

These communications should be made on an indicative basis as soon as possible, preferably before the second stage, so that the system can become operational from 1991.

CEREALS AND RICE



#### IV. CEREALS AND RICE

The specific objectives are set out in Article 319 and 330 of the Act of Accession. These objectives and a progress statement are given below.

##### A. DISMANTLING OF THE MONOPOLY HELD BY EPAC AT THE END OF THE FIRST STAGE AT THE LATEST AND PROGRESSIVE LIBERALIZATION OF DOMESTIC TRADE WITH A VIEW TO INTRODUCING A SYSTEM OF FREE COMPETITION TO THE PORTUGUESE MARKET

1. In the rice sector, the liberalization of trade and the dismantling of the EPAC monopoly were achieved in 1986. In the case of other cereals, the liberalization of the Portuguese internal market is closely related to the liberalization of cereals imports under Regulation (EEC) No 3252/88 adopted following the EEC-USA Agreement. It should be noted that:

- . with a view to implementing this Agreement, Portugal had ceased to apply the system referred to in Article 320 of the Act of Accession,
- . the system and arrangements referred to in Articles 270 and 277 respectively were liable to jeopardize the application of the national policy in the sector,
- . the abovementioned Regulation had accordingly introduced transitional arrangements, based on Article 257, with a view to expediting the liberalization of trade.

The Portuguese Government implemented this Regulation with the promulgation of Decree No 483/F/88 of 28.12.1988 which stipulated the total liberalization of imports of all cereals and a progressive liberalization of domestic trade. In consequence, EPAC ceases to hold a marketing monopoly.

2. The Portuguese Government followed up on the liberalization of the domestic market by granting aid to cooperatives and unions of cooperatives. The purpose of the aid is to make up the difference between the (very high) producer reference prices and the (lower) market guide prices which was the justification previously for EPAC action.

The aid, already introduced in 1986 for maize and brewing barley, was progressively extended to common wheat, durum wheat, barley and triticale.

Currently, 95% of the marketing of maize is carried out by cooperatives. A start has recently been made on liberalization in respect of the other cereals qualifying for aid, but certain problems are being encountered due in particular to insufficient storage facilities where other operators are concerned.

With regard to cereals which do not qualify for aid, the situation is as follows:

- . total liberalization of the market in rice and similar price relativities to those observed in the Community;
- . problems in the liberalization of the market in rye and oats (cereals which do not form a very significant part of Portuguese production) because of the maintenance, albeit in smaller proportions, of inverse price relativities to those observed in the Community.

The remarkable progress already made by Portugal should be completed before the end of the first stage in order to ensure total liberalization and equal treatment with regard to market operators.

#### B. LIBERALIZATION OF IMPORTS

As indicated in paragraph 1, this liberalization has been achieved under Regulation (EEC) No 3292/88. The Portuguese Government's application of this Regulation has resulted in a more extensive liberalization than originally envisaged. Indeed, there has been no recourse to tendering in the case of wheat, which has been imported on a totally free basis.

#### C. SETTING-UP OF AN INTERVENTION BODY AND CREATION OF A MATERIAL AND HUMAN INFRASTRUCTURE TO FACILITATE INTERVENTION OPERATIONS

Since the application of Decree No 282/88 of 12 August 1988, INGA, in addition to its functions exercised hitherto as a disbursing agency, acts as an intervention body under the dual authority of the Ministry of Agriculture and the Ministry of Finance.

The material and human infrastructure is henceforth sufficient vis-à-vis the application of CAP intervention mechanisms. Where official intervention is concerned, INGA will, however, have to make use of private or EPAC facilities.

#### D. FREE PRICE FORMATION ON REPRESENTATIVE MARKETS TO BE DETERMINED ON THE BASIS OF THE VARIOUS PRODUCTS

It follows from the situation described in paragraph 1 that price formation is completely free for rice and, to a large extent, for cereals which qualify for aid.

Moreover, a substantial alignment (exceeding the level specified in Article 265) of prices has been achieved for the majority of cereals (see table in annex).

E. CREATION OF AN INFORMATION SERVICE ON AGRICULTURAL MARKETS IN ORDER TO RECORD PRICES DAILY AND APPROPRIATE TRAINING OF ADMINISTRATIVE SERVICES

The information service on agricultural markets (SIMA) was set up, with pre-accession aid funding, by Decree No 91/85 of 9 April 1985.

This body commands a data-processing network designed to handle the utilization and management of recorded market data as well as communications required by the Commission.

PIGMEAT

## V. PIGMEAT

The specific objectives are set out in Article 324 of the Act of Accession. These objectives and a progress statement are given below.

### A. ELIMINATION OF THE JNPP, LIBERALIZATION OF IMPORTS AND EXPORTS WITH A VIEW TO ENSURING A SYSTEM OF FREE COMPETITION AND FREE ACCESS TO THE PORTUGUESE MARKET

1. The JNPP had already been abolished by the time the action programme was set up under Decree-Law No 15/87 of 9 January 1987.

2. Provision had also been made for the liberalization of external trade in the action programme set up under Decree-Law No 516/86. This instrument had laid down provisions for the application of levies calculated on the basis of criteria similar to those adopted by the Community and of export aids. Currently, under the terms of this decree-law, Portugal:

- . has closely aligned the criteria and coefficients used for calculation of the levies on those used by the Community;
- . applies export aids approved under the procedure set out in Article 276 of the Act of Accession, the amount of which does not exceed the amount of the refunds granted by the Community on exports to non-member countries.

The liberalization of trade is, moreover, assisted by the abolition of certain quantitative restrictions imposed by the Act of Accession vis-à-vis Community countries and non-member countries.

Quantitative restrictions currently remain only in respect of certain live animals.

### B. CREATION OF AN INTERVENTION BODY; FORMATION OF A MATERIAL AND HUMAN INFRASTRUCTURE FACILITATING INTERVENTION OPERATIONS IN ACCORDANCE WITH THE NEW CONDITIONS OF THE PORTUGUESE MARKET

Since the promulgation of Decree No 282/88 of 12 August 1988, INGA, in addition to its previously exercised functions as a disbursing agency, exercises the functions of an intervention body under the dual authority of the Ministry of Agriculture and the Ministry of Finance. The functions of IROMA are confined to the management of official slaughterhouses, market information (see paragraph D) and carcase classification. The material and human infrastructure is henceforth sufficient vis-à-vis the application of CAP intervention mechanisms.

#### C. FREE FORMATION OF PRICES ON REPRESENTATIVE MARKETS TO BE ESTABLISHED

The formation of prices operates freely. Prices are already recorded on representative markets on the basis of a national system of weekly collection and publication. In addition, objective methods of carcase classification have been introduced along with changes in the national classification scale with a view to its alignment on the Community scale.

The transmission of prices to the Commission could begin at the start of 1990; at the beginning of the second stage, the list of representative markets could be completed and the Community carcase classification scale introduced.

#### D. CREATION OF AN INFORMATION SERVICE ON MARKETS AND PRICES

The information service on agricultural markets (SIMA) was set up, with pre-accession aid funding, by Decree No 91/85 of 9 April 1985.

This body commands a data-processing network designed to handle the utilization and management of recorded market data as well as communications required by the Commission.

As noted in paragraph B, a weekly system of collection of pigmeat market data is currently in operation. It will be complete by the end of the current year and the relevant data may be transmitted to the Commission from the beginning of 1990.

#### E. IMPLEMENTATION OF MEASURES INTENDED TO PROMOTE STRUCTURAL MODERNIZATION

The measures provided for under Regulation (EEC) No 797/85 were implemented by Decree-Law No 79.A/87. With regard to the granting of aid, the Portuguese measures:

- . respect the limits stipulated by this Regulation;
- . provide for higher aid (under the terms of the Regulation) for closed-circuit production.

These measures were approved by the Commission in Decision 87/211/EEC of 11 March 1987.

With regard to marketing structures, the programme, transmitted to the Commission previously at the time the action programme was drawn up, also covers other meat. It was approved by the Commission and is currently in preparation.

F. CAMPAIGN AGAINST AFRICAN SWINE FEVER AND THE DEVELOPMENT OF CLOSED-CIRCUIT PRODUCTION UNITS

The plan to eradicate African swine fever presented by Portugal pursuant to Council Decision 86/649/EEC was approved by the Commission in Decision 87/526/EEC of 16 July 1987. Portugal had previously presented two implementation reports (one in 1987 and the other in 1988).

The plan for the eradication of classical swine fever, presented pursuant to Council Decision 80/1096/EEC, has also been approved by the Commission. Under the national provisions adopted for its implementation, vaccination has been prohibited since 1.7.1989 and the serological inspection of livestock will commence on 1.1.1990.

EGGS AND POULTRYMEAT



## VI. EGGS AND POULTRYMEAT

The specific objectives are set out in Articles 326 and 328 of the Act of Accession; they are listed below together with a note on the progress made in implementation.

### A. ELIMINATION OF THE JUNTA, LIBERALIZATION OF IMPORTS AND EXPORTS WITH A VIEW TO INTRODUCING A SYSTEM OF FREE COMPETITION AND FREE ACCESS TO THE PORTUGUESE MARKET AND THE PROGRESSIVE LIBERALIZATION OF THE DOMESTIC MARKET

1. The Junta had already been abolished when the action programme under Decree-Law No 15/87 was drawn up.

2. Law No 514/85 also made provision for the liberalization of trade.

Since then, trade has been further liberalized by the abolition of all the quotas (referred to in the Act of Accession, whether in respect of Community or non-member countries).

In addition, coefficients and other factors used to calculate levies are gradually being aligned with those laid down by the Community.

Portugal is still granting export aid in accordance with Article 276 of the Act of Accession; the amounts involved do not exceed Community refunds.

3. Law No 514/85 made provision for the liberalization of the domestic market.

4. The situation with regard to marketing standards is as follows:

(a) Portuguese standards for eggs, which were adopted in 1981, correspond to those in the Community. The only remaining differences are:

- . there is no provision in Portugal for a clear indication of the date or period of packing; all that is required is the number of the packing week;
- . there are no provisions on farming methods but implementation of those standards would not pose a problem;

(b) chickens:

- . marketing standards using two quality classes and four weight classes are in force while similar standards are being prepared at Community level (proposal for a regulation adopted by the Commission on 23 November 1989);
- . Regulation (EEC) No 2967/76 is not yet being applied. However, chickens for market usually have a low water content because only air cooling (not water cooling) is permitted;

(c) the Portuguese authorities are ready to align all marketing standards with those of the Community at the beginning of the second stage.

#### B. FREE PRICE FORMATION

It is no longer possible to set maximum prices for slaughtered chicken. However, trading margins (fixed as a percentage of selling prices as a counter-inflationary measure) still apply to both eggs for consumption and slaughtered chicken. No decision has yet been taken on future policy in this field.

#### C. CREATION OF AN INFORMATION SERVICE

The information service for agricultural markets was set up using pre-accession aid by Decree No 91/85 of 9 April 1985; it is known as SIMA.

SIMA has a computer network to enable it to gather and manage market information and to communicate with the Commission.

A system providing weekly information on the eggs and poultrymeat market is currently being introduced. It will be fully operational by the end of the year and data will be sent to the Commission from the beginning of 1990.

#### D. MODERNIZATION OF STRUCTURES

In accordance with Community rules, national measures (Decree-Law No 79.A/87) make no provision for aid for the modernization of poultry farming.

Directive 88/166/EEC (which replaced Directive 86/113/EEC after this was annulled by the Court of Justice) has been transposed into national law but there is no provision for national aid for the operational expansion of poultry facilities.

The programme for marketing structures submitted under Regulation (EEC) No 355/77 referred to in the action programme has been

approved by the Commission and is now being implemented.

WINE

## VII. WINE

The specific objectives are listed in Article 333 of the Treaty of Accession. These objectives, and the extent to which they have been achieved, are set out below.

### A. ABOLITION OF THE JUNTA NACIONAL DO VINHO, ADAPTATION OF THE OTHER PUBLIC BODIES, LIBERALIZATION OF DOMESTIC TRADE, IMPORTS AND EXPORTS AND THE TRANSFER OF STATE CONTROLLED ACTIVITIES WITH REGARD TO STORAGE AND DISTILLATIONS TO PRODUCERS AND PRODUCER ASSOCIATIONS;

1. The Junta Nacional do Vinho (JNV) was abolished by Decree Law No 304/86 of 22 December 1986. The same decree law established the Instituto da Vinha et do Vinho (IVV) which is a legal entity with administrative and financial autonomy.

It is responsible for implementing national policy in the wine sector in terms of production and marketing. It covers both table wine and quality wine.

With regard to table wine this body, which has 16 regional offices on the mainland, will also act as an intervention board. Thus, from the beginning of the second stage, it will be able to carry out common market organization tasks.

In the Azores and on Madeira the regional authorities are involved in implementing national policy and, from the beginning of the second stage, will also be involved in implementing common market organizations.

2. The other bodies referred to in Article 330a of the Treaty of Accession were, by and large, bodies responsible for the control of "appellations d'origine" within the context of a restrictive production and marketing system. They are being progressively replaced by private joint-trade bodies (with the exception of the "Casa do Douro" which remains in the public domain) operating within the framework of a national law (Law No 8/85 of 4 June 1985) concerned mainly with the allocation of "appellations d'origine" labels.

#### NB:

- . producers claiming an "appellation d'origine" must join these bodies;
- . as with other Member States, the Commission will only be able to assess this wine trade structure on the basis of a detailed analysis of legislation.

3. As regards liberalization of trade, the following situation has been noted:

- . the OCT is applied in full and the quotas provided for under the Treaty of Accession have been eliminated as far as imports from the Community are concerned, and suspended with regard to imports from non-Member States for 1989;
- . export aids are applied pursuant to Article 276 of the Treaty of Accession;
- . in terms of internal trade the only restrictions that remain are those relating to bringing wine in bulk into the Vinho Verde and Douro regions and into the Azores and Madeira. These should be eliminated towards the end of stage 1.

4. Intervention (storage and distillation), at least since accession, has been carried out in Portugal on a non-mandatory basis, using both state and private facilities in compliance with Community provisions.

B. PROGRESSIVE INTRODUCTION OF THE ARRANGEMENTS FOR, AND THE CONTROL OF, PLANTING, SIMILAR TO COMMUNITY ARRANGEMENTS

The arrangements for planting, introduced as far back as 1932, have been complemented by Decree-Law No 513.D/79 of 24 December 1979. These arrangements are:

- . the planting of new vines is allowed only in respect of quality wines psr, in four specific regions (Carcavelas, Colares, Bucelas and moscatel from Setubal);
- . replanting is subject to the granting of authorization and monitoring on the part of the IVV;
- . replanting rights can be taken up during a three-year period following grubbing, renewable for one period. At the beginning of the second stage this period may easily be extended to eight years, as provided for under common market organizations.

These arrangements do not at present provide for a transfer of replanting rights.

C. REALIZATION OF A PROJECT FOR AMPELOGRAPHY AND SYNONYMY; INTRODUCTION OF A SYSTEM OF STATISTICAL SURVEYS ON AREAS UNDER VINES; LAND REGISTER

The project relating to the ampelographical inventory, financed from pre-accession aid, has been completed in eight regions. The project as a whole will be completed in 1990.

Work on synonymy is still going on due to the fact that the experimental arrangements of the IVV will last four years, as recommended by the International Vine and Wine Office.

The statistical survey system provided for under Regulation (EEC) No 357/79 will soon be in place.

The viticultural land register has already been set up in a number of regions. In view of the Commission's new approach, which consists of the setting up of a more detailed vineyard register than the previous viticultural land register, the Portuguese land register will only contain information regarding quality wine psr holdings.

Although Regulation (EEC) No 2392/86, which establishes the Community vineyard register, is not applicable in Portugal during the first stage, the Commission nevertheless attaches particular importance to the successful completion of this project; it will therefore present a proposal for an "ad hoc" regulation to the Council in the near future to enable Portugal to start work on the vineyard register during the first stage.

**D. CREATION OR TRANSFER OF DISTILLATION CENTRES IN SUFFICIENT NUMBERS AND OF SUFFICIENT CAPACITY TO ENABLE WINE DELIVERIES TO BE ACCOMPLISHED**

Distillation capacity for the production of spirits distilled from marc wine is adequate.

On Madeira and in the Azores, however, there are no distillation facilities and a scheme for withdrawal under supervision may have to be envisaged (see Article 35(5) of Regulation (EEC) No 822/87).

**E. CREATION OF AN INFORMATION SERVICE FOR AGRICULTURAL MARKETS ENTAILING THE ASCERTAINMENT OF PRICES AND REGULAR STATISTICAL ANALYSIS**

Data on prices are collected by the IVV. These are published under an agreement between this body and the SIMA. The list of representative markets has not yet been adopted. A pilot project will be run in 1990 at Reso da Reguce to test the system for collecting data on prices; it will be based on standard contracts which operators will have to use for their commercial transactions and forward to the appropriate bodies.

**F. TRAINING OF THE ADMINISTRATIVE DEPARTMENTS INDISPENSABLE TO THE SMOOTH RUNNING OF THE COMMON ORGANIZATION OF THE MARKET**

The IVV and the SIMA are able to provide the administrative structure required for the proper functioning of the common organization of the market.

G. PROGRESSIVE ADAPTATION OF PORTUGUESE PRICES TO THE COMMUNITY PRICE SYSTEM

The price system has already been brought into line with the Community system, although prices for table wines from the Vinho Verde region still differ from those in the rest of the country. Under this system there are two guidance prices (one for Vinho Verde table wines and one for the other table wines). This system is not compatible with the common organization of the market and should be abolished for the next winegrowing year. The alignment of price levels provided for in Article 265 of the Treaty of Accession has been completed.

H. THE PROHIBITION OF IRRIGATION OF WINE GRAPE VINEYARDS AND ALL NEW PLANTING IN IRRIGATED AREAS

Irrigation of vineyards for table wine is banned outright. For vineyards producing quality wines psr irrigation can be authorized under exceptional conditions, in specific areas, and subject to appropriate supervision.

I. THE IMPLEMENTATION, IN THE CONTEXT OF THE PLANTING RULES OF THE PLAN TO RESTRUCTURE AND CONVERT VINEYARDS IN LINE WITH THE COMMUNITY OBJECTIVES

Portugal has implemented Regulation (EEC) No 2239/86 on abandonment and restructuring. It has drawn up the programme provided for with regard to reconversion under the same regulation; this programme was approved by the Commission in October 1988.

More specific details on these measures are given in the chapter on structures contained in this report.



IMPLEMENTATION OF MEASURES RELATING TO AGRICULTURAL STRUCTURES

## VIII. IMPLEMENTATION OF MEASURES RELATING TO AGRICULTURAL STRUCTURES

### A. MEASURES APPLICABLE IN PORTUGAL

The following Community measures concerning agricultural structures are applied or are applicable in Portugal:

- a) - Regulation (EEC) No 797/85 - on improving the efficiency of agricultural structures;
  - Regulation (EEC) No 355/77 - on improving the conditions under which agricultural and fishery products are processed and marketed
  - Regulation (EEC) No 3828/85 - on a specific programme for the development of Portuguese agriculture (PEDAP);
  - Regulation (EEC) No 2239/86 - specific measure to improve vine-growing structures in Portugal;
  - Regulation (EEC) No 1360/78 - on producer groups and associations thereof;
  - Regulation (EEC) No 1035/72 - common organization of the market in fruit and vegetables (section on producer groups).
- b) Measures financed under Chapter 38 of the General Budget of the European Communities:
- veterinary measures (see section F)
  - Regulation (EEC) No 3528/86 - on the protection of the Community's forests against atmospheric pollution;
  - Regulation (EEC) No 3529/86 - on the protection of the Community's forests against fire.

The horizontal structural measures directly linked with market policy which apply to Portugal, i.e. Regulation (EEC) No 1360/78 and Regulation (EEC) No 1035/72, which provide for launching aids for producer groups, have not yet been the subject of expenditure since the relevant national laws, regulations and administrative measures have only recently been adopted.

B. PEDAP (SPECIFIC PROGRAMME FOR THE DEVELOPMENT OF PORTUGUESE AGRICULTURE)

This Regulation, the objectives and general characteristics of which were defined in Protocol No 24 to the Act of Accession, and which is to receive Community funding totalling ECU 700 million over a period of ten years, has started to be implemented, since 1986, in a manner which the Commission regards as satisfactory on the whole.

Implementation of this scheme has already led to the approval by the Commission of 22 specific programmes covering a wide range of measures within the scope of the Regulation but excluding those relating to the improvement of the structure of land ownership.

These specific programmes, at an estimated cost to the EAGGF Guidance Section of ECU 426 million, mainly cover the following areas:

- rural and farm roads;
- provision of electricity supplies to farms;
- irrigation;
- forestry measures;
- vocational training, advisory services and agricultural research;
- health protection groups;
- restructuring of olive and banana growing and production of quality seed;
- drainage;
- analysis of Portuguese agriculture (implementation study).

As regards progress made, this is satisfactory, as reflected by the progression of EAGGF Guidance Section expenditure: ECU 23.1 million in 1987, ECU 50.6 million in 1988, ECU 65.8 million in 1989. Total Fund expenditure under this Regulation thus comes to ECU 139.5 million.

Up to 30 June 1989, 12 745 projects had been concluded or were being implemented. The rate of implementation measured by the relationship between payments made and payments corresponding to projects approved is of the order of 56.4% for the period 1986-88; for the same period the rate of payments made as a percentage of the forward planning figure based on programmes approved by the Commission is 80%<sup>1</sup>.

Finally, it should be noted that the average rate of public aid has so far been 89% and that the Community financial contribution was increased for all the measures concerned to 75% when the Regulation was amended for the second time in July 1988<sup>2</sup>.

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<sup>1</sup> The figures relating to implementation refer only to the mainland.

<sup>2</sup> Council Regulation (EEC) No 2182/88 amending Regulation (EEC) No 3828/85 on a specific programme for the development of Portuguese agriculture.

C. REGULATION (EEC) No 797/85

Implementation of this Regulation began on 1 September 1986. By 31 December 1989, ECU 94.4 million will have been paid by the EAGGF Guidance Section to the Portuguese authorities.

There are implementing provisions for the following measures provided for in the Community Regulation:

- (a) farm investment schemes (both the aid scheme part-funded by the EAGGF and the scheme chargeable entirely to the national budget);
- (b) installation aids for young farmers;
- (c) other measures to assist agricultural holdings concerning the introduction of accounting and the establishment and operation of associations providing farm relief services;
- (d) specific measures to assist mountain and hill farming and farming in certain less-favoured areas, in particular the compensatory allowance;
- (e) forestry measures on agricultural holdings;
- (f) adjustment of vocational training to the requirements of modern agriculture.

Under Article 1(2) of Regulation (EEC) No 1094/88 Portugal is authorized not to apply the Community schemes concerning set-aside, extensification of production and the conversion of production until 31 December 1994.

One of the main features of this Regulation from the point of view of its application in Portugal is the farm investment scheme for which the competent national bodies had, by 30 June 1989, approved 13 486 projects, one third of which relate to young farmers, accounting for about 40% of the investment approved.

Nearly 50% of the investment aided consists of the purchase of equipment and machinery.

Another important element of this Regulation is the grant of compensatory allowances in less-favoured areas. In 1988, about 130 000 holdings, i.e. about one sixth of the total number, received the compensatory allowance. In 1989, the EAGGF reimbursed nearly ECU 20 million for 1988.

It is interesting to note that more than half of the holdings receiving the compensatory allowance have a UAA of less than 5 ha.

#### D. REGULATION (EEC) No 355/77

Implementation of this Regulation in Portugal started during the first year of Community membership and its use increased rapidly to reach a normal level - in terms of commitments - quite quickly.

By 30 June 1989, 304 projects had been approved for Community financing. EAGGF assistance amounts to ECU 109.3 million for the entire period and represents three quarters of total public aid and about 45% of the total investment. Payments made for the same period total ECU 18.8 million.

Particular attention will have to be paid to this aspect in the coming years to ensure that the appropriations are used in a satisfactory manner.

As regards the breakdown of investment by sector receiving Community aid, fruit and vegetables (82 projects, ECU 34.3 million) and meat (26 projects, ECU 21.3 million) represent about 50% of the total aid granted. These are followed by fishery products (47 projects, ECU 13.6 million), milk (39 projects, ECU 12.7 million), wine (46 projects, ECU 11.7 million) and cereals (8 projects, ECU 7.3 million).

#### E. IMPROVEMENT OF VINE-GROWING STRUCTURES

The common measure to improve vine-growing structures, for which EAGGF Guidance Section funding is estimated at ECU 73 million over a period of ten years, contains sections on the permanent abandonment of vine-growing and the restructuring of vineyards.

The abandonment scheme got off to a quicker start as it was immediately applicable once the requisite internal legislation had been approved.

Consequently, of the 15 000 ha covered by this scheme, 4 276 ha, corresponding to 1 873 approved applications, have already been grubbed.

The restructuring section of the Regulation, on the other hand, has required the drafting and approval by the Commission of a restructuring programme covering 30 000 ha over a period of ten years.

The programme was approved at the end of 1988, so the actual implementation of the restructuring measures only began this year. The Portuguese authorities have so far received 68 projects relating to an area of 177 ha to be restructured at a total cost of nearly ECU 12 million, and these applications are now at the final examination stage.

#### F. OTHER MEASURES

As regards Community measures on veterinary matters, several schemes are underway:

- a programme for the eradication of African swine fever;
- a programme for the eradication of classical swine fever;
- an accelerated programme for the eradication of bovine tuberculosis, brucellosis and leukosis.
- a programme for the eradication of contagious bovine pleuropneumonia.

As for Community measures for the protection of forests, Portugal has already started implementing the following Regulations:

- Regulation (EEC) No 3528/86 - on the protection of forests against atmospheric pollution (5 projects approved by 31 October 1989)
- Regulation (EEC) No 3529/86 - on the protection of forests against fire (5 projects by 31 December 1989).

CONCLUSIONS

## IX CONCLUSIONS

1. This report shows that in several sectors (eggs, poultrymeat, pigmeat, beef and veal, rice) Portugal has already made, or is making, the adjustments to the organization of its national market provided for in Article 262 of the Act of Accession. In the Commission's view, these adjustments (including those relating to the criteria and coefficients used for calculating levies on eggs, poultrymeat and pigmeat) can be completed before the beginning of the second stage. Transition to the second stage should not therefore give rise to particular problems for these products.

In the pigmeat sector a solution still has to be found to the problem of African swine fever, so as to permit free trade between Portugal and the rest of the Community.

2. The report also shows that the implementation of the structural policy which, pursuant to Article 263 of the Act, became applicable in Portugal at the time of accession, has, after the initial period necessary for the drafting of laws, regulations and national programmes, reached a satisfactory level, mainly due to a special budgetary effort by the national authorities. This is contributing effectively to the integration of the Portuguese market into the common agricultural policy.

However, this progress and the fact that EAGGF Guidance expenditure to help Portugal exceeded 10 % of the Fund's total expenditure does not imply that efforts to modernize Portuguese agriculture are no longer required. On the contrary, the inefficient structure of Portuguese agriculture and the progress still needed make it necessary to intensify efforts under the reform of the Funds and to implement certain measures already provided for in Community legislation (extensification, conversion, set-aside).

3. For wine, Chapter VII shows that a major effort has been made by Portugal and that the problems which remain (in particular problems of freedom of movement of wines in bulk in certain areas) could be resolved before the beginning of the second stage. The Commission points out however that:

- . it is assuming that, with regard to the transfer of replanting rights, Portugal will, from the beginning of the second stage, comply with Article 7(2) of Regulation (EEC) No 822/87;



- . it reserves its position with regard to the inter-trade bodies set up inter alia to grant registered designations of origin since this depends largely on the rules that the Council might adopt for bodies of the same kind in other Member States;
- . before implementing the market organization, the criteria for determining any quantities to be sent for compulsory distillation in Portugal, must be laid down.

4. In the milk and milk products sector certain problems are highlighted in Chapter I.

Although Portugal, in accordance with Article 309 of the Act of Accession, has modified the value relationship between the fat and protein components of milk, it has lowered the intervention price of butter (previously higher than the common prices) to a level below the common price. On the other hand the intervention price for skimmed-milk powder, while having been brought closer to the common price, nevertheless exceeds it.

*In a proposal pursuant to Article 265(1)(b), the Commission provided for a substantial harmonization of Portuguese butter prices with the common prices for the beginning of the 1990-1991 marketing year. The harmonization should facilitate complete alignment of the Portuguese butter price (continental price) on the common prices by the beginning of the second stage.*

5. In the cereals sector, it emerges from Chapter IV that, despite major efforts and enormous progress, it has not yet been possible to liberalize the domestic market entirely.

The EPAC's monopoly was related to the fact that in Portugal price ratios are the reverse of those in the Community, namely: very high production reference prices and lower market guide prices. In these circumstances Portugal pursued the objective of liberalizing the domestic market by granting assistance to offset this difference. However this measure:

- . firstly, did not apply to certain cereals of minor importance in Portugal, such as rye and oats. These products are therefore still subject to price ratios which are the opposite of the Community's;
- . secondly, is not granted to all operators, only to co-operatives. The Commission will take account of these problems when submitting proposals for implementing the measures envisaged by the European Council of February 1988 to help Portugal to adjust to the introduction of stabilizers. It nevertheless requests the Portuguese Government to step up its effort to liberalize the domestic market immediately and to ensure that all operators have access to it.

6. In the fruit and vegetables sector, Chapter III shows that Portugal:

- . has not yet introduced an intervention scheme, which makes it difficult for producers' organizations to be set up there;

- . has introduced quality standards, but they do not apply to sales by producers to wholesalers and not systematically to domestic trade.

The Commission finds this worrying from several points of view and calls on the Portuguese Government to remedy it by establishing an intervention scheme based on institutional prices as soon as possible and by extending the application of standards.

It considers that unless these two aspects of the market regime are applied immediately Portugal may find itself completely unprepared for the implementation of the common agricultural policy in 1991. It also points out that the lack of institutional prices makes it difficult for prices to be aligned at the beginning of next year pursuant to Article 265(1)(b) and that if standards are not applied systematically at production level and not to all products it is impossible to record prices as required in the rules.