

THE COMMISSION OF THE EUROPEAN COMMUNITIES

COM(84) 767 final

Brussels, 30 January 1985

THE SITUATION OF THE AGRICULTURAL MARKETS

REPORT 1984

(report from the Commission to the Council)

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1984 REPORT

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This report was drafted in autumn 1984 and a summary appeared in "The Agricultural Situation in the Community - 1984 Report" published in conjunction with the eighteenth General Report on the Activities of the European Communities.

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## A - MARKETS FOR AGRICULTURAL PRODUCTS

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### INTRODUCTION

1. This chapter reviews the main developments in agriculture and the agricultural markets since the Commission published its proposal for the "Adjustment of the Common Agricultural Policy" in July 1983 (COM(83) 500 final of 28.7.1983). This review confirms the necessity to complete the adaptation of the Common Agricultural Policy which the Council began on 31 March 1984.
  
2. Adaptation of the CAP became necessary because the incentives offered to producers were no longer consistent with the present and the foreseeable needs of the markets. Demand for many agricultural products is either stagnant or declining while the productive potential of European agriculture continues to increase. The three main approaches used to effect adaptation of common market organization are :
  - the extension of guarantee thresholds to agricultural products where market imbalances exist, are likely to exist and/or where expenditure is growing rapidly;
  
  - the pursuit of a restrictive price policy with particular attention being paid to the development of a more realistic hierarchy of prices;
  
  - the improvement of market management through the development of more flexible instruments available at short notice.

The following review shows the extent to which these three lines of policy are now being implemented, but also the extent to which they need to be pressed further.

## MILK

### General

3. Four major factors have influenced the milk market. For a decade the productive potential of the dairy herd has grown by some 2,5% per annum, the demand for milk and milk products has shifted from modest growth to stagnation or decline. During the 1980s, the world market for dairy products has contracted and the resulting build-up of stocks has further depressed prices. In addition, for a number of years the change in the relative value of the fat and protein components of milk has not been reflected in support prices.
4. The size of the dairy herd (about 25 million cows) has not altered significantly since the 1960s. However, improvements in farm structure, the genetic characteristics of cows, the greater availability of cheap feedingstuffs and improved farm management pushed deliveries of milk to dairies up from 81 million tons in 1973 to 104 million tons in 1983. During this period consumption rose from 76 million tons in 1973 to a peak of 85 million tons in 1981, followed by a fall to 82 million tons in 1983.
5. The decline in net exports from a peak of 16 million tons milk equivalent in 1980 to 10 million tons in 1983 has resulted in increased stocks held in the form of butter and skim-milk powder.

### Before quotas

6. During 1983, milk deliveries continued to increase to total 104 million tons in 1983 (105 million tons during the 1983/84 marketing year). Without the introduction of quotas deliveries were expected to increase by a further 3% in 1984 (an increase of 3% was recorded for the first quarter of 1984 compared with the first quarter of 1983).

7. Production of butter and skim-milk powder rose by 10% in 1983 (that is to say, at three times the rate of increase of milk deliveries), while production of whole milk powder and condensed milk declined. The production of cheese and fresh milk products rose slightly. Consumption of almost all dairy products fell slightly in 1983. The world market for dairy products contracted sharply in 1983. Both the quantities sold and the prices obtained fell. The net loss to the Community (despite increased sales of cheese) represented a loss of some two million tons in milk equivalent with the brunt being borne by exports of skim-milk powder (down by 45%) where the expansion of non-commercial transactions mainly influenced by the USA has become the dominant market characteristic. The result was a dramatic build-up of stocks. Community stocks of butter (including those in private storage for which an aid is paid) rose from less than 400.000 tons in January 1983 to 850.000 tons on 1 January 1984 and 900.000 tons on 31 March. Stock of skim-milk powder also increased from less than 600.000 tons in January 1983 to nearly 1 million by January 1984 before falling to 900.000 tons at 31 March.

#### Quotas

8. The substantial imbalance in the dairy sector finally convinced Council that price policy alone (unless carried to politically unacceptable extremes) could not cope with the ever increasing gap between supply and demand. After some delay and some adjustments, Council adopted the Commission's proposals for a Super-levy system. The operation of this system, which is administered by national authorities within the framework of Community rules, is described in detail in Regulation (EEC) no. 1371/84 of the Commission. The objective is to cut back deliveries of milk to 99 million tons in the 1984/85 marketing year and 98 million tons in subsequent years. Sales direct from the farm are governed by analogous legislation.

#### After quotas

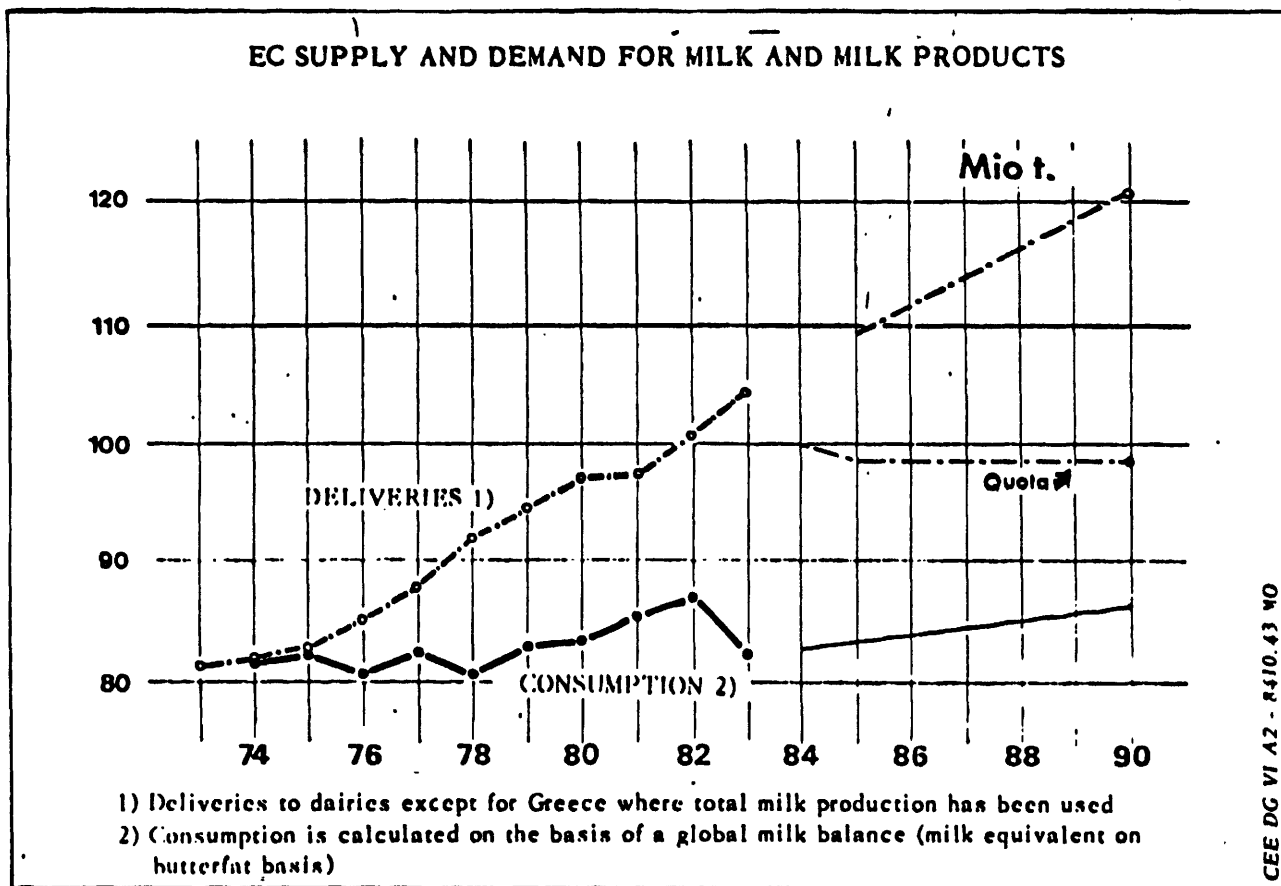
9. Because of the delay in introducing the super-levy system and the stagnation or decline in demand both at home and abroad, it is clear that the Council's decisions in isolation are insufficient to bring about a return to a balanced market. Moreover, the costs of stocks (storage costs, depreciation) as well as the downward pressure that such stock levels exert on prices required a significant effort to halt the rise in stock levels and if possible to reduce them to more reasonable levels. The Council adopted a new scheme for the subsidized disposal of semi-skim milk for animal feed on 17 July. Since this measure alone was insufficient, the Commission decided in July 1984 to increase its own efforts to dispose of dairy produce. The additional measures envisaged by the Commission are :

- the sale of old butter for processing into "ghee" at a discount, followed by sales to what until recently had been traditional markets in the Middle East,
- the sale out of intervention of older butter (at least 6 months old) for export;
- the extension to other food industries of the possibility of purchases of reduced-price butter;
- a further effort to make butter available at lower prices to consumers.

10. As the graph below illustrates, the implementation of the super-levy system together with the additional disposal schemes proposed by the Commission offer the prospect of improving the balance on the Community dairy market. These projections take account of the increased demand in certain Member States which can be expected due on the one hand to the standardization of the rules of payment for purchases into intervention and, on the other hand, the adjustment of the relative values of the protein and butter fat components of milk.
11. Nevertheless, the Commission decided that exceptional measures were needed to reduce the level of stocks in the shorter term. Two specific measures have been engaged, the so-called "Christmas Butter" scheme and particular disposal measures for very old butter to non-traditional outlets. Despite the substantial cost, the subsidized sale to European consumers of some 200.000 tons of butter at half the intervention price is being undertaken; 84% of this butter will be provided from intervention stocks. The cost-effectiveness of this measure should be higher than for similar operations carried out in the past, due to the 10% decrease in butter prices at the beginning of the 1984/85 marketing year. The disposal of very old butter held in intervention provides particular marketing difficulties. The Commission has reason to believe that opportunities exist to create a market for such very old butter (produced before April 1983), notably the USSR, provided the price is competitive with other oils and fats. The Commission has set as a precondition for such sales that significant quantities of butter (at least 50.000 tons) should have been exported at a normal price, in which case a similar quantity of very old butter may be exported at a special price to the same destination. The Commission has reported these measures bilaterally to its trading partners and to the GATT according to the normal procedure.



Graph 7 - EC supply and demand for milk and milk products



12. The improved outlook for the dairy sector reflects the implementation of the three main approaches set out in the introduction to this chapter required for the adaptation of the CAP. However, the graph highlights the continued dependence of the Community on the existence of substantial export outlets in order to maintain a balanced market for milk and milk products.

THE MEAT MARKETS

13. The Community meat markets are dominated by beef and pigmeat with significant consumption of sheepmeat and poultrymeat. While the patterns of livestock supply are specific to each meat, demand is integrated and there is increasing substitution between meats.

The beef market

14. Beef supply is characterized by a pluriannual cycle whose last trough occurred in 1982. Production in 1983 increased from 6,7 million tons in 1982 to 6,9 million tons and is expected to be at least 7,2 million tons in 1984. Increased availabilities in 1984 are primarily due to the cyclic pattern, with a modest increase attributable to increased cow culling taking place from the autumn onwards.
15. Market prices for beef have not increased significantly over the last year. While calf prices have remained firm, cattle prices have been depressed. The low prices for beef have reflected the high level of self-supply. There has been a steady build-up of stocks (255.000 tons in January 1983, 432.000 tons in January 1984 and 503.000 tons in October 1984) which has also depressed market prices.
16. The year 1984 has been characterized by limited availability of beef in the other main exporting countries. In consequence, gross exports of Community beef are expected to reach a record level (probably more than 800.000 tonnes) despite reduced levels of export refunds. In response to the persistent depressed state of the market, in August 1984 the Commission introduced greater flexibility into the operation of intervention and a specially attractive private storage scheme to relieve the pressure on a depressed market. The result has been that in spite of adverse market conditions, the fall in market prices has been arrested.
17. (An important related measure was adopted by the Council on 31 March 1984. For an experimental period of three years, the Community will progressively apply a common classification grid for purchases into intervention. After a few months of operation, the result has been a significant step towards common price levels in the various regional markets.)
18. (The Council insisted on the renewal of the variable beef premium for the British beef market, which the Commission had proposed should lapse. In order to reduce the potentially distorting effect of this system on the Community and export markets, a "clawback" system was introduced in May 1984. The Commission will report to Council on the operation of the revised system in time for the 1985/86 price review.)

### The sheepmeat market

19. In October 1983, the Commission completed a review of the sheepmeat market (1). As a result the Commission proposed a number of changes in the market organization. In the event, the Council failed to follow the majority of these recommendations, notably the proposal to fix the régime on a calendar year basis a year ahead, in order that producers would be better able to plan production and the introduction of a ceiling on the variable premium in the UK together with a minimum import price system.
20. The Council did adopt a revised seasonal scale designed to provide an incentive to market lambs in Great Britain outside the period of glut in the summer months. This adaptation is designed to encourage more orderly marketing of sheepmeat throughout the year and is intended to benefit producers in all Member States. It is too early to say that the scheme has been an unqualified success. However, from the information available to date, total British producers' returns since the new scale was installed have certainly not declined. At the time of writing this report, it is premature to say precisely what seasonal scale will be proposed for the next marketing year. It would seem prudent to study the results of the autumn marketing before arriving at conclusions. However, due consideration will be given to the argument that the drop in the seasonal scale at the beginning of the summer is unnecessarily abrupt.

### The pigmeat market

21. Pigmeat supply is characterized by a shorter cycle than that which prevails in the beef sector. At the end of 1983, market prices on an oversupplied market were reaching a disturbingly low level in some areas. In response, the Commission introduced a private storage scheme in January 1984 which successfully absorbed the temporary glut and ensured that adequate supplies were available later in the year when the downturn in the production cycle was expected. Over an 18-month period, pig producers incomes had therefore been squeezed by relatively low market returns and input costs which had risen due to the steady increase in the value of the US dollar, however, they have benefited in the last half of 1984 from the beneficial effects and from the decreasing costs of Community-produced feedstuffs.

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(1) COM(83) 585 final.

22. A notable improvement in the integration of the European market has taken place over the period covered by this report, with the progressive demobilization of the monetary compensatory amounts applicable in this market organization. The maximum net MCA payable on an intra-Community shipment has fallen from 17,4 points in March 1983 to 9,8 points in November 1983, to 6,8 points in November 1984 and will fall to 4,4 points in January 1985.

## CEREALS

### General

23. The bulk of cereals produced and consumed in the Community are wheat and barley where the Community has a net export balance. Significant quantities of maize are produced although substantial imports are required in order to meet domestic demand. Since 1973, the area devoted to grain production has increased modestly while yields have risen significantly with a greater proportion of wheat being produced for animal feed. Since the late 1970s there has been a substantial increase in the use made of imported cereals substitutes, notably manioc and corn gluten feed. Given the modest increase in demand for animal feed, the cereals market has been depressed.
24. The imports of manioc and brans and molasses have recently been stabilized or contained. However the increase in imports of corn gluten feed is at present uncontrolled and the Community has initiated discussions with the main supplier (the USA) with a view to setting a more orderly framework for imports in order to avoid intolerable pressure on the Community feed market.
25. It has long been a tenet of Commission policy that the gap between Community prices and those applied by its main competitors should be reduced. The Commission proposed the rapid establishment of a more appropriate price relationship between different qualities of wheat and that higher quality standards should be established for both wheat and barley. Substantial progress has been made this year.

### The 1983/84 marketing year

26. Disposal of the substantial wheat harvest of 1983 was assisted by an improved market for animal feed. The improvement came in part from the strong dollar, lower US maize and soya harvests which raised the price of competing supplies, and in the Community a smaller barley crop and lower

prices for feed wheat. This favourable combination allowed the record carry-over of commercial stocks of over 10 million tons. Exports were limited to 13 million tons, representing a cautious interpretation of our GATT obligations, with the innovation that a modest quantity of denatured wheat (for animal feed) was exported.

#### The 1984/85 marketing year

27. The guarantee threshold which operates - retroactively - in the cereals sector was not triggered during the 1984 price review. Support prices were reduced by 1% in ECU terms but they increased significantly in national currency and the Council failed to adopt the proposed improvements in quality standards proposed by the Commission. The Commission's own powers have since been used to define standards, if not to improve them.

1984 has provided ideal growing conditions for high-yielding varieties of wheat in the Community. As a result this year's harvest has produced a record crop and average market prices are significantly below the nominal intervention price. Fortunately a significant improvement in export markets, attributable to another poor harvest in the USSR has provided an outlet for some of the surplus production, while the high value of the dollar renders Community grain more competitive than ever before. The outlook for the remainder of the marketing year is therefore one where low prices offset by buoyant demand should enable the Community to dispose of most of this year's harvest, while stocks return to a higher level than is desirable in terms of market management for 1985/86 : high carryover stocks combined with further increases in plantings could bring severe problems if combined with a high-yielding harvest and a lower dollar.

#### WINE

28. The market organization for wine has been under stress during the 1983/84 marketing year. Despite very high expenditure for the distillation of surplus table wines, market prices have remained at low levels (around 70%) in relation to the guide price. During the 1983/84 marketing year, approximately one third of table wine production was withdrawn from the market.

29. At the time of the 1984/85 price review the Council of Ministers was not convinced that the wine sector was facing major difficulties and contented itself with freezing the guide prices (and thereby the distillation prices) for table wines. One proposal to reduce the financial burden for FEOGA (estimated to exceed 1 billion ECU in 1984) in the wine sector was adopted - the abolition of short-term storage aids for wine. However, the economic effect of this measure was attenuated by the authorization granted to producer Member States to operate a comparable nationally-financed scheme for one year.
  
30. These decisions were taken against the background of forecast supply balance sheets for the wine sector based on Member States' returns which indicated the end of year stocks of table wine at around five months supply - a normal volume to carry over to the next marketing year. However, this proved to be a very serious underestimate and in view of the depressed state of the wine market at that time, the Commission was requested to implement the measure of "exceptional distillation" (a high price distillation for up to 5 mio hl of wine) to support producer's incomes. The Commission was unable to accede to this request. Two main reasons justified such a refusal: the insufficiency of available FEOGA funds, the full allocation for 1984 being already committed, but more importantly, the judgement that such an action would be ineffective in the fact of a market in serious imbalance.
  
31. In May, a special Management Committee meeting held with the encouragement of the Council failed to establish the true level of availabilities on the wine market. The Commission was forced to conclude that official estimates of supplies and opening stocks of table wines which totalled some 160 million hl represented a serious underestimate. Market prices remained depressed despite a series of distillation measures which totalled 35 million hl, a figure which included a massive 22 million hl of voluntary distillation at 65% of the guide price.
  
32. Confronted by declining demand (currently 90 million hl), there emerged a Council consensus that action is necessary if the market organization for wine is to operate to the satisfaction of producers and consumers and at a sustainable cost to the budget.

The Commission has therefore made proposals for an adaptation of the existing wine régime (1) which it earnestly hopes will be adopted by the Council, despite the sacrifices which will have to be made by producers in each Member State. The proposals fall under three main headings : structural adaptation to reduce the productive potential, a more realistic price policy and improved market management; in addition it is proposed that sugaring and enrichment should be curtailed and/or phased out. By the time of publication the Council, after consultation of the Parliament, should have decided on the adoption of Commission proposals. In this publication, it should be recorded that the Commission has taken the two decisions which lie within its power in order to contribute to the adaptation of this market organization. In the first instance, when evaluating the state and prospects of the wine market, the Commission will no longer restrict itself to governmental sources since experience has shown that these sources can be unreliable. For distillation, the Commission has established limits on access to voluntary distillation (which will allow up to about 10 million hl to benefit from future operations). Additional distillation in the form of obligatory distillation which takes place at a lower price, may then be applied in a more equitable way.

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(1) COM(84) 440 final, COM(84) 515 final, COM(84) 517 and COM(84) 539 final.

## B. Analysis by Sector

### I. Products subject to common market organisation

#### 1. CEREALS

##### 1. Introduction

###### (a) General situation:

The 1983/84 harvest was about 6% smaller than the record crop of 1982/83, although only 1,2% below the previous record crop in 1980/81.

The drop was mainly due to a very big drop in the barley harvest (- 12,8%) which was the lowest since 1976/77. The quality was about normal for wheat but below normal for barley, especially spring barley.

With opening stocks of about 18 mio t (common wheat 10,5 mio t) and a continuation of the Commission's policy not to increase the Community share of the world market for common wheat in a situation with general over-supply in the main exporting countries, wheat prices in particular have been under pressure. Wheat prices remained on or below the support price throughout the marketing year with a tendency to decline as the year progressed. Barley prices were firm at around 4-6% above the common intervention price as a result of scarce supply.

Although intervention stocks at the beginning of the marketing year were at the highest level at any time since the introduction of the Common Market Regulation (7,6 mio t), the stocks were reduced to 4,3 mio t at the end of the marketing year due to relatively low intervention activity and improved outlets on the internal market for animal feed.

Forecasts for 1984/85 indicate a new record level of production due to excellent growing and harvesting conditions throughout the Community.

World market prospects for 1984/85 are favourable as demand is relatively strong, mainly because of a poor harvest in the USSR, while production in the major producing countries (except the EEC) is in general below normal. World market prices, and in particular wheat prices, therefore tend to be firm in the near future.



(b) Cereals in Community agriculture:

The total area of cereals in 1983 was 27,7 million ha. Their importance in the land use of individual Member States varied considerably, being lowest in Ireland and the Netherlands (7% and 10% of UAA respectively) where fodder crops and permanent grasslands are more important. Cereals are of greatest significance in Germany and Denmark (42% and 59% of UAA respectively) where they account for 65-70% of the arable land. In the remaining Member States cereals occupy 20% to 30% of the UAA and 50% to 57% of the arable land.

The share of cereals in final production is a less useful measure of their economic importance since in many cases a large proportion of production is used for livestock feeding on the farm where it is produced. This means that the final production of such cereals is in the form of livestock products. Thus in Germany, where cereals accounted for 42% of the UAA, they represented only 8,4% of the value of final production in 1983 because over 43% of the total quantity produced was used for animal feeding on the farm where it was grown. In the United Kingdom, by way of contrast, cereals accounted for only 21% of the UAA but 18,6% of the value of final agricultural production because only 12% of the crop was fed to livestock on the farm where it was grown. In the Community as a whole, where about 26% of the crop was fed to livestock on the farm where it was grown, the contribution of cereals to the final production of agriculture was 12% in 1983.

(c) The Community in world cereals production:

World production of cereals in 1983/84 amounted to 1.193 million t, of which the Community produced 10%, a similar proportion to previous years. The proportions produced by other major exporters of cereals were: United States 17%, Canada 4%, Australia 3%, Argentina 3%.

2. Production

Community cereals production in 1983/84 dropped to 123,66 mio t (excluding rice) - a decrease of 6,1% on the 1982/83 record crop. The decrease was due to a decrease in area (- 2,1%) combined with a decrease in yield (- 4,1%). In particular barley production decreased (- 12,8%) while common wheat production was very close to last years record and 9,7% above the previous record in 1980/81.

Growing conditions were difficult, particularly for spring-sown cereals, and yields were lower throughout the Community. Yields of common wheat were only slightly lower (- 1,9%), while yields of barley were 7,3% lower than last year.

The total area sown with cereals for 1984 is equal to the area in 1983. The growing conditions have been excellent for both winter and spring sown cereals, and yields are expected to be very high. Final production for all cereals will reach a new record; preliminary estimates indicate a total production of about 147 mio t.

(a) Common wheat

The 1983/84 production of common wheat of 55,4 mio t almost reached the record production of 1982/83 (- 0,8%). Yields, on average 5,03 t/ha, were slightly lower (- 1,9%) due to less favourable climatic conditions, while the area increased to 11,012 mio ha (+ 1,1% compared with 1982/83).

The 1984/85 production is expected to be about 69 mio t (+ 25%) due to an increase both in area (+ 3,7%) and in yield (+ 20,7%) - the growing conditions having been excellent throughout the year.

These figures confirm the steadily increasing trend in wheat production, mainly due to the introduction of new high yielding varieties, which makes it economically attractive for producers to shift from (in particular) barley to wheat production. The area of common wheat has shown an uninterrupted increase since 1977/78 with an annual increase of more than 2%. Yields have shown an equally clear trend, though subject to fluctuations as a consequence of varying climatic conditions. The annual rate of increase since 1977/78 has been around 3,5%.

(b) Durum wheat

1983/84 production of durum wheat declined to 3,9 mio t (- 2,7%). This was solely due to a very big drop in production in Greece (- 21,7%), while production in France and Italy increased slightly. The average yield was 1,82 t/ha (- 5,6%), while the area increased to 2,164 mio ha (+ 2,9%). The area declined in France (- 2,6%) but increased in Italy (+ 2,9%) and Greece (+ 5,2%).

In 1984/85 production is expected to reach almost 6 mio t (+ 52%) due to an increase in both area (+ 3,4%) and yield (+ 47%).

Italy accounts for 80% of the area of durum wheat in the Community and durum wheat occupies about 50% of the total wheat area there. The area remained stable for a number of years, but over the last four years it has increased uninterruptedly.

Greece accounts for 14% of the area of durum wheat in the Community and durum wheat occupies about 30% of the total wheat area. Since 1979 the durum wheat area has increased from a relatively stable level of about 205.000 ha to about 305.000 ha in 1984.

### (c) Barley

1983/84 production at 36,158 mio t was substantially lower than in 1982/83 (- 12,8%). Growing conditions were unfavourable, in particular for spring barley, and yields dropped to 4,07 t/ha (- 8,7%). The area declined to 8,876 mio ha (- 4,6%).

In 1984/85 production is expected to reach 43,3 mio t. The increase is solely due to an increase in yield to approximately 5,1 t/ha (+ 24%), while the area continues to decline (- 3,6%). The area has declined from 10,04 mio ha in 1979/80 to approximately 8,55 mio ha in 1984/85 - an annual rate of decrease of more than 3%. Production has remained stable at around 40 mio t due to an increasing yield.

The increasing trend in yields is mainly a result of the change from spring to winter barley.

The area of winter barley as a percentage of total barley area is still increasing in the four main producing countries. In France and Germany the area of winter barley has become stable, while the area of spring barley is decreasing. In the U.K. the area of winter barley is still increasing while that of spring barley is declining rapidly.

In Denmark the winter barley area has increased very rapidly. However, winter barley is not expected to be as important in Denmark as in the other countries because of problems with plant diseases.

Area of winter barley (% of total barley area)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Germany	39 %	46 %	49 %	53 %	55 %	59 %	63 %	48 %	62 %	67 %
France	20 %	31 %	42 %	51 %	38 %	55 %	57 %	55 %	62 %	68 %
UK	-	-	-	-	25 %	32 %	35 %	39 %	42 %	52 %
DK	-	-	-	-	-	0,4 %	0,4 %	1,2 %	7 %	13 %

(d) Rye

1983/84 production of rye (2,39 mio t) was slightly lower than the year before (- 1%). The fall in production was due to a lower yield (- 7,3%), while area increased to 0,677 mio ha (+ 7,1%).

In 1984/85 production is expected to be 2,82 mio t due to an increase in both area (+ 3,8%) and yield (+ 14%). The increase in area has occurred mainly in Denmark where the area has doubled over the past two years to about 0,12 mio ha in 1984.

(e) Oats

The area of oats continued its longterm downward trend and was 1,7 mio ha in 1983/84. The average yield was 3,29 t/ha (- 10,8%) and production dropped to 5,59 mio t.

In 1984/85 production is expected to be approximately 6,2 mio t, although the area fell by 10% to 1,5 mio ha. Yields are expected to be about 4,0 t/ha (+ 22%).

(f) Maize

The situation in 1983/84 was almost unchanged compared with 1982/83. Production reached 19,7 mio t, the average yield was 6,62 t/ha and the area remained at 2,98 mio ha.

In 1984/85 production is expected to be unchanged at 19,7 mio t, while the area will show a slight increase and yields a corresponding decrease. In the long term, the area is expected to remain stable at around 3 mio ha, while yields are expected to increase at an annual rate of 2-3%.

### 3. Consumption

In 1982/83 the total volume of cereals used in the Community amounted to 113,5 million t, a decline of 2,8 million t compared to 1981/82. About 39% consisted of wheat, 30% of barley and 21% of maize. The utilization of all cereals was made up as follows in 1982/83:

- animal feed	60,6% (59,2% in 1981/82)
- human consumption	25,6% (26,9% in 1981/82)
- industrial use	8,6% ( 8,7% in 1981/82)
- seed and losses	5,2% ( 5,2% in 1981/82)

It is expected that for 1983/84 total consumption of cereals in the Community will remain at a similar level as in 1982/83. The latest estimates indicate a further increase in animal feed use (to 61,3%), a slight increase in human consumption (to 25,9%) and a decrease in industrial use (to 7,7%).

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 for 1982/83:

#### Cereal consumption in 1982/83 - breakdown by type of cereal and use

	Human consumption	Animal feed	Industrial use	Seed and losses	Total
	%	%	%	%	%
Durum wheat	87,3	1,2	-	11,5	100,0
Common wheat	55,9	36,4	1,4	6,3	100,0
Rye and meslin	45,7	46,3	1,4	6,6	100,0
Barley	0,2	78,9	14,8	6,0	100,0
Oats and mixed cereals	4,2	91,1	-	4,7	100,0
Maize	6,3	75,7	16,9	1,2	100,0
Sorghum	2,6	95,6	0,5	1,2	100,0

(a) Human consumption:

In 1982/83 the use of cereals for human consumption fell by 6,8% from 1981/82. This was due mainly to a decrease of 5,9% for common wheat. Common wheat accounts for about 77% of total cereals use for human consumption, and the quantity used has remained relatively stable over the last 10 years. Consumption of maize apparently increased by 35,5%. However, this is due principally to a change in the basis of the statistics rather than a real change in usage. Total consumption of maize for human and industrial purposes has remained relatively stable. Over 4 mio t of maize a year are used for the production of starch, for eventual use in either human foodstuffs or industrial products. Maize is also used in distilling and brewing, and to make cereal breakfast foods.

Use of cereals for human consumption - breakdown by type of cereal

		000 tonnes	
		Quantity used for human consumption (grain equivalent)	
		1981/82	1982/83
Common wheat	:	24.164	22.728
Durum wheat	:	4.300	3.308
Maize	:	1.109	1.503
Rye	:	1.244	1.163
Oats	:	334	319
Barley	:	80	80

Estimates for 1983/84 show no real change in the level of cereals used for human consumption (+ 1%). It is expected that consumption of soft wheat will remain at a similar level to 1982/83.

(b) Animal consumption:

Animal consumption is the principal outlet for cereals grown in the Community and made up about 61% of cereals used in the Community in 1982/83.

The total quantity of cereals used for animal consumption has dropped from a record 74,7 million t in 1973/74 to 67 million t in 1976/77. An increase to 73,2 million t was registered in 1977/78 since when the trend has been downwards.

Animal consumption of cereals was 68,9 million t in 1981/82 and 68,8 million t in 1982/83.

In 1983/84 consumption is estimated to be about 69,4 mio t (+ 1,0%). The increase is mainly due to a very favourable competitive situation vis à vis cereal substitutes because of very high prices for these products and for soya.

Between the different cereals there have been changes. The preliminary figures show a substantial increase in the use of wheat in animal feed, partly because of replacement of other cereals and partly because of lower imports of cereal substitutes.

#### Changes in the use of cereals for animal feed

:	:	1982/83	:	1983/84 (1)	:	% change	:
:	:	(mio t)	:	(mio t)	:	82/83 - 83/84	:
:	:	:	:	:	:	:	:
:	Cereals total	68,8	:	69,4	:	+ 0,9	:
:	of which	:	:	:	:	:	:
:	barley	26,9	:	25,7	:	- 4,5	:
:	common wheat	14,8	:	19,9	:	+ 34,5	:
:	maize	18,3	:	16,9	:	- 7,7	:
:	oats	7,0	:	5,3	:	- 24,3	:

(1) preliminary figures.

This high level of wheat consumption in animal feed is expected to be maintained in 1984/85 - mainly by replacing other cereals, as imported substitutes and soya are expected to be available at competitive prices.

Up to 1975/76, the animal feed use of cereals on the farms where they were grown accounted for around 50% of the total feed use. Since then, however, this proportion has fallen to about 45%. This shift is due to a greater tendency for farmers to sell cereals and to purchase compound feedstuffs. Production of oats, a cereal which is largely used on the farm where grown, has also been declining rapidly.

Animal feed use of cereals in 1982/83, on the farm where grown and through the market - breakdown by cereal

Cereals	Used on farms	Marketed	Total	
	1.000 t	1.000 t	1.000 t	%
Wheat	5.653	9.209	14.882	21,5
Rye	909	271	1.180	1,7
Barley	14.790	12.421	27.211	39,4
Oats etc.	5.204	1.771	6.976	10,1
Maize	3.715	14.643	18.358	26,6
Other	83	463	546	0,8
<b>Total</b>	<b>30.354</b>	<b>38.778</b>	<b>69.133</b>	<b>100,0</b>
	<b>43,9%</b>	<b>56,1%</b>	<b>100,0%</b>	

In 1972/73 cereals 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 53% in 1981/82. In the same period the contribution of manioc rose from 1,5% to 6% and that of oilcakes from 12% to nearly 18%.

This decline is principally due to the substitution of cereals by products such as manioc, oilcakes and a variety of industrial by-products which may be imported into the Community with little or no import charge.

Imports of cereal substitutes and soya 1974/83

	mio tonnes			
	1974	1978	1982	1983
Soya (1)		14,8	18,9	18,6
Cereal substitutes total	4,6	11,9	16,2	14,1
of which				
manioc	2,1	6,0	8,1	4,5
maize gluten feed	0,7	1,7	2,8	3,6
citrus pellets	0,3	1,0	1,3	1,4

(1) Soya in the form of grain and soya cakes, expressed in soya cake equivalents.



Only imports of manioc decreased in 1983 while imports of all other substitutes increased.

Imports of cereal substitutes are expected to run at a high level throughout 1984. Imports of manioc are estimated to be about 4,4 mio t in the first 10 months of 1984 while imports of other substitutes and soya remain almost unchanged compared to the same period last year.

(c) Industrial use:

The use of cereals for processing and industrial purposes decreased by 3,9% in 1982/83. There were, however, substantial differences from one cereal to another.

Industrial use of wheat increased considerably (+ 37,4%) while that of maize apparently declined by 9,9%. However, this decline is only the converse of the apparent increase in human consumption of maize (see paragraph (a) above for explanation).

Industrial use of barley fell by 0,9% in 1982/83, to a total of 5,1 million t.

Estimates of industrial use of cereals in 1983/84 indicate a further decline (- 10%) with an increase for wheat (+ 6%) and a large fall for maize (- 26%).

(d) Self-sufficiency:

The degree of self-sufficiency in 1982/83 increased to 115% (+ 10%), as a result of a substantial increase in production (+ 7%) combined with a fall in consumption (- 2%). The fall in consumption was due mainly to decreases in human consumption (- 5%) and industrial use (- 8%).

Preliminary estimates for 1983/84 suggest that the degree of self-sufficiency will fall to 109%, as a result of the drop in usable production to 123 million tonnes (- 6%).

Summary of the cereal balance sheet in 1982/83

	Common wheat		Durum wheat		Barley		Maize	
	:mio t : <u>1982/83</u>		:mio t : <u>1982/83</u>		:mio t : <u>1982/83</u>		:mio t : <u>1982/83</u>	
	: : 1981/82		: : 1981/82		: : 1981/82		: : 1981/82	
Usable production	55,6	+ 11,8%	4,0	- 9,8%	41,1	+ 4,2%	19,7	+ 6,3%
Imports	2,3	- 37,2%	1,2	- 16,0%	0,1	- 70,5%	5,6	- 33,2%
Domestic use	40,6	-	3,8	- 20,0%	34,1	- 0,8%	24,2	- 7,4%
Exports	13,6	- 5,3%	1,4	- 1,0%	5,8	- 1,4%	0,9	+ 13,7%
Stock change	+ 3,7	-	-	-	+ 1,3	-	+ 0,2	-

	Oats		Rye		Other cereals		Total cereals	
	:mio t : <u>1982/83</u>		:mio t : <u>1982/83</u>		:mio t : <u>1982/83</u>		:mio t : <u>1982/83</u>	
	: : 1981/82		: : 1981/82		: : 1981/82		: : 1981/82	
Usable production	7,7	+ 8,0%	2,4	- 2,5%	0,4	- 11,4%	131,0	+ 7,1%
Imports	0,1	- 23,9%	-	-	0,1	- 30,0%	9,7	- 32,3%
Domestic use	7,7	+ 6,2%	2,5	- 1,6%	0,5	- 13,4%	113,5	- 2,4%
Exports	0,1	-	-	-	-	-	21,3	- 6,3%
Stock change	-	-	- 0,1	-	-	-	+ 5,9	-

(e) Stocks:

According to the best available estimates, the total stocks of cereals in the Community at the beginning of the 1983/84 marketing year amounted to 18,0 million t of which 0,9 million t were held on farms. Common wheat accounted for 10,5 million t, durum wheat for 0,7 million t, barley for 3,0 million t and maize for 2,8 million t.

By 1 August 1984 estimated stock levels had been reduced to 12,8 million t, including 7,2 million t of common wheat (13% of production), 0,8 million t of durum wheat (21% of production), 1,8 million t of barley (5% of production) and about 2,3 million t of maize (12% of production).

#### 4. Trade

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

The major Community supplier of cereals to other Member States is France. French deliveries in 1983/84 totalled 10,1 million t (including cereal products) of which 4,4 million t were common wheat and 2,0 mio t were barley.

The main customers were Belgium, Germany and Italy. However, a significant part of the consignments to Belgium are believed to have been for subsequent export to non-member countries via Belgian ports. French deliveries of maize to other Member States were 5,0 million t in 1983/84. The principal customers were the Benelux countries, Germany, the United Kingdom and Ireland.

In recent years UK deliveries to other Member States have grown in importance. In 1983/84 the UK supplied 850.000 t of common wheat and 1,7 mio t barley to other Community countries. Much of this was subsequently exported to third countries, in particular from Belgium and France, but there were substantial consignments to Germany, Italy, Ireland and Denmark for use there.

##### (b) With third countries:

Imports of cereals from non-member countries (reduced by the estimated level of transshipments) amounted to 8,1 million t in 1982/83 (35,7% less than in 1981/82) of which 5,6 million t were maize (33,2% less than in 1981/82). About 89% of these maize imports came from the United States, with the remainder coming mainly from Argentina. Imports of barley in 1982/83 fell to less than 150.000 t, mainly from Canada.

Imports of common wheat fell from 2,9 million t in 1981/82 to 1,6 million t in 1982/83. 98% of common wheat imports in 1982/83 came from North America. Durum wheat imports dropped from 0,4 million t in 1981/82 to 0,3 million t in 1982/83. Almost 100% of imports in 1982/83 came from North America.

Total exports of cereals and cereal products in 1982/83 were 21,3 million t. Within this total, common wheat and flour accounted for 13,6 million t. Exports of wheat and wheat flour in 1983/84 are estimated at about 14,2 million t, broken down as follows: 12,8 million t of commercial sales, of which 2,8 million t in the form of flour, and 1,4 million t as food aid. Commercial exports of wheat in 1982/83 went principally to the Soviet Union and Eastern Europe, North Africa, China and the Far East. Flour exports continued to go to a wide variety of destinations, in particular to Egypt, Libya, the Soviet Union and the Middle East.

There were again large exports of barley in 1982/83 and 1983/84. Total exports of barley and barley products (mainly malt) amounted to 5,9 million t in 1982/83 (- 1%), of which 1,7 million t was in the form of malt. The quantities exported in 1983/84 are believed to have been lower (about 4,4 million t, including 1,5 million t in the form of malt). The principal destinations for barley in 1982/83 were once again other European countries, the Soviet Union, the Mediterranean area and the Middle East.

## 5. Prices

### (a) Common prices:

The reference price for common wheat of bread-making quality has for several years been fixed for the minimum quality by way of derogation from the Regulation on the common organization of the market. Since fixing the prices for the 1981/82 marketing year, however, the Council defined an average bread-making quality as provided for in the basic Regulation and fixed the reference price for that quality. Nonetheless, a lower price has been fixed for application in the event of intervention in respect of the minimum quality. Thus for 1984/85 there are two prices designed to support the market in bread wheat:

- the actual reference price (213,14 ECU/t) which serves as a basis for deriving the target price and thus the threshold price;
- a derived price ( $213,14 - 17,62 = 195,52$  ECU/t) at which level any intervention measures for minimum-quality bread wheat must take place.

In the last two marketing years the Commission has pursued a policy of — narrowing the gap between the common intervention price and the derived price for bread-making wheat of minimum quality.

This difference was

+ 10,8% in 1982/83  
+ 10,3% in 1983/84  
and + 7,0% in 1984/85

The aims of the policy are to make the increasing production of common wheat more competitive vis à vis other cereals and substitutes used in animal feed, and to curb the growing trend towards wheat production.

The common intervention price was reduced by 1% to 182,73 ECU in 1984/85, while the intervention prices for durum wheat and rye remained unchanged. This widening of the differential has increased the attractiveness of durum wheat as a crop.

(b) Internal market prices:

The 1983/84 marketing year was characterized by relatively low barley production resulting in firm barley prices well above the common intervention price throughout the year.

In contrast prices for common wheat were under pressure and stayed at or below the reference price for minimum bread-making quality throughout the year with a tendency to decline.

This change in the price structure with a relatively small gap between barley and wheat prices made it possible to find new outlets for wheat in animal feed.

Maize prices remained firm well above the common intervention price although they dropped, particularly in France, during the year after the Commission announcement to reduce the level of the carry-over payment for maize.

(c) World prices

At the beginning of the 1983/84 marketing year world stocks of wheat were estimated at 96 million t, an increase of 13% over the previous year, while feedgrain stocks increased by about 25 million t to approximately 138 million t. Global production of common wheat again attained a record level in 1983/84, while the production of coarse grain dropped substantially.

In 1983/84 wheat production increased in most countries, in particular Australia and China, while production declined in the USSR (- 9%) and the US (- 12%). Total world production of wheat increased by about 3%. World production of coarse grains dropped for the first time in four years (- 12%), solely due to the PIK programme in the US, where production was almost halved. Production increased in general in other countries except in Europe. World wheat trade went up a little in 1983/84 but not enough to absorb the increase in supply, and world stocks increased to more than 100 mio tonnes (+ approx. 6%). Prices were quite well supported at the beginning of the marketing year, but they came under increasing pressure during the year due to the aggressive export policy of the US and Australia.

Highest and lowest monthly average prices in 1983/84 -  
CIF Antwerp/Rotterdam

Type	Highest		Lowest	
	ECU/t	Month	ECU/t	Month
<u>Common wheat:</u>				
Soft Red Winter II	204,27	April 1984	185,09	June 1984
Dark Northern				
Spring II/14%	243,55	January 1984	219,06	October 1983
<u>Barley:</u>				
Canada Feed I	193,49	January 1984	166,71	August 1983
<u>Maize:</u>				
Yellow Corn III	204,14	August 1983	187,11	February 1984
<u>Durum wheat:</u>				
US Hard Amber				
Durum III	258,09	January 1984	226,92	April 1984

The comprehensive use by the US of credit policy has made it increasingly difficult for EEC exporters to compete, and important markets have been lost in the Mediterranean area. Almost the only markets now available to the EEC are those countries able to finance their own purchases, notably the USSR.

(d) Consumer prices:

Bread prices increased by an average of about 7% between 1982 and 1983, continuing the previous year's trend towards smaller increases. There were, however, great differences from one Member State to another:

- Germany, Netherlands:	from - 1 to + 2%
- Belgium, Denmark, United Kingdom, Ireland:	from + 3 to + 7%
- France:	+ 9%
- Italy, Greece:	from + 15 to + 17%.

It is very unlikely that these increases were caused by the price of wheat, as the price of bread is determined primarily by distribution and manufacturing costs. 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

A record level of Community cereals production - 148 mio t - is estimated for 1984/85. It is forecast that the use of cereals in animal feed will remain at the same level as in 1983/84, although it is likely that low market prices for wheat will encourage a further swing in favour of wheat and against barley, and to a lesser extent maize. Use of cereals for human consumption and industrial purposes is also expected to remain constant.

It seems likely that imports of cereals from outside the Community may continue to decline slightly.

Prospects for exports in 1984/85 are relatively favourable. With an increase in world demand because of a poor harvest in the USSR, and a decline in production in some of the major exporting countries, it should be possible for the EEC to export substantial quantities. At the same time, the cost of these exports could be relatively low due to the strength of the dollar, relatively firm world prices and low internal prices.

Although the market situation at the beginning of this marketing year has been favourable there are a number of factors which could make it difficult later on. Most European countries have also recorded good harvests this year, and their exports are posing increasing competition to the EEC. EEC exports have become increasingly dependent on the Russian market. The movements of the dollar could also have an important impact on the situation.

In conclusion, even if EEC exports continue at a high level, it must be expected that a substantial part of the 1984 harvest will be carried over at the end of the season, both as intervention stocks and on the market.

If yields continue to increase according to the underlying trend, and the total area of cereals remains constant, production could reach 154-155 mio t by the year 1990. While there may be scope for a slight increase in the use of cereals for animal feed, there is no prospect for growth in human consumption or industrial use. The Community will therefore have an increasingly large structural surplus of cereals, more than double the level in 1990/91 than in 1983/84. The only foreseeable outlets for this surplus are exports to third countries and animal feed, if the problem of imported cereal substitutes could be resolved.

## 7. Economic aspects of the measures taken

### (a) Levies and refunds:

#### (1) Import levies:

Import levies varied considerably, influenced by the great fluctuations in world prices during 1983/84:

- common wheat :

76 to 116 ECU/t, i.e. 40 to 70% of the cif price (net of tax)

- barley:

60 to 116 ECU/t, i.e. 40 to 70% of the cif price (net of tax)

- maize:

50 to 90 ECU/t, i.e. 30 to 60% of the cif price (net of tax).

#### (2) Export levies:

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

#### (3) Export refunds (1983/84):

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

For wheat, one tender covered all destinations except Scandinavia and South America. The total quantity of wheat sold under this tender was 6,6 million t with an average refund of 50 ECU/t.

For barley, a tender was opened for all destinations except Scandinavia, Japan and South East Asia (1,4 million t sold, average refund 45 ECU/t).

The tenders ran from June 1983 to the end of April 1984.



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

Refunds for malt continued to be fixed as in the previous year by a special system which involves a weekly calculation based on the import levy for barley, with an added precaution in order to avoid speculation.

(b) International agreements and food aid:

The commitment of the Community and Member States under the 1980 Convention is for the annual supply of 1.650.000 t. Of this amount, 927.663 t (i.e. about 56%) normally is to be supplied by the Community as such and the remainder by the Member States, broken down by agreement amongst them, but exceptionally the amount to be supplied by the Community was increased to slightly above 1 million t in 1983.

By 30 September 1984 the Community had put in hand 98% of the 1982/83 programme and 42% of the 1983/84 programme. The previous programmes are executed at 100%.

The corresponding figures for Member States' aid were 100% for the 1982/83 and previous programmes and 39% for the 1983/84 programme.

(c) Intervention

The 1983/84 marketing year opened with a high level of intervention stocks, at 7,5 million t. Purchases during the year however totalled 4 million t - less than half the quantity purchased in 1982/83. Intervention buying of bread-making wheat at the price for minimum quality during the first three months of the season was limited to a maximum of 3 million t. Some 7 million t of cereals were sold from intervention during the marketing year. Of this about 5 million t were exported, including 1,24 million t of wheat delivered as food aid. A further 1,4 million t of wheat were sold on the internal market for animal feed use, in the context of special measures. The net effect of lower purchases and increased sales was to reduce end-of-season stocks in intervention to 4,4 million t.

Details of changes in intervention stocks during 1983/84 are as follows:

Intervention stock changes in 1983/84 (provisional estimates)

(1 000 t)

	Common wheat of bread- making quality	Durum wheat	Rye	Barley	Feed wheat
Stocks on 1.8.1983*	5.834	478	308	848	10
Purchases	2.988	316	47	687	8
Sales	5.441	214	122	1.310	13
Net change ±	- 2.453	+ 102	- 75	- 623	- 5
Stocks on 31.7.1984*	3.381	580	233	225	5

\* For durum wheat the marketing year begins in July, and the statistics therefore relate to 1.7.1983 and 30.6.1984.

(d) End-of-season carry-over payments:

In 1983/84 payments were made on private stocks of wheat in order to prevent recourse to special intervention measures for this product at the end of the marketing year. Carry-over payments were also granted for maize stored in the surplus production regions and for rye stocks at mills. These carry-over payments, which are designed to compensate for the price adjustment at the end of the marketing year, were fixed on the basis of 5 1/2 monthly increments for wheat and rye and 4 monthly increments for maize.

(e) Uniformity of prices:

Monetary compensatory amounts: In common with other sectors, cereals suffer from some 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 1984/85 marketing year are unchanged at 19,41 ECU/t for maize starch, 27,79 ECU/t for wheat, 23,91 ECU/t for broken rice and 31,25 ECU/t for potato starch.

(g) Durum wheat aid:

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

For 1984/85 the aid is fixed at 101,31 ECU/ha in Italy and France, and in Greece at 89,34 ECU/ha for the regions receiving national aid before entry into the Community and 79,29 ECU/ha for the regions not receiving national aid.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section on cereals was 2.441 million ECU in 1983; it is estimated at 1.935 million ECU for 1984 and 2.855 million ECU for 1985. The 2.441 million ECU for 1983 breaks down into 1.525 million ECU for export refunds and 916 million ECU for intervention measures, of which 566 million ECU were spent directly on intervention storage.

## 2. RICE

### 1. Introduction

In the 1983/84 marketing year the area under rice in the Community of Ten represented about 0,21% of its total UAA and 0,14% of the total area under rice in the world.

Rice is grown only in France, Italy and Greece. Some 94% of Community production comes from Italy whereas the Community accounts for only 0,21% of world rice production (449 million t) (1).

Rice represents around 0,3% of final agricultural production.

### 2. Production

In 1983 the area sown with rice in the Community was 205.300 ha, an increase of 3,2% compared with the previous year. In France the area was 7.370 ha compared with 5.450 ha in 1982, a rise of 35,2%. In Greece the area under rice fell by 10,1% from 15.500 ha in 1982 to 13.430 ha in 1983. In Italy the area under rice in 1983 totalled 184.000 ha, an increase of 3,4% compared with 1982.

In 1983 rice production in the Community of Ten, at 1.149.500 t, was 3,1% up on the 1.115.450 t produced in 1982 (1). This rise was due mainly to the increase in area.

The 1983 production figure in France was 37.500 t (1), a rise of 36,6%, and in Italy 1.030.000 t, a rise of 2% (1). Production in Greece, at 82.000 t, was 5,8% more than the 77.500 t produced in 1982.

### 3. Internal consumption

In 1982/83 Community consumption of rice amounted to 1.056.000 t, a rise of 6,5% compared with the previous marketing year (992.000 t). Industrial uses remained low but rose from 30.000 t to 39.000 t. The amount of seed used rose by 7,4% (29.000 t against 27.000 t in 1981/82). The use of rice in feedingstuffs was up (+ 8,4%), rising from 83.000 t in 1981/82 to 90.000 t. Gross human consumption is on the increase, rising from 848.000 t in 1981/82 to 892.000 t in 1982/83 (+ 5,2%).

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(1) Quantities expressed in terms of paddy rice.

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

#### 4. Trade

An overall analysis can be made in terms of milled rice (and taking account of broken rice).

##### (a) All milled rice

In 1982/83 imports from non-member countries, including the quantities imported under inward processing arrangements, amounted to 0,613 million t compared with 0,846 million t in 1981/82, a decrease of 27,5%.

Rice exports in 1982/83, including the quantities exported under inward processing arrangements, amounted to 0,292 million t compared with 0,466 million t in 1981/82, a fall of 37,4%.

The Community's share of world trade in 1983 was 8% of imports and 6,6% of exports. The main sources of whole rice remain the United States, Thailand, South America and Suriname and of broken rice South America, Burma, Thailand and Australia.

Exports were again concentrated on the Community's neighbours: Switzerland, Austria and countries around the Mediterranean.

Intra-Community trade rose by 17,8% from 472.000 t in 1981/82 to 556.000 t in 1982/83, approximately 40% of this being Italian rice exported to the other Member States. Italian exports to the rest of the EEC reached the figure of 218.000 t in the 1982/83 marketing year.

##### (b) Broken rice

Broken rice is used not only for human consumption but also in animal feed and for industrial purposes. In 1982/83 total internal consumption was 212.000 t (in terms of product weight). Animal feed accounted for 90.000 t and industrial uses for 39.000 t, including 29.000 t used in beer-making. Human consumption accounted for 82.000 t.

#### 5. Prices

##### (a) Common prices

Prices for the 1984/85 marketing year have been fixed as follows :

- the intervention price for paddy rice has gone up by 2,5% compared with the previous year to 314,19 ECU/t;
- the target price for husked rice (round-grain and long-grain) has been set at 539,49 ECU/t, an increase of 2,3% on 1983/84;
- the threshold price for husked rice (long-grain and round-grain) is 533,63 ECU/t, an increase of 3,3% on 1983/84.

(b) Market prices

During the 1983/84 marketing year market prices in the main producing area (Vercelli) were :

- . for round-grain rice, 23,7% above the intervention price;
- . for long-grain rice, 27,8% above the intervention price for Lido and 27,0% above the intervention price for Ribe.

In 1982/83 market prices for round-grain and long-grain rice were 11% and 17% respectively above the intervention price.

The end of the 1983/84 marketing year saw an increase in prices, which at the beginning of September 1984 had settled somewhat and stood at :

- approximately 30,1% of the intervention price for round-grain rice;
- approximately 40,8% of the intervention price for long-grain rice (Lido) and 48,1% for Ribe.

(c) World prices

In 1983/84 world market prices were higher than in the previous marketing year but by May 1984 they were close to the May 1983 level.

On the Thai market the price of milled rice went down from USD 310 in September 1983 to USD 275 at the end of August 1984, while the price of husked rice fluctuated between USD 300 and USD 260.

The United States market lacked price transparency because of the payment-in-kind programme, coupled with a reduction in the area sown. Most United States deliveries were made under PL 480, which explains the lack of price transparency on the world market.

(d) Consumer prices

These are available for only some Member States. The following were recorded for long-grain rice (round-grain in the case of Greece):

	1982	1983	1983/82 %
. Germany	3,6 DM/kg	3,8 DM/kg	5,6
. Belgium	61,2 FG/kg	70,5 FB/kg	15,2
. France	7,6 FF/kg	8,2 FF/kg	7,9
. Italy	1.666 Lit/kg	2.053 Lit/kg	23,2
. Netherlands	5,2 HFL/kg	5,4 HFL/kg	3,8
. Greece	57,1 Dra/kg	68,8 Dra/kg	20,5

## 6. Short- and long-term outlook

As forecasts had indicated, the 1983/84 harvest was 2,5% up overall on the previous marketing year. Production in 1984 looks like being about the same as in 1983. In 1983 18% of the rice produced was round-grain and 80% long-grain. These proportions are expected to change slightly for the 1984 harvest, with an increase in the quantity of round-grain rice and a slight drop in the quantity of long-grain.

Despite the fact that Community demand is for long-grain rice, some long-grain rice produced mainly in Italy continues to find its only practical outlet on the world market while the Community continues to import types of long-grain rice which seem to be particularly popular with consumers in the northern countries. The long-grain varieties which give a better yield both in the field and at the milling stage are increasingly cultivated in the Community. Thus, Lido has replaced many of the comparable varieties with lower yields.

Intra-Community trade increased in 1982/83 and it seems that this volume of trade will be maintained. The start of production in French Guiana could in the long term provide a stimulus to production and consumption of the American-type long-grain rice appreciated in the Community.

## 7. Economic aspects of the measures taken

### (a) Levies and refunds

The level of world market prices in 1983/84 meant that import levies stayed high and were sometimes higher than in the previous year, especially for long-grain rice. The levies applicable to round-grain and broken rice fell markedly, however.

For the last four marketing years levies have been as follows:

	<u>ECU/t</u>			
	: <u>1980/81</u>	: <u>1981/82</u>	: <u>1982/83</u>	: <u>1983/84</u> :
Round-grain husked rice :	30,66	: 133,39	: 212,55	: 183,20 :
Long-grain husked rice :	30,89	: 138,64	: 210,59	: 213,00 :
Round-grain milled rice :	59,93	: 193,65	: 343,34	: 323,54 :
Long-grain milled rice :	169,57	: 313,30	: 442,40	: 455,34 :
Broken rice :	8,04	: 36,40	: 64,69	: 51,28 :

Levies were high in March and April 1984 because of the drop in world market prices, and declined steadily until the end of August.

A structural surplus brought about by the insufficient number of easy outlets for rice in the EEC meant special measures had to be taken regarding exports. These measures had two different aims, depending on whether they were applied to traditional exports of quality products or to disposing of purely structural surpluses to non-member countries. The following measures were adopted to maintain traditional export flows to Switzerland, Austria and Liechtenstein.

For long-grain husked rice refunds of 103 ECU/t at the beginning and 108 ECU/t until the end of the marketing year were fixed. The corresponding refunds on long-grain milled rice were 128,75 ECU/t and 135,00 ECU/t.

The disposal of the surplus proper was carried out under the tendering procedure so that the quantities to be exported and the expenditure incurred could be better supervised (\*). The highest amounts granted under these arrangements were between 195 and 291 ECU/t. The refunds granted for the zones furthest from Europe were abolished from July 1983.

(b) Food aid

About 98.000 t of rice (milled equivalent) was exported as food aid in 1983/84, including 53.000 t as national aid and 46.000 t as Community aid, an increase of 23% compared with the previous year. In the coming marketing year the quantities should be similar to those in 1983/84.

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(\*) 500.000 t of long-grain rice were exported from 22 December 1983 to 5 April 1984. There were no invitations to tender in respect of round-grain rice.



(c) Quantities offered for intervention

There has been no intervention for rice since 1972/73, but very small quantities might be taken into intervention in French Guiana.

(d) Monetary compensatory amounts

No monetary compensatory amounts have so far been set for rice.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section for rice amounted to 92,9 million ECU in 1983; the estimate for 1984 is 95 million ECU, i.e. 0,5% of the Guarantee Section's total expenditure. The total of 95 million ECU breaks down into 71 million ECU for refunds and 24 million for intervention.

9. Other measures

Two amendments were made to the basic rules governing the market in 1984.

The first limits the amount of the subsidy on undermilled rice for the islands of Réunion to the amount of the levy on husked rice.

The second provides for the intervention price to be varied according to variety or group of varieties by means of a system of increases and reductions.

### 3. SUGAR

#### Introduction

The 1983/84 marketing year was the third year of implementation of the new production system introduced in 1981 (1), including the arrangements whereby producers bear sole financial responsibility for disposing of any surpluses resulting from differences between Community production and consumption. The EAGGF still bears the cost of exporting quantities equivalent to the amount of preferential sugar imported from the ACP countries (2). These arrangements will apply for two more marketing years, i.e. until 30 June 1986.

The salient features of the 1983/84 marketing year were as follows:

- as world sugar prices had remained very low in 1982/83, Community growers reduced the area under beet by 9,2% in 1983/84; a similar reduction had been made the previous year, making a total reduction of 17,7% over two years,
- yield per hectare reverted to normal and production of sugar in the Community totalled 11,0 million of white sugar equivalent (about 3 million below the 1982/83 figure);
- total exports to the free world market were down to 4,1 million (including almost 1 million of C sugar), compared with the much higher figure of 5,2 million in the previous year;
- Community stocks fell by 1,3 million;
- overall consumption in the Community fell to 9,4 million, slightly 100.000 below the 1982/83 level;

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(1) Regulation (EEC) No 1785/81 (OJ No L 177, 1.7.1981, p. 4)

(2) African, Caribbean and Pacific countries and India

- the breakdown of the negotiations started in May 1983 for a new International Sugar Agreement had an additional depressive effect on world sugar prices, which made the export of sugar surpluses particularly costly, especially towards the end of the year.

#### 1. Cultivation of sugarbeet in the Community

In 1983 beet for sugar production occupied an area of 1.669.000 hectares (169.000 hectares less than in 1982). The most drastic reductions in area were made in the Netherlands (- 13,4%), Italy (- 12,9%), France (- 12,4%) and Belgium (- 12,3%).

The area under sugarbeet in the Community now represents about 1,64% of total UAA (utilized agricultural area). The figure in 1982 was 1,80%.

Figures obtained in the 1975 and 1977 Structure Surveys indicate a drop in the total number of holdings growing sugarbeet in all Member States. The initial results emerging from the 1979/80 Structure Survey show a further, although less severe, decline in the figure (about 360.000 holdings).

The average area of sugarbeet per grower varies between Member States, ranging from about 1 ha in Greece to almost 11 ha in France.

Generally speaking, acreages are large in France and the United Kingdom; medium-sized in Germany, the Benelux countries, Denmark and Ireland and small in Italy and Greece.

On the whole, the far-reaching structural changes that have been operated in sugarbeet production since 1967/68, when the common organization of the sugar market was introduced, have improved the conditions of production and indicate that the system of production quotas has not hampered the necessary restructuring process.

## 2. Restructuring of the processing industry

In 1972/73 there were 128 sugar manufacturers in the Community, the greatest degree of concentration being in France, Germany and Italy. In the same year there were 250 beet-processing factories.

The latest figures for 1983/84 show a marked change in the structure of the sector.

The number of sugar manufacturers had dropped to 97 (- 24%) and the number of factories in operation to 196, a decrease of 22%. This development was accompanied in the main by improvements in the equipment of the factories remaining in operation and the daily throughput in the Community as a whole stood at 1.189.000 t in 1983/84; this is almost the same as the previous year's figure, but is 35% higher than the tonnage (879.000 t) processed in 1973/73.

Because of problems facing some of the biggest sugar producers in Italy, the Italian authorities submitted a general plan to the Commission, pursuant to Articles 92 and 93 of the EEC Treaty, for the restructuring of beet production and sugar manufacture.

The plan contains broad policy lines for the sugar sector between 1984 and 1988 and provides for various forms of state intervention (direct aid, capitalization, share purchases, etc.) on the basis of specific projects. As 12 technically obsolete sugar plants are scheduled to be shut down by 1988.

## 3. Yield per hectare and sugar production

The weather in the spring and summer of 1983 was bad for beet growing, especially in the north of the Community. Sugar yields per hectare were therefore lower than in the previous year. The Community average for 1983/84 was 6,42 t/ha.

Since beet acreages also contracted, sugar production was down to 11 million t. The corresponding figures were 15,03 million t in 1981/82 (record year) and 13,94 million t in 1982/83.

Given the level of production in 1983/84 and the carryover of a little more than 1 million t from the previous year, production of A sugar totalled 9,3 million t, production of B sugar 1,7 million t and production of C sugar only 0,95 million t. The last figure is well below the corresponding level for the previous two marketing years when C sugar production was up to 3,5 million t. The carryover of C sugar to 1984/85 was limited to 214.000 t.

#### 4. Sugar consumption

##### Human consumption

Human consumption of sugar in 1983/84 continued to decline, as it has done for the last three years. It now stands at between 9,2 and 9,3 million t. Per capita consumption of sugar in the Community has also declined : from 35 kg in 1981/82 to 34,5 kg in 1982/83 and 34,1 kg in 1983/84. The use of other sweeteners (natural and artificial) is not unrelated to this trend.

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

In 1983/84, about 82,000 t were used in the chemical industry. The production refund awarded from 1 August 1983 onwards was 3,88 ECU per 100 kg of white sugar used. The Community's self-sufficiency in sugar in 1983/84 fell to 117,4%.

#### 5. Isoglucose

Consumption and production of isoglucose in the Community appear to have remained almost unchanged in 1983/84. Exports and imports of isoglucose to and from non-member countries are negligible but there is some trade between the Netherlands and France and Belgium.

Production/consumption (EUR 10)

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<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
82,6	102,8	139,1	164,1	179,7	182,6	182,3	178,5

6. Trade

Between Member States

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Italy and Belgium imported the largest quantities of unprocessed sugar from other Community countries in 1983/84. Italy's traditional suppliers are France and Germany, whereas Belgium has for several years been importing large quantities of unprocessed sugar from France for subsequent export to non-member countries via the port of Antwerp. The main outlets for sugar in the form of processed products are the Federal Republic of Germany, France and the United Kingdom, which import from the other Member States.

With non-member countries

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As in the past, most of the preferential sugar imported from the ACP countries went to the United Kingdom in 1983/84. Some was also imported by France (12% of total preferential imports) and Italy.

In 1983/84 contracts were awarded by tender for most of the sugar exported on Community responsibility. Awards were thus made for 3.069.000 t of sugar (white sugar equivalent). In addition, 49.000 t of sugar were committed under the "periodic" system. Including exports of C sugar, the total volume of exports of unprocessed sugar in 1983/84 should reach about 4,1 million t of white sugar equivalent.

## 7. Community prices

1983/84  
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The average increase in agricultural prices in ECU was 4,2% for the Community as a whole, compared with an increase of only 4% in the intervention price for white sugar.

Other price increases in the sugar sector were aligned on the 4% increase, except in the case of the threshold price for molasses, which was increased by 6,0%.

1984/85  
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Since the market situation called for a very cautious price policy, the average level of agricultural prices in ECU dropped by 0,5% in the Community as a whole, disregarding the effect of related agri-monetary measures.

In the sugar sector, where the aim is to adjust output to market outlets and to make producers pay the entire cost of the disposal of Community surpluses, prices in ECU remained the same as in the previous year. The only change was that, in the system of reimbursement of storage costs, the amount of the monthly reimbursement was reduced to 0,53 ECU/100 kg (compared with 0,57 ECU/100 kg before) when it was noted that interest rates in the Community enabled the standard interest rate used for calculating storage costs to be reduced from 11% to 10% per year.

Prices on the internal market  
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Ex-refinery market prices net of tax charged by the sugar industry in 1983/84 were close to the intervention price in most member countries. In Italy and Ireland, prices continued to exceed the intervention price by a larger amount, whereas in Greece they were below the intervention price.

## 8. World market trends

### Production and consumption

During 1981/82 the world market situation had been marked by a considerable excess of production over consumption. The same situation prevailed in 1982/83, causing a considerable increase in stocks. On 1 September 1983 they reached a record level, equivalent to 40% of world consumption, with an effective surplus (quantity above normal stocks) of about 14 million t (raw sugar equivalent).

During 1983/84 consumption has been again lower than production, not allowing any reduction in stocks.

### World prices

At the end of September 1982 prices for raw sugar in New York had fallen to around 5,5 cents/lb; they did not begin to recover until spring and summer 1983 (level attained about 11 cents/lb). They resumed their downward trend and in autumn 1984 fluctuated between 4 and 5 cents/lb (12 to 12,50 ECU/100 kg).

the average price for white sugar for immediate delivery (spot price) on the Paris stock exchange was 26,14 ECU/100 kg in the previous year).

These low prices are due to the very large surpluses that have existed since 1981/82, and the failure at the end of June 1984 of the UN Conference on the conclusion of a new International Sugar Agreement. As the negotiations for an international agreement with economic provisions were unsuccessful, an administrative agreement was concluded and will come into force on 1 January 1975.

### World outlook for 1984/85

According to preliminary estimates available for 1984/85, output could attain 97 million t of raw sugar equivalent.



This represents an increase of 1 million t on the previous year. A fairly significant increase is expected in Community output and a distinct increase in production in South Africa, Australia and the Philippines. Production in these countries fell appreciably in 1983/84 because of drought. In contrast, production in the USSR and Brazil should decline. In India, where production in 1983/84 was already fairly low, and in Cuba, output is expected to be slightly reduced.

Consumption is expected to be 1,7% above the 1983/84 level, thus not exceeding production.

These prospects offer little hope of any significant and lasting improvement in sugar prices in the coming months.

#### 9. EEC outlook for 1984/85

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The area under sugarbeet in the coming year will probably be 1.721.000 hectares (up 3,1% on the previous year).

The results of analyses carried out in the field up to the beginning of October 1984 and the results obtained at the start of the processing year indicate a sugar yield per hectare of 6,79 tonnes. Sugar production from beet in the Community may therefore be estimated at 11,91 million t, in addition to which there will be 290.000 t of cane sugar from the French overseas departments and 19.000 t of sugar processed from molasses. This makes a total production figure of 12,22 million t of white sugar.

Sugar consumption in the Community will be about the same as in 1983/84, i.e. around 9,4 million t.

If imports of preferential sugar, traditional external trade in sugar in the form of processed products and the carryover to 1984/85 are also taken into account, it is estimated that the total availability of sugar for export, including C sugar, will be fairly close to the quantity effectively exported in 1983/84 (about 4,1 million t of white sugar equivalent).

## 10. Economic aspects of the measures taken

### - Levies and refunds -----

Because of the level of world prices, which were significantly below Community prices throughout the marketing year, all exports of sugar covered by the quotas qualified for export refunds. The average refund on exports for the 1983/84 marketing year was 352,41 ECU/t of white sugar, which is fairly close to the average of 351,12 ECU/t for the previous marketing year.

Import levies for 1983/84 averaged 390,60 ECU/t of white sugar and 334,20 ECU/t of raw sugar.

### - Intervention -----

No sugar was taken into intervention in 1983/84.

## 11. Budgetary expenditure

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

Expenditure by the EAGGF Guarantee Section was thus 768 million ECU in 1981, 1.242 million ECU in 1982 and 1.316 million ECU in 1983; it is estimated at 1.602 million ECU for 1984.

Since the 1981/82 marketing year the cost of disposing of surpluses resulting from the difference between sugar production and consumption in the Community has had to be borne entirely by the producers themselves. This expenditure is covered by revenue from the basic production levies and the B quota levies payable on A and B sugar and isoglucose. Another special levy to equalize storage costs is charged on all sugar produced and disposed of within the quotas, in order to cover the reimbursement of the relevant storage costs.

After deduction of the revenue from the levies in the sugar sector (production and storage levies), net Community expenditure totalled 285 million ECU in 1981, 536 million ECU in 1982 and 368 million ECU in 1983; it will be about 377 million ECU in 1984. However, most of this is expenditure resulting from the need to export a quantity of Community sugar corresponding to the 1,3 million t of preferential sugar imported from the ACP countries; this expenditure has fluctuated between 330 and 460 million ECU in recent years.

#### 4. OLIVE OIL

##### 1. Introduction

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

Of the oil produced in the Community, 0,20% comes from France, 30% from Greece and 70% from Italy. In 1980 the value of olive oil production as a proportion of the value of agricultural production in each country was 11,0% in Greece and 5,8% in Italy, and olive oil production overall represented 1,4% of the value of final agricultural production in the Community.

Until 1975 approximately 70% of the Community's requirements were met by Community production, but over the last seven years this percentage has been steadily increasing and with the accession of Greece the Community has become virtually self-sufficient, quantitatively, if not qualitatively.

According to available information, 2,7 million ha are planted with olive trees in the Community (2,2 million ha in Italy and 0,5 million ha in Greece). This accounts for roughly 27% of the total world area under olives and 2,5% of Community UAA. These areas remain more or less the same. According to certain estimates, the total number of cultivated and uncultivated olive trees is about 307 million (185 million in Italy, 117 million in Greece and 5 million in France).

The number of families involved in olive-growing in Italy, Greece and France is about one million, 400.000 and 40.000 respectively.

In a normal year, Community production of olive oil is about 50% of world production but since olive trees bear fruit in alternate years only production can vary sharply from one year to another.

##### 2. Production

Since 1978/79 aid to growers belonging to a producers' organization has been based on the actual quantity of oil produced. Other growers receive aid at a fixed rate according to the number and production potential of the trees they cultivate. The Council adopted new general rules in this respect in July 1984. These are applicable from 1 November 1984, thus coinciding with the extension of the arrangements for the granting of aid at a fixed rate to small producers, i.e. those whose output of olive oil is less than 100 kg.

In France all growers belong to an organization, in Italy roughly 95% and in Greece about 85%.

On the basis of the applications for aid, production in the 1982/83 marketing year was 422.000 t in Italy, 365.000 t in Greece and 2.000 t in France. Nevertheless it is worth mentioning that, in Italy in particular, the quantity for which aid is given are inferior to those listed in the aid applications. The quantities covered by aid applications for 1983/84 were not yet known when this report was drawn up.

### 3. Consumption and marketing

A system of consumption aid was introduced in the Community on 1 April 1979. The aid in question is granted for oil put up in packaging of a maximum capacity of five litres by approved packaging establishments and is subject to the oil being marketed at a price which takes account of the consumption aid. Only six countries, however, operate packaging establishments approved for the purposes of the scheme (Italy, France, the United Kingdom, Greece, the Netherlands and Belgium).

From 1978/79 - the marketing year in which the aid scheme was operated for the first time - up to and including 1982/83, aid applications (most of which are made in Italy) have shown an average annual increase of about 25%.

For 1982/83, applications were made in respect of about 392.000 t.

Applications made during the period to the end of October 1984 suggest that the figure for 1983/84 will be of the order of 400.000 t.

The increase in the quantities eligible for consumption aid can be explained partly by the heavier consumption of Community oil at the expense of oil imported from non-member countries, which does not qualify for the aid, partly by the fact that the system was introduced progressively in Greece beginning only in 1981.

Regarding the impact of the aid on the retail price, six years of operation of the scheme show that it has been effective and consequently, at least in the most important user state of olive oil, that retail prices for olive oil have increased much less than wholesale prices.

#### 4. Trade

Traditionally the Community has been the world's largest bulk importer of olive oil. Since the accession of Greece, however, and in view of the quantity of oil available in that country, imports from non-member countries have fallen from 125.570 t (average for the five marketing years preceding enlargement) to 36.900 t in 1982/83 and 61.500 t in 1983/84 (the latter figure being based on import licences issued up to 31 October 1984). The main importing Member State remains Italy, followed by France.

Since the accession of Greece, exports from the Community to non-member countries have exceeded the quantities traditionally exported. Compared with the five marketing years prior to enlargement, during which exports were 16.890 t, exports were 56.000 t in 1982/83 and, on the basis of export licences issued, 66.200 t in 1983/84.

Of the quantities exported during the 1983/84 marketing year, no less than 12.400 t came from intervention, of which 6.500 t were from Italy and 5.900 t from Greece.

#### 5. Prices

##### (a) Common prices

The new organization of the market in olive oil came into force on 1 January 1979. For the 1983/84 marketing year the mechanism established was as follows:

	<u>ECU/100 kg</u>
Producer target price	319,42
Production aid	70,26
Intervention price	229,92
Representative market price	196,87
Threshold price	193,25

The consumption aid is equal to the difference between the producer target price less production aid, and the representative market price. For the 1983/84 marketing year it was 52,29 ECU/100 kg.

For 1984/85 the prices fixed by the Council are as follows:

	<u>ECU/100 kg</u>
Producer target price	316,23
Production aid	69,56
Intervention price	227,62
Representative market price	196,87
Threshold price	195,74

(b) Market situation and intervention purchases

The 1983/84 crop was very large in Italy but only average in Greece. This led to massive quantities (107.000 t) being taken into intervention in Italy, whereas the figures for Greece were fairly low (a total of 19.000 t). Direct sales of Greek oil on the Italian market continue to grow, thus reducing the quantities taken into intervention in Greece. Sales from intervention totalled nearly 84.000 t in 1983/84.

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

After purchases and sales in Italy and Greece, approximately 135.000 t of olive oil were in storage on 31 October 1984 (117.000 t in Italy and 18.000 t in Greece), against 92.000 t at the same date of the previous year.

6. Economic aspects of the measures taken

(a) Import levies

Since June 1976 the levy has been fixed by tender, account being taken not only of the world market but also of the Community market and of levy offers made by traders. No particular difficulties arose in connection with the fixing of levies in 1983/84; the major rise in the threshold price has, however, meant a proportional increase in the levy.

(b) Refunds

During the 1983/84 marketing year a refund was granted on exports of olive oil put up in packaging of less than 5 kg. The level of the refund, which fluctuated between 32 and 60 ECU/100 kg, enabled 40.600 t to be exported by the end of October 1984, compared with 39.100 t by the last marketing year.

7. Budgetary expenditure

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

EAGGF Guarantee Section expenditure on olive oil was 675,3 million ECU in 1982. Forecast expenditure for 1984 is 888 million ECU.

For 1985, expenditure is estimated, on the basis of the draft budget for 1985, at 875 million ECU. Two main factors explain the size of the figures for these last two marketing years compared with expenditure in previous years: the steady increase in the catching-up rate for production aid payments in Italy and the alignment of aids in Greece, which is a major olive oil producer.

Expenditure on olive oil accounted for 4,3% of total Guarantee Section expenditure in 1983 and 4,8% in 1984. For 1985 the estimate is 4,9%.



## 5. OILSEEDS AND PROTEIN SEEDS

### I. Rape and sunflower seed

#### 1. Introduction

In 1983, the share of oilseeds in the value of final agricultural production was slightly above 1% and these crops accounted for 1,7% of the Community's UAA. World production of rape seed was 14,5 million t as compared to 15 million t in 1982; Community production fell in 1983 to 2.513.000 t, and the Community's share of world production therefore fell to 17% from 18% last year.

World production of sunflower seed fell to 15,6 million t in 1983 from 16,3 million t in 1982. Community production of sunflower seed was 957.000 t in 1983, representing 6% of world production.

The Community's own oilseed production meets only a very small part of its oil and oilcake needs. The degree of self-sufficiency in 1983 was approximately 28% for oil, excluding olive oil, and 8,6% for oilcake.

#### 2. Production

In 1983, the Community area under rape was 1.104.000 ha compared with 1.005.000 ha in 1982, an increase of 10%. Area increased in all of the major producing countries with the exception of France. Yields however, were lower by 9% on 1982 figures (2.513.000 t compared to 2.682.000 in 1982). The area under sunflower seed rose by 42% from 348.000 h in 1982 to 493.700 h in 1983. Yields rose to 957.000 t from 746.000 t in 1982. This represents an increase of 28%.

#### 3. Consumption

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

##### (i) Oil

Consumption of colza oil in 1983/84 stayed at the same level as for 1982/83.

Sunflower oil consumption decreased very slightly in 1983/84 as compared to 1982/83.

(ii) Oilcake

Consumption of rape seed cake increased in 1983/84 in comparison to 1982/83, from 1.746 million t to 1.881 million t. This reflects the increase in Community imports during 1983/84 together with a very slight increase in the Community's own production.

Sunflower cake consumption fell slightly in 1983/84 compared to 1982/83 from 1.310 t to 1.308 million t. However, with the increased sunflower crop in 1983/84 within the Community there was less sunflower meal imported.

(iii) Oilseeds

Since the crushing margins for rape seed were more favourable than for competing oilseeds, no difficulty was experienced in marketing the 1983 rape seed crop.

Since the Community is considerably deficient in sunflower seed, no difficulty was experienced in marketing even the larger 1983 crop.

4. Trade

Imports of rape seed rose to 326.000 t in 1983/84 from 131.000 t in 1982/83. This reflected the lower production within the Community together with the increased demand for rape seed.

Imports of sunflower seed decreased from 566.000 t in 1982/83 to 360.000 t in 1983/84. This reflects the increase in the EEC's own sunflower seed production.

Exports of rape and sunflower seed remained at relatively low levels (9.000 t of rape seed and 3.000 t of sunflower seed in 1983/84).

Trade in rape within the Community consists mainly of French exports to Germany. Sunflower seed is traded largely between France and Germany.

## 5. Prices

### (a) Common prices

For the 1983/84 marketing year the target price for rape seed was 48,22 ECU/100 kg and 57,71 ECU/100 kg for sunflower seed. These figures represent a 4% increase and a 6% increase respectively on the previous year. This was the first year in which rape seed prices were influenced by the guarantee threshold arrangements. For the 1984/85 season the Council agreed to introduce a guarantee threshold for sunflower seed because they wished to moderate the growth in the cultivation of this crop. For the 1984/85 marketing year the guarantee thresholds were set at 2.410.000 tonnes for rape seed and 1.000.000 tonnes for sunflower seed. The target prices for 1984/85 were fixed at 47,26 ECU/100 kg for rape seed and 58,22 ECU/100 kg for sunflower seed.

For 1984/85 the Commission again provided for a special bonus in addition to the intervention price for double-zero rape varieties. This measure is designed to support the production of these varieties in the Community.

## 6. Market Prices

### (1) World market price

During 1983/84 world market prices generally rose following the very high prices in the soya markets, also world oilseed production was lower than for 1982/83. For 1984/85 world oilseed production is likely to be much higher than in 1983/84 although carryover stocks are likely to be low. At the beginning of the 1984/85 marketing year oil prices have tended to be fairly high compared to meal prices because there has been a tight supply of oil. Meal prices have been more affected by the world market price for soya beans which has fallen considerably in recent months and has pressured meal prices. In addition, there has been a reduced demand for meal, particularly from the EEC since the introduction of the milk quota system. A third factor which has had some effect has been the abundant cereal harvest.

### (2) Community market

During the 1983/84 campaign prices obtained by Community producers for both sunflower seed and rape seed were higher than the intervention price and in many cases higher than the target price.

## 7. Outlook

The Community rape crop for the present marketing year (1984/85) is estimated at 3,453 million tonnes which is over 30% higher than the 1983/84 crop. The large increase is principally due to very favourable weather conditions rather than increased plantings. As regards selling the crop, the marketing has been slower than at the same time last year and there have already been quantities of "double-zero" varieties accepted into intervention in Denmark. Apart from the specific problem of "double zero" rapeseed in Denmark, the selling of the 1984 crop does not seem to pose major problems.

The Community sunflower seed crop for 1984/85 is estimated at 1,15 million tonnes, an increase of over 9% on last year. This again is largely due to favourable weather conditions giving rise to increased production.

## 8. Economic aspects of the measures taken

### (a) Aid and refunds

Aid for rape seed in the 1983/84 marketing year fluctuated between 0 ECU/100 kg at its lowest level and 21,713 ECU/100 kg at its highest. The average aid was 8,819 ECU/100 kg. The export refund for the same period varied between 0 ECU/100 kg and 21 ECU/100 kg.

For sunflower seed aid varied between 0 ECU/100 kg and 21,577 ECU/100 kg. No export refunds were fixed for this product because of the Community deficiency situation.

### (b) Intervention

During the 1983/84 marketing year there were no offers into intervention. All of the crop was sold during the marketing year.

### (c) Change in aid rules

By Regulation (EEC) No 1474/84 the Council provided for certain simplifications of the systems for fixing the aid and restitution. Until 30 June 1984 the existing systems provided, on the one hand, the fixing of the aid and the restitution and the publication of these amounts in ECU, and on the other hand, the fixing and the publication of the differential amounts which are monetary coefficients which apply to the target price as well as to the amounts of the aid and restitution. With the aim, essentially, of simplifying the administrative tasks of the Member States the Council decided to replace the double system given above by one publication of the aids and restitutions which are fixed and these are given in national currencies. This new system became effective on 1 July 1984.

## 9. Budgetary Expenditure

EAGGF Guarantee Section expenditure on rape and sunflower seed amounted to 928 million ECU in 1983. This was 31% more than in 1982. The appropriations allocated for 1984 are 711 million ECU.

## II. Soya beans

From 1974 to 1978 the area under soya, almost all of it in France, was about 4.000 h. Between 1979 and 1982 it rose to 17.000 h. With production reaching 30.601 tonnes in 1982. In 1983 production rose to 89.039 tonnes. The area in Italy had increased tenfold over the 1982 level. The soya crop accounts for only a very small proportion of Community UAA, world production (77,8 million tonnes in 1983/84) or consumption (18 million tonnes of seed equivalent in 1983/84).

For the 1984/85 marketing year the Council agreed to extend the period in which aid is fixed from 6 months (between November and March) to 12 months. In addition Member States could choose to grant aid to the oil mills instead of the first purchaser for the 1984/85 season.

For the 1984/85 marketing year, the final price was fixed at 57,01 ECU/100 kg and the minimum price at 50,17 ECU/100 kg; these prices represent an increase of 1,5% as compared to 1983/84.

Aid for soyabeans in the 1983/84 marketing year fluctuated between 15,836 ECU/100 kg and 20,653 ECU/100 kg. The aid at the start of the 1984/85 marketing year was about 25 ECU/100 kg.

EAGGF Guarantee Section expenditure on soyabeans amounted to 6,0 million ECU in 1983, compared to 7,3 million ECU spent in 1982. The appropriations allocated for 1984 are 29 million ECU.

### III. FLAX SEED

Two types of flax are grown in the Community : fibre flax, which is grown mainly for the production of fibres but which also yields large quantities of seed, and seed flax cultivated solely for seed.

With about 65 000 ha producing 60 000 t of seed in an average year, the cultivation of flax (1) accounts for only a very low proportion of the Community UAA and the world production of flax seed (5.3 million ha with 2.4 million t in 1983 according to the FAO, against 5.4 million ha with 2.9 million t in 1982).

This crop makes only a modest contribution to meeting the Community's large requirements, since imports in 1983 amounted to 289 000 t of flax seed (273 000 t of which came from Canada), 38 000 t of oil (31 000 t from Argentina) and 572 000 t of oilcake (438 000 t from Argentina and 94 000 t from the United States)

The cultivation of flax for oil is underdeveloped in the Community. In 1983 only 2 112 ha (2 530 t) were planted against 3,147 ha in 1982 and 4 294 ha in 1981. For fibre flax, despite a slight increase in area in the Community in 1983 compared with 1982 the total production of seed from that cultivation was only 44,500 t against 62 500 t in 1982 because of the exceptional yields of fibre flax in 1982.

For the 1983/84 marketing year, the guide price was fixed at 54.59 Ecu/100 kg compared with 51.05 Ecu/100 kg for 1981/82 (+ 6 %), the average world market price having been set at 37.325 Ecu/100 kg, aid was only 17.265 Ecu/100 kg compared with 24.862 Ecu/100 kg for 1982/83 (world price 26.638 Ecu).

EAGGF Guarantee Section expenditure on seed flax and fibre flax (1) are for 1983 14.5 Mio ECU.

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(1) See also under 7 B : Fibre flax and hemp.

## 6. DRIED FODDER, PEAS AND FIELD BEANS

### a) Dried Fodder

#### 1. Introduction

The common organisation of the market in dried fodder covers the following products: dehydrated fodder, the main sun-dried légumes, protein concentrates obtained from lucerne and grass juice and by-products obtained in the manufacture of protein concentrates. Although, dehydrated potatoes were also included for the 1983/84 marketing year, the Council did not decide to extend their inclusion to the 1984/85 marketing year.

#### 2. Production

Production of dehydrated fodder, other than dehydrated potatoes, in the Community for 1983 was 1.477.830 tonnes of which 140.000 tonnes were sun-dried. Production increased by 2%, an increase for the first time for several years.

In 1983, France was again the main producer with 895.000 tonnes (61%) of Community production.

The production of dehydrated potatoes for fodder was down on previous years to 16.980 tonnes, a fall of 60% as compared with 1982 (28.810 tonnes). Germany appears to be the only country continuing to produce dehydrated potatoes.

For sun-dried fodder, the common organisation of the market has been in operation since 1 July 1978. Community production eligible for aid in 1984/85 is estimated at 190.000 tonnes; this is an increase of 36% as compared with last year.

#### 3. Quantities available

Dehydrated fodder available in 1983/84 totalled 1.554.249 tonnes compared with 1.536.386 in 1982/83.

#### 4. Trade

Community imports of dried fodder fell from 235.366 tonnes in 1982 to 224.331 tonnes in 1983. USA and Hungary were again major exporters of dehydrated fodder to the Community although this year Community exports of dehydrated fodder to non-member countries have never been on a large scale. In 1983, they amounted to 7.912 tonnes as compared to 27.803 tonnes for 1982.

## 5. Prices

For the 1983/84 marketing year world market prices for the basket of products (soya meal, corn gluten feed, citrus pellets and barley) rose until late summer and early autumn and then they began to fall. Prices continued to fall until October 1984.

The reason for the price increase was largely because the basic price closely follows the price of soya meal which was high because the soya bean crop was lower. Prices for the basket were generally above 150 ECU/t to over 200 ECU/t but they began to fall after the summer because of the various factors detailed in item 7 outlook.

## 6. Economic aspects of the measures taken

For 1984/85 the Council fixed the guide price at 177,15 ECU/tonne and the flat-rate aid at 8,41 ECU/tonne, i.e. at levels lower in both cases by 1% than in 1983/84.

During 1983/84 the Council agreed the utilisation of a basket of imported competing products: soya meal, corn gluten feed, citrus pellets and barley; on which to formulate the world market price of dried fodder in the absence of offers or quotations for dehydrated fodder on the world market. This method was first used in September 1983.

## 7. Outlook

Production forecasts for 1984/85 are between 1,6-1,65 million tonnes, of which 1,4-1,45 million tonnes is estimated for dehydrated fodder and 0,190 million tonnes is estimated for sun-dried fodder.

The increase is mainly attributed to increases in production in France and Denmark. The former is due to increased area sown and the latter to favourable weather conditions.

It is possible that there could be some marketing problems in the 1984/85 marketing year because of the low price of competing products on the world market together with a reduced demand from the feed mills.

## 8. Budgetary expenditure

EAGGF Guarantee Section expenditure on dried fodder was 57,7 million ECU in 1983 as compared to 41,7 million ECU in 1982. The appropriations for 1984 are 45 million ECU.



b) Peas and beans used in animal feed

Since the Community's demand for feed protein greatly exceeds production, the Council adopted on 22 May 1978, special measures designed to expand the utilisation of peas and beans in animal feed. For the 1984/85 campaign the Council has agreed that these measures should be extended to include sweet lupins. In addition, measures for the rationalisation of inspection procedures have been introduced for the 1984/85 marketing year.

In 1983/84 aid for the processing of peas and field beans was paid in respect of 571.000 tonnes of peas and 190.000 tonnes of field beans. This represents a 46% increase in the case of peas and a 4% increase in the case of beans compared to 1982/83 (390.000 tonnes and 183.000 tonnes, respectively). It reflects an increase in the utilisation of peas in Germany, Belgium, Holland, UK and Denmark but the quantities used in France have declined over the last two years. For beans there have been increases in utilisation in France and Belgium.

For the 1983/84 marketing year the activating price for aid to peas and field beans was fixed at 51,76 ECU/100 kg of soya cake, while the minimum purchase price was set at 29,19 ECU/100 kg. The aid varied between 7,375 and 12,915 ECU/100 kg.

For the 1984/85 marketing year, the activating price for aid for peas and field beans was fixed at 51,24 ECU/100 kg for peas and field beans and 47,82 for lupins. The minimum purchase price for these were 28,90 and 31,97 ECU/100 kg, respectively.

The prices for peas and field beans are 1% down on those for last year.

c) Peas and beans for human consumption

On 18 May 1982, by Regulation (EEC) No 1432/82, the Council adopted a new set of special measures for peas and beans, extending the aid system to peas and field beans used for human consumption. The new system entered into force on 1 August 1982.

The aid for peas and field beans destined for human consumption is granted on a different basis to that applicable for peas and field beans for animal feed. In the case of human consumption, aid is granted for an amount equal to the difference between the guide price and the world market price registered at the frontier of the Community for peas and beans of varieties capable of competing with Community production.

EEC production of peas and field beans qualifying for such aid was 78.000 tonnes in 1982/83, whilst the quantity qualifying for aid in 1983/84 was 132.722 tonnes. The guide price for 1983/84 was 33,44 ECU/100 kg and that for 1984/85 was set at 33,11 ECU/100 kg. The world market price for 1983/84 started the season at 24 ECU/100 kg and was changed once during the year to 28 ECU/100 kg. At the start of the 1984/85 season the world market price was set at 27 ECU/100 kg.

#### Budgetary expenditure for peas and beans

Expenditure in this sector by the EAGGF Guarantee Section in 1983 totalled 84,6 million ECU, compared to 41,1 million ECU spent in 1982. This increase indicates the increased utilisation of peas and beans within animal feeds.

The appropriations allocated for 1984 amounted to 133 million ECU.

## 7. COTTON, FIBRE, FLAX AND HEMP

### A. COTTON

#### 1. Introduction

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

At Community level cotton is of limited importance both with regard to the areas planted (1,5% of the UAA) and with regard to the number of growers (70.000). Nevertheless, for Greece, the only producer Member State, cotton is of very great economic and social importance. According to the FAO, world production of cotton fibre (grown on 31,7 million ha) was 14,7 million t in 1983. Community output was 13.000 t and the Community share of world production is therefore less than 1%.

#### 2. Production

Under the Greek national aid scheme it was not possible to maintain the area under cotton. It fell from 183.000 ha in 1977 to 141.000 ha in 1980. In 1981, the first year of application of the Community aid scheme, the area under cotton was 126.000 ha. In 1982 it rose again to 137.000 ha and in 1983 to 168.000 ha, while in 1984 it reached 192.000 ha, the highest figure since 1963 (when it was 231.000 ha). It should be noted that the figure of 200.000 ha was also exceeded in 1961 and 1962. Community production in 1983 was 402.500 t of unginned cotton and 130.000 t of cotton fibre compared to 316.000 and 101.000 t in 1982. Production of cotton seed was 213.500 t in 1983 compared to 158.000 t in 1982.

#### 3. Trade

Since unginned cotton is difficult to transport over long distances both for technical and economic reasons, there is no international trade in this product.

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

In 1983 the Community of Nine imported 807.000 t of cotton fibre (raw cotton plus linters) compared to 772.000 t in 1982 and 677.000 t in 1981. The United States (126.000 t), Turkey (96.000 t), the Soviet Union (124.000 t), Egypt, Syria and Brazil are the main suppliers (61% of total supplies). Community exports of cotton fibre in 1982 were only 28.000 t, 16.000 t of which were supplied by Greece.

Intra-Community trade is very limited (35.000 t) and supplies from Greece to other Member States amounted to only 5.400 t.

#### 4. Prices

In order to calculate the aid, a theoretical world price is fixed for unginned cotton, based on the value of the products obtained from ginning less the ginning costs.

During the 1983/84 marketing year the world price for unginned cotton stayed very high from the beginning of the year until June 1984. Then it began to fall owing to the satisfactory outlook for the new harvest. It fell from 65,342 ECU/100 kg at the beginning of the year to 62,004 ECU (-5,1%) at the end. The average world fibre price for 1983/84 (87,6 ct/lb) was higher than that for the four previous years.

#### 5. Aid scheme and budgetary expenditure

The aid scheme involves the granting of aid for the Community quantity of unginned cotton, equal to the difference between a guide price fixed by the Council and the world market price.

The full aid is granted only for a limited quantity and any excess production results in a reduction in aid for all producers.

For the 1984/85 marketing year, the Council fixed the guide price at 94,14 ECU/100 kg, the minimum price at 89,44 ECU/100 kg and the quantity of unginned cotton which will receive the full aid at 500.000 t. The corresponding figures for 1983/84 are 92,75 ECU/100 kg, 88,12 ECU/100 kg and 450.000 t. The prices have therefore been increased by 1,5%.

During the 1983/84 marketing year the Commission, taking into consideration the world market situation, fixed the aid for unginned cotton 28 times. The aid was 23,6 ECU/100 kg in August but then, due to the fall in cotton prices in October, it was increased to 26,9 ECU/100 kg. Following a recovery of prices the aid was gradually reduced from November to 21,1 ECU/100 kg in January and 21,8 in February. After that it rose again but the increase had scarcely any effect on expenditure since the quantities still to be ginned were insignificant. During the 1983/84 marketing year the average aid for the ginning period was only 24,8 ECU/100 kg as against 37,4 ECU in the previous year. The effect of this was that in 1983 expenditure on cotton by the Guarantee Section of the EAGGF was about 140,1 million ECU compared with 96,2 million in 1982. This expenditure is estimated at 116 million ECU in the 1984 budget.

## B. FIBRE FLAX AND HEMP

### 1. Introduction

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

For the last ten years the Community area under fibre flax has been 56.500 ha on average. The Community accounts for only 4% of the total world area under fibre flax (1,5 million ha) but for 12 to 15% of world production of flax fibre (700.000 t), as a result of yields which are well above the world average. The quality of the Community fibre is also well above that of flax produced elsewhere in the world (USSR, Eastern Europe, China, Egypt).

Paper hemp is grown only in a very small area in France. Italy produces a very small quantity of textile hemp.

### 2. Production

In 1982 the Community area under fibre flax, which in earlier years had been close to 60.000 ha and in 1981 had fallen to less than 50.000 ha, rose again. In 1983 the rise continued with around 53.000 ha being sown compared with 50.800 ha in 1982. This increase (+4%) is attributable to an overall improvement in the industry. The relative importance of the producer Member States has scarcely changed: France (80%), Belgium (14%) and the Netherlands (6%). It should be noted that an attempt has been made to launch flax-growing in Scotland. Dew retting continues to replace water retting. This trend is a danger to future supplies of good quality certified seed.

Following a growing cycle that was disturbed and delayed until June, pulling and retting conditions for the 1983 harvest were very satisfactory. The result was that the straw and seed yield was not large but the quantity and quality of the fibre were above average.

The area under paper hemp, after a steady increase in previous years, began to fall in 1979 and dropped again in 1983 (-5%) to below 5.000 ha.

### 3. Consumption and stocks of fibres

Stocks of flax fibres held by scutching concerns, dealers and spinning undertakings, estimated by the trade at around 45.000 t at the start of the 1983/84 marketing year, fell during the year and were abnormally low at the year's end. Demand was very heavy, especially for short fibres.

Influenced by a steady market in flax tow, the market in hemp fibres also improved, leading to a fall in hemp stocks.

### 4. Trade

Since its unit value is too small to justify long-distance transport, there is no trade in flax straw with non-member countries. Intra-Community trade is limited to Belgian imports from France and the Netherlands.

In 1983 retting and scutching concerns in Belgium purchased 56.000 t (51.500 t in 1982) of flax straw in France and the Netherlands to swell the Belgian crop. The rise compared with the previous marketing year (+9%) is explained by a reduction in the supply of Belgian-produced straw.

After having fallen steeply in previous years, imports of flax fibre rose sharply in 1983 (to 19.500 t from 11.400 t in 1982), especially imports of short fibres, which reached 9.800 t compared with only 3.700 t in 1982. The reason for this was the very heavy demand starting in the second half of 1983.

The quantities exported (30.800 t) still slightly exceed the already very large quantities recorded for 1982 (29.900 t).

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

Imports of hemp fibre fell slightly (from 5.600 t in 1982 to 5.200 t). Supplies came from China and Eastern Europe. Exports were only about 2.000 t.

## 5. Prices

The prices of flax straw rose sharply during the 1981/82 and 1982/83 marketing years, and continued to rise appreciably in 1983/84. Returns for the majority of growers also rose sharply. Average selling prices for flax fibre, which have been rising since October 1981, continued rising throughout the 1983/84 marketing year. The rise was very steep for lower quality fibre, especially for the shortest fibres, for which prices practically doubled during the marketing year after having remained very low for several years. The contract price for hemp straw agreed between users and producers rose from FF 475/t (79,23 ECU/t) in 1981 and FF 524/t (84,58 ECU/t) in 1982 to FF 560/t (86,26 ECU/t) in 1983, a rise of 7%.

## 6. Outlook

As a result of the very high prices for flax straw and fibre, in 1984 the Community area under fibre flax was 64.250 ha. This represents a substantial recovery (up 21%). Generally speaking, the present harvest is deemed to be satisfactory but too uneven to be described as excellent. Disposing of it should present no problems and supplies of the required quantities and qualities to users seem assured and no more. In addition, the very unfavourable weather conditions in September and October prevented 5.800 ha from being harvested.

The area under hemp (4.820 ha in France) is very similar to that in 1983. Growth was slow and it is expected that yields and quality will be very uneven although average to good on the whole.



#### 7. Projections for fibre flax for 1984/85 and beyond

The very satisfactory marketing situation for straw and the promising situation for fibre from the 1984 harvests should enable producers and scutchers to increase the areas currently sown for one more marketing year so that stocks can be built up again. However, the fact that there is no threat of surpluses now or in the short term is due principally to a contraction of supply during previous marketing years, even if demand has undoubtedly increased. The future of the sector will be assured in the long term only if flax continues to capture an increasing share of the range of textile products available to the modern consumer. To do this, not only will flax have to maintain and increase the outlet it has found in the clothing industry, but it will also have to recover some of the other outlets it has lost. This could be achieved by means of greater creativity, backed up by appropriate information for users inside and outside the Community

#### 8. Budgetary expenditure

The aid for fibre flax was fixed at 351,57 ECU/ha for 1984/85 compared with 355,12 ECU/ha for 1983/84 (-1%). Of this amount, 23,85 ECU are to contribute towards financing measures to encourage the use of flax fibres.

For hemp, aid for 1984/85 is 319,29 ECU/ha compared with 322,52 ECU/ha for 1983/84 (-1%).

Expenditure chargeable to the Guarantee Section of the EAGGF for fibre flax and hemp in 1983 was 19,3 million ECU.

## 8. SEEDS

### I. Introduction

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

- dried leguminous vegetables for sowing	CCT 07.05 A
- spelt for sowing	CCT 10.01 A
- hybrid maize for sowing	CCT 10.05 A
- rice for sowing	CCT 10.06 A
- oilseeds and oleaginous fruit for sowing	CCT 12.01 A
- seeds, fruit and spores, of a kind used for sowing	CCT 12.03

This sector must be considered not only in terms of seed production but also in terms of its strategic value. In 1983 fodder seed produced a 12.609.000 ha crop of green fodder in the EEC, while permanent grasslands covered an area of over 46.000.000 ha. A production of around 1,4 million quintals provides enough hybrid maize seed to put approximately 5 million ha under grain maize and forage maize. Similar examples can be given for rice and other seeds. It should also be stressed that indigenous varieties, particularly of legumes, are generally more persistent (long-lived) than varieties imported from abroad.

### II. Production

Denmark is the main Community producer of grass seed; the Netherlands and the United Kingdom are also large-scale producers. France and Italy are the main producers of legumes.

In 1983 production of fodder seed in the Community was about 2,3 million quintals (2.344.305 in 1982); with legumes apparently reaching an equilibrium state. The area declared for the 1984 harvest (202.827 ha) was slightly higher than in 1983 (197.942 ha):

Graminae	:	98.577 ha in 1983 as compared with 112.199 ha in 1984
Leguminosae	:	99.365 ha in 1983 as compared with 90.628 ha in 1984.

The production of rice for sowing is running at around 370.000 quintals (1983). With the granting of Community aid, the use of certified seed has greatly increased. Community aid thus seems to be having a positive effect.

Production of hybrid maize seed is around 1.113.000 quintals (1983), i.e. the decline in production in the EEC seems to be continuing.

### III. Supply situation

Community supplies of fodder seed continue to be satisfactory. With 2.3 million quintals available to meet an estimated demand of some 1.800.000 quintals, the Community is able to cover its own requirements for most of the species grown. The situation should remain more or less the same for the marketing year ahead. However, trade with non-member countries will continue, particularly in the case of certain species which are in short supply in the Community (Phleum pratense, Trifolium repens, Vicia sativa, etc.).

In the case of hybrid maize the supply situation is deteriorating and imports from certain Eastern bloc countries and the USA continue to rise (216.280 q in 1979/80; 386.987 q in 1982/83 to 31 May).

During the 1983/84 marketing year, however, imports fell to 287.290 q. It remains to be seen whether this trend will continue or whether it is linked with the level of stocks from the previous marketing year. The trend in the rice sector is positive.

### IV. Prices

Producer prices in the Community moved downwards by comparison with the same period last year. Prices on the Danish market, which is the main Community market, were as follows:

	ECU/100 kg	
	<u>September 1983</u>	<u>September 1984</u>
Lolium perenne L (late varieties)	90	61
Lolium multiflorum L	86	74
Festuca pratensis L	107	104
Festuca rubra L	107	74
Poa pratensis	120	141

The countervailing charges on hybrid maize imports range at present (October 1984) from 17,3 to 78,9 ECU/100 kg depending on the country of origin.

For 1984/85 the reference prices for hybrid maize have been fixed as follows:

I. Double hybrids and topcross hybrids:	82 ECU/100 kg
II. Three-cross hybrids:	97 ECU/100 kg
III. Single hybrids:	194 ECU/100 kg

V. Action decided

The Commission has fixed the reference prices for hybrid maize for the 1984/85 marketing year. The lists of varieties of *Lolium perenne* L (high persistence, late or medium-late varieties; low persistence, medium-late, medium-early or early varieties) have been altered.

VI. Outlook

The harvest would seem to be satisfactory and the prices of some species are showing a downward trend.

VII. Budgetary expenditure

EAGGF Guarantee Section expenditure on seeds was around 43 million ECU in 1983.

## 9. WINE

### I. 1982/83 wine year

#### 1. Introduction

In 1983 wine represented % by value of the Community's final agricultural production. In 1982/83 the area under vines in production amounted to 2.341.000 ha, out of a total area of 2.418.000 ha, or % of the Community's UAA; in five years the total area has been reduced by 222.000 ha (9,2%).

The FAO puts world wine production in 1982/83 at 360 million hl, which is 44 million higher than the previous year's figure and higher than average production over the last five years (325 million hl).

#### 2. Production

Production in the Community was 173 million hl in 1982/83, compared with 140 million hl in 1981/82 and 164 million hl in 1980/81.

In the three years this represented 48,1% (in 1982/83), 44,3% (in 1981/82) and 46,3% (in 1980/81) of world production (on the basis of FAO figures).

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

#### 3. Consumption

In 1982/83 total internal utilization accounted for 155 million hl compared with 150 million hl in 1981/82; these quantities include the intervention distillation mentioned below.

##### (a) Human consumption

In 1982/83 direct human consumption was 121,9 million hl against 124,8 million hl in 1981/82.

These figures confirm that the trend is still downwards, even though there was a slight upturn in consumption in 1979/80 (probably owing to the increase in growers' own consumption which generally occurs in years of abundant harvest).

This drop can be attributed to the reduction of consumption in the main producing countries, which the slight increases in the other countries do not offset.

(b) Processing

The quantities processed in 1982/83 amounted to 32 million hl, including quantities used for making spirits of designated origin, quantities distilled under compulsory distillation measures and quantities distilled with Community aid.

The quantities distilled with Community aid in 1982/83 totalled 21 million hl.

In the two previous wine years the quantities processed were 24 million hl and 35 million hl, while the quantities distilled with Community aid were 14 million hl and 23 million hl.

(c) Self-sufficiency

The degree of self-sufficiency of the Community of Ten in 1982/83 for all internal utilizations was 110,8% (93,5% in 1981/82).

If the quantities distilled under the various intervention measures (about 21 million hl) are included in the supply figure, the degree of self-sufficiency for 1982/83 becomes 128,4% compared with 103,1% in 1981/82 and 115,6% in 1980/81.

4. Stocks

At the end of 1982/83 stocks in the Community amounted to 89,3 million hl, well up on the previous year (76,4 million hl).

5. Trade

In 1982/83 imports into the Community of Ten were 5,1 million hl, whilst exports amounted to 8,9 million hl. (The figure for exports in the attached tables (the balance sheet) is different because it is calculated from the difference between the total of exports from Member States and intra-Community trade which is worked out on the basis of imports).

The trend is still for imports to drop, although since 1975/76 exports have shown an upward trend, mainly owing to expanded Italian exports, despite a slight drop in 1982/83.

## II. 1983/84 wine year

### 1. Production

The most recent production figures indicate a volume of 168 million hl, a drop of 5 million hl compared with the previous year.

### 2. Consumption

Total internal utilization accounted for 169 million hl, an increase of 14 million hl.

#### (a) Human consumption

In 1983/84 direct human consumption was 125,4 million hl, arresting the downward trend which has been apparent for several years.

#### (b) Processing

The quantities processed in 1983/84 amounted to 42,8 million hl compared with 32,2 million hl in the previous marketing year.

The quantities distilled under Community intervention measures rose sharply (34,9 million hl as against 21,3 million in 1982/83) owing to the increase in quantities coming forward.

### 3. Prices

#### (a) Institutional prices

For 1983/84 the average increase in guide prices for all types of table wine was 5,5% compared with the previous year, except for type A1 white wines, where the figure was 6%.

#### (b) Average prices for the wine year

##### - Red wine of type RI

French quotations remained stable for the whole of the year, at a level slightly below the previous year's. They were, however, higher than Italian quotations, remaining at about 74% of the guide price.

Italian quotations fell over the year. By August they had fallen to 67% of the guide price. Quotations varied from the previous year's by -3,4% to -9,1%.

No Greek quotation could be taken into account during the year because the volumes in question were too low.

- Red wine of type RII

The only French quotation, for Bastia, was very low throughout the year. It remained at around 67% of the guide price, 7,6% down on the previous year's average.

The only two Italian quotations available fell during the year, stabilizing at about 66% of the guide price. They were down 3,4% and 6,2% respectively on the previous year's quotations.

No Greek quotation was taken into account.

- White wine of type AI

French quotations were very irregular throughout the year. Starting very low, they strengthened in the new year and stabilized in June at 80% of the guide price, only to fall again to 70% of the guide price at the end of the marketing year. Average quotations were 6,6% and 8,2% down on the previous year's.

Italian quotations, which were much lower than the French ones, fluctuated over a narrower range, between 65% and 69% of the guide price. All quotations were down on the previous year's levels by -5,7% to -11,6%.

Only one marketing centre supplied us with Greek quotations. The average quotation was 75% of the guide price, 12,8% up on the previous year's average.

- German wine

Quotations for white wine remained very low throughout the year. They reached their lowest level in October (23% of the guide price in the case of type A II wines and 75% in the case of type A III) before stabilizing and rising slightly towards the end of the marketing year to reach 61% of the guide price in the case of type A II wines and 77% in the case of type A III.



Average quotations for these wines were, however, 6,5% and 35% higher, respectively, than the previous year's disastrous levels.

Quotations for red wine continued to fall early in the marketing year and remained below the guide price until January. They recovered slightly thereafter, but the average for the year, 85% of the guide price, was still well down (-48%) on the previous year's figure.

(c) Prices on the Spanish market

Prices of white wines on the Spanish market were fairly stable throughout the year. There was a slight increase compared with the previous year, but because of the devaluation of the peseta the average Spanish price fell from 66% of the average Community price in 1981 to 55% in 1982 and 50% in 1983.

III. Outlook

(a) Short term : forecasts for 1984/85

The latest information available suggests that the 1984/85 harvest will yield slightly less than the previous year.

Production should be around 150 million hl.

(b) Medium term

Even if the 1984/85 harvest is of only average size, the trend in recent years suggests the likelihood of bigger average surpluses. It is therefore more necessary than ever to apply the instruments set up by the 1980-86 action programme effectively, especially as regards the conversion of vineyards to other uses. This requires the parallel implementation of a market policy which is consistent with the structural action programme, and therefore full implementation of the latest amendments to the basic Regulation, which aim to rebalance the market from the beginning of the year by means of distillation.

IV. Economic aspects

(a) Levies and refunds

1) Import levies

The import levies in the wine sector are known as "countervailing charges" and play only a very minor part since they do not apply to the 19 non-Community countries which have undertaken to observe the reference price and are the Community's principal suppliers. The level of the countervailing charges has remained unchanged since 1981/82, except for red, rosé and white wines put up in containers holding 2 litres or less, for which the charge has been abolished (0 ECU/% vol actual alcohol/hl).

2) Export refunds

The level of export refunds for wine rose at the beginning of 1983/84 from 1,45 ECU to 1,55 ECU per % vol and per hl, except on exports to Africa, for which the refund was kept at 1,15 ECU. Refunds for liqueur wines other than quality wines p.s.r. were retained.

The quantities qualifying for refunds fell slightly in 1982, amounting to 2,05 million hl against about 2,33 million hl in 1981. They dropped appreciably in 1983 to only 1,10 million hl and shall remain at this level in 1984.

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

In 1983/84 the following intervention measures were applied :

- at the start of the marketing year :
  - . authorization to conclude long-term storage contracts for table wines, grape must and concentrated grape must,
  - . distillation carried out under the "price guarantee" (reserved for holders of long-term storage contracts),
  - . preventive distillation.
- distillation of wine produced from table grapes and dual-purpose grapes.
- distillation of the by-products of wine-making.

The quantities of wine distilled with Community aid were of the order of 35 million hl, against 21 million hl in 1982/83.

The average of the monthly quantities covered by storage contracts amounted to 25,6 million hl (24,6 million hl in 1982/83), the maximum figure being 38,7 million hl (37,9 million hl in 1982/83).

(c) Stock situation

At the beginning of 1983/84 stocks held by producers and the trade in the Community of Ten amounted to 89,3 million hl (against 76,4 million hl at the beginning of 1982/83). Some 82 million hl can be expected at the end of the marketing year.

(d) Price unity

During 1982/83 monetary compensatory amounts were retained for Germany, France and Greece. They were later discontinued for France from 16 December 1983.

In the wine sector the representative rates for the various currencies were not altered during the marketing year 1983/84.

V. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on wine amounted to 659,0 million EUA in 1983; the provisional figure for 1984 is 1.174,0 million EUA and the estimate for 1985 is 691,0 million EUA. This is 4,1%, 6,3% and 3,6% respectively of total expenditure by the Guarantee Section.

The figure of 1.174,0 million EUA can be broken down into 18,6 million EUA on refunds and 1.155,0 million EUA on intervention.

## 10. RAW TOBACCO

### 1. Introduction

In 1983 world leaf tobacco production totalled 5,98 million t, i.e. a fall of 13% compared with the 1982 record figure of 6,87 million t. Production was down for all types of leaf tobacco, especially the flue-cured and light air-cured varieties (- 19% and - 15% respectively), with the exception of oriental tobaccos, production of which rose by 5%. Production fell substantially in the world's two major producing countries : China's 1983 crop was an estimated 36% down on 1982 (1,40 million t, compared with 2,18 million t in 1982), while the United States recorded an estimated fall of 28% (648 280 in 1983, as against 905 000 t in 1982). The forecasts are that in 1984 the world's total leaf tobacco production will be around 5,92 million t, i.e. about the same as in 1983. In terms of groups of varieties, it is expected that the 1984 harvest will be unchanged as regards oriental tobaccos (944 000 t), but that the production of dark air-cured and flue-cured tobaccos will fall, to 1,08 million t and 2,8 million t respectively. It is estimated that a total of 1,01 million t of light air-cured tobacco will be harvested in 1984, i.e. an increase of 8% compared with 1983, largely as the result of a sharp rise in production in the United States. While, at 1,4 million t, China's 1984 production is unchanged compared with the previous year (to prevent stocks from building up), production in the United States is estimated at 746 000, i.e. 15% more than in 1983.

### 2. Production and structure

In 1983, Community production was 311 707 t, 6% less than in 1982. During that period the area under cultivation rose by 3,7%, from 176 692 ha in 1982 to 183 218 ha in 1983. The last three years' figures for the area under cultivation and for production are set out, both by group of varieties and by Member State, in the tables below.

EEC

TYPE	AREA (ha)			PRODUCTION (t)		
	1981	1982	1983	1981	1982	1983
Dark air-cured	27 428	29 294	26 986	65 587	75 458	62 078
Sun-cured	103 059	104 257	103 201	132 163	132 608	111 190
Light air-cured	23 891	25 437	32 241	76 055	82 923	94 533
Flue-cured	12 013	12 634	14 906	26 081	30 240	33 194
Fire-cured	5 019	5 018	5 837	9 113	10 196	10 663
Other	151	52	47	257	98	49
<b>Total EUR-10</b>	<b>171 561</b>	<b>176 692</b>	<b>183 218</b>	<b>309 256</b>	<b>331 523</b>	<b>311 707</b>

TYPE	AREA (%)		PRODUCTION (%)	
	1982/1981	1983/1982	1982/1981	1983/1982
Dark air-cured	+ 6,8	- 7,9	+ 15,1	- 17,7
Sun-cured	+ 1,2	- 1,0	+ 0,3	- 16,2
Light air-cured	+ 6,5	+ 26,7	+ 9,0	+ 14,0
Flue-cured	+ 5,2	+ 18,0	+ 15,9	+ 9,8
Fire-cured	0	+ 10,7	+ 11,9	+ 4,6
Other	- 65,6	- 9,6	- 61,9	- 50,0
<b>Total EUR-10</b>	<b>+ 3,0</b>	<b>+ 3,7</b>	<b>+ 7,2</b>	<b>- 6,0</b>

COUNTRY	AREA (%)			PRODUCTION (t)		
	1981	1982	1983	1981	1982	1983
Germany	3 161	3 035	2 984	7 839	8 112	6 809
Belgium	496	495	523	1 419	2 141	2 078
France	17 081	15 578	14 256	41 626	43 870	36 216
Greece	90 162	93 006	94 022	127 403	132 382	110 540
Italy	60 661	64 575	71 433	130 969	145 018	156 064
<b>Total EUR-10</b>	<b>171 561</b>	<b>176 691</b>	<b>183 218</b>	<b>309 256</b>	<b>331 523</b>	<b>311 707</b>

### 3. Consumption

In 1983, world consumption of tobacco in the form of cigarettes and other manufactured products was more or less the same as in 1982 : 5,51 million t. Cigarette production remained steady, at 4 563 000 million units; the increase in taxes on cigarettes, the downturn in the rate of economic growth and the anti-smoking campaigns doubtless helped to curb any increase in production. In the Community, however, cigarette production rose by 1,6%, from 550 000 million to 558 600 million units. In fact, it fell slightly in Ireland, Belgium, Denmark, France and the United Kingdom but increased in every other Member State, especially in the Federal Republic of Germany (+ 5,2%, mainly as a result of a sharp rise in the production of cigarettes intended for export) and Italy (where production was up by about 4%, especially in the case of domestic brands).

Cigarette production fell in the United States (as a result of higher taxation) and in Japan, but increased in China and the Soviet Union. The Community's degree of self-sufficiency is about 46%.

### 4. Trade

World exports in 1983 reached 1,4 million t, i.e. 4% less than in the previous year.

Community exports in 1983 were 120 237 t (118 300 t in 1982). This tobacco was exported in 1983 but came from several previous harvests.

Imports reached an estimated 435 940 t in 1983 (1982 : 413 926 t), about 60% of it Virginia flue-cured tobacco. More than a third of all tobacco imports enter the Community at a zero or preferential rate of duty under the terms of the EEC policy towards the developing countries (Generalized Preferences, ACP). Consequently, imports from the ACP countries and those which took place under the Generalized Preferences Scheme are estimated to have amounted to 86 244 t and 193 257 t respectively in 1983, but with preferential tariff arrangements applying to only 62 550 t of the latter figure.

## 5. Prices

The trend towards higher prices recorded on the American market in 1981 and 1982 did not continue in 1983, with prices steady at about the level they reached in 1982. The average export price for Virginia flue-cured tobacco was USD 6,62, while that for Burley was slightly up on 1982, at USD 7,26. The average price of leaf tobacco on the American domestic market was USD 3,89 per kg in the case of flue-cured tobacco and USD 3,96 per kg in the case of Burley. The substantial gap between domestic market prices and export prices is accounted for by differences in quality. The prices of oriental tobaccos were slightly up in Turkey, a country whose production consists almost entirely of oriental varieties. The average price of Turkish-grown tobacco exported to the United States was USD 3,2 per kg, as against USD 1,5 per kg in the case of tobacco intended for the Turkish home market.

## 6. Outlook

The world market situation is one of stagnating consumption and the prospects for the medium term suggest a fall in demand rather than an upturn. This will lead to greater competitiveness not only as regards product quality - at both producer and processor level - but also as regards prices. The forecasts for 1984 are that production will more or less meet demand.

As far as the Community is concerned, the structural difficulties affecting oriental tobacco and certain dark air-cured tobaccos will continue. Conversion programmes are currently being implemented in most of the countries where these varieties, which are difficult to market, are grown. The production of oriental tobaccos was 16% down in 1983, at 111 190 t, while that of dark air-cured tobaccos was 18% down, at 62 078 t. The dark air-cured tobacco will most probably be marketed without activating the intervention measures. The production of Burley (94 533 t) and flue-cured tobacco (39 194 t) increased by 14% and 10% respectively; this is a positive development, since it is in line with market requirements.

7. Economic aspects of the measures taken

Regulation (EEC) No 727/70 on the common organization of the market in raw tobacco was amended in 1982, when the ratio between the intervention price and the corresponding norm price was reduced from 90% to 85% for all varieties.

This measure has had its period of validity extended twice, for the 1983 and 1984 harvests. The aim is to achieve a better balance between production and market requirements by limiting the price guarantee applying to unsold tobacco.

Other measures have been taken to discourage sales into intervention. As in previous years, the "processing costs" component used to calculate the premium granted for tobacco sold commercially, but also taken into consideration when calculating the derived intervention price, was pegged at the 1983 level. The component in question is applied differentially according to circumstances and is reduced in relation to the actual cost when it is taken into consideration for the purposes of calculating the derived intervention price. The percentages and quantities of tobacco taken over by the intervention agencies and the percentage of Community production which, when exceeded, activates measures consisting of a reduction in the buying-in price and restrictions on the quantities taken into intervention were revised downwards so that they could be applied more rapidly. These measures can be described as a more forceful application of the principle of co-responsibility.

In the light of the report drawn up in 1983 on the updating of the list of competing varieties, reference was made when fixing the prices and premiums for the 1984 harvest, to competing varieties which were as close as possible to the reference quality of Community varieties.

In 1983 the tobacco still held by the Italian intervention agency was sold - entirely for export outside the Community - via two separate tendering procedures. In 1984 a tendering procedure was opened in respect of the sale for export of 8 313 406 kilograms of baled tobacco from the 1981 harvest held by the Greek intervention agency. There is therefore no more Italian-grown tobacco in intervention; the only tobacco at present in intervention consists of 7 278 t of Greek tobacco from the 1982 harvest (5,4% of Greece's production that year) and 3 610 t from the 1983 harvest, the marketing of which is not yet completed.



The granting of export refunds has consolidated the Community's position as an exporter of the world market. Export refunds were granted in respect of an estimated 89 079 t of tobacco from the 1981 harvest and 60 704 t from the 1982 harvest, but tobacco from the latter harvest is still being exported.

8. Budgetary expenditure

EAGGF guarantee expenditure in the tobacco sector was 671,3 million ECU in 1983. The estimate in respect of 1984 is 795 million ECU, taking into account expenditure carried over from previous harvests, including 82 million ECU carried forward pursuant to the October 1983 decision to suspend advance payment of the premiums. Expenditure on tobacco therefore accounts for 4,5% of total expenditure.

## 11. FRUIT AND VEGETABLES

### A. FRESH FRUIT AND VEGETABLES

#### 1. Introduction

Production of fresh fruit and vegetables in 1983, including crops for processing was 3,5% down on the figure for 1982.

Within the Community of Ten, Italy is by far the largest producer, accounting for 51% of Community fruit production and nearly 41% of vegetable production. France comes second with 15% of fruit output and 17% of vegetable output, while the third most important producers are Germany for fruit (13%) and Greece for vegetables (14%), the latter followed by the United Kingdom (11%).

#### 2. Production

Fruit production in the Community in 1983 was 20,8 million t (1), a decrease of 8,5% over 1982 but still slightly above the average figure for previous harvests. The fall in production affected all Member States except Ireland and Italy, where production rose by 7,1% and 3,3% respectively.

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

- in apple production, which accounted for 29,5% of fruit production, the 1983 harvest was 28% lower than in the previous marketing year, with a fall in all Member States except Greece and Ireland, where there was a rise of about 20% and 11% respectively;
- for pears (12% of fruit production) the harvest was up especially in the Netherlands, Italy and the United Kingdom, and to a lesser extent in Greece. Production was up on 1981 but down on 1980. Germany saw a drop in production in 1983.

The increase for the Community as a whole over 1982 was 0,4%.

- the peach harvest in 1983 fell in Germany (- 18%) but was up in the Community as a whole as compared with 1982 (+ 3,8%);
- for table grapes, which represented 10,5% of fruit production, the 1983 harvest was up 15% on 1982 and 7,7% on 1981. Italy is by far the largest producer, accounting for 67% of Community production.

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(1) Harvest figures for the Community of Ten.

Commercial vegetable production in the Community reached 29,0 million t, much the same as in previous years. Production fell throughout the Community except in Italy and Greece, which saw a moderate increase.

### 3. Consumption

Internal consumption of fruit in the Community of Ten in 1982/83 rose to 20,8 million t (1), an increase of 23,9% over 1981/82 and 9,3% over 1980/81. For citrus fruit this consumption was 8,3 million t.

Internal consumption of vegetables, at 32,9 million t, showed a rise of 4,9% compared with the previous marketing year.

#### a) Human consumption

Human consumption was the principal use made of fresh and processed fruit, and accounted for 86% of all internal consumption.

Per capita annual consumption in the Community of Ten amounted to 92 kg for all fruit (28 kg of citrus fruit and 64 kg of other fruit).

Human consumption of vegetables was 89% of all internal consumption. Per capita annual consumption was 107 kg for the Community of Ten.

#### b) Animal consumption and industrial uses

These products are seldom fed to animals systematically and industrial uses (for non-food purposes) are often only sporadic, so that the quantities of fruit and vegetables involved are appreciably less significant even than wastage during marketing.

#### c) Degree of self-sufficiency

The self-sufficiency rate of the present Community is particularly high for vegetables, reaching 99% in 1982/83; the figure for non-citrus fruit is 87% and for citrus fruit 42%. The figures for the 1981/82 marketing year were 101%, 82% and 46%.

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

#### 4. Community's trade

In 1983 the Community's total imports of fresh fruit from non-member countries amounted to 4,4 million t, a rise of 3,6% compared with 1982. Citrus fruits were by far the predominant import at 3,0 million t (oranges 1,6; grapefruit 0,38; small citrus fruits 0,77) since apples, which occupied second place, accounted for only 0,62 million t.

Fruit exports to non-member countries were just over 0,9 million t, including 0,20 million t of apples, 0,11 million t of lemons and 0,11 million t of stone fruit, in particular peaches.

Imports of fresh vegetables from non-member countries totalled 1,26 million t and exports 0,38 million t.

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

Although the quantity of fruit traded within the Community did not equal imports from non-member countries, it nevertheless totalled 3,2 million t. Apples (1,1 million t) were the main product, followed by table grapes (0,54 million t), pears (0,26 million t) and stone fruit, in particular peaches (0,57 million t).

Intra-Community trade in vegetables, on the other hand, totalled 2,7 million t, approximately twice the quantity imported from non-member countries. Tomatoes and onions were the main products, with 0,48 million t and 0,52 million t respectively traded within the Community.

#### 5. Prices

##### a) Common prices

Basic prices and buying-in prices were increased for the 1983/84 marketing year in such a way that the resulting average withdrawal prices at which producer groups buy back their members' unsold produce were 6,5% higher than in the 1982/83 marketing year for all products except dessert apples and pears (+ 3,5%), tomatoes (+ 3,0%) and mandarins (+ 5,5%).

In the case of Greece, basic prices and buying-in prices for 1983/84 were fixed by the Council to continue the gradual adjustment required by the Act of Accession. Common prices were introduced in Greece for cauliflowers, lemons, pears, table grapes and apples.

The average increase for 1984/85 was 0,5% for all products except table grapes, aubergines and cauliflowers (+ 2%) while there was a reduction of 1% in the basic prices and buying-in prices for tomatoes and apricots compared with 1983/84.

Reference prices, which determine the minimum level of entry prices for a number of products imported from non-member countries, were increased on average by 8% between 1982/83 and 1983/84 for cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries, plums, aubergines, courgettes, lemons and clementines. In the case of oranges and mandarins, reference prices remained at the level of the previous marketing year because of the link between movements in the basic and buying-in prices, penetration premiums and reference prices for these products (see 7(c)).

Between 1983/84 and 1984/85, reference prices were increased by a maximum of 6,5% except in the case of oranges and mandarins, where the increase in the basic and buying-in prices was reflected entirely in the penetration premiums. In the case of lemons the increase in agricultural prices adopted by the Council was reflected in their reference price, and in line with the reduction in the marketing premium the reference price went up by about 20%. The reference price for clementines was increased by 19% compared with the preceding marketing year.

Under the Act of Accession of Greece, the Community fixed Community offer prices for 1984/85 to apply to imports into other Member States from Greece of all products subject to reference prices except aubergines and courgettes.

#### b) Market prices

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

An analysis of the figures collected for the pilot products in connection with the management of the system of basic and buying-in prices leads to the following conclusions.

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

As the average prices for the 1983/84 harvest were influenced by a "normal" crop, they settled throughout the marketing year above the average level recorded in 1982/83.

For 1982/83 the average price level was lower everywhere except in Greece than in the previous year, but varied from Member State to Member State, with - 53% in Germany, - 54% in Belgium, - 42% in France, - 51% in Italy and + 33% in Greece. The United Kingdom doesn't have meaningful quotations for this product.

The monthly analysis made throughout 1983/84 shows that in all Community countries apple prices were constantly above the basic price.

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

The prices in 1983/84 were up in almost all Community countries. This marked increase, ranging from 11,9% in Belgium to 34% in Germany, did not affect Italy (- 12, %) or Greece (- 13,6%). Ireland and Luxembourg do not have meaningful quotations for this product.

The monthly analysis showed that there was a measure of price stability.

Prices on all Community markets remained constantly above the basic price and sometimes reached the exceptional levels encountered in previous marketing years. At the start of the marketing year in August, however, prices for the early varieties Guyot and Williams lay between the basic and the buying-in price on some representative markets. Prices for the Passe-Crassane variety in Bologna and Verone lay between these levels in March and April also.

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

In 1983, prices were 20% higher than in 1982 in Greece and 3,3% and 0,7% lower in France and Italy respectively (prices in 1979 and 1980 sometimes reached nearly twice the basic price). The seasonal pattern was normal, however, and the monthly average was above the basic price except for some early varieties, which sometimes reached levels below the basic price on some producer markets at the beginning of the season.

- Table grapes (various, quality class I)

Grape prices on producer markets were up on the previous year in Greece and France.

French prices moved at a level above the basic price, whereas in Italy only the Regina dei Vigneti variety reached prices higher than the basic price in August.

Prices for the Regina variety, on the other hand, remained between the basic price and the buying-in price until early September, reaching the level of the buying-in price during that month, particularly on the Ascoli Piceno market.

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

Prices in Italy in 1983 were 24,1% down on the previous marketing year while Greece saw a smaller rise over 1981.

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

The average annual price for mandarins in Italy was down on 1982/83 by 20,9%, while in Greece there was a rise of about 1%.

The monthly quotations did not show major fluctuations, normally being more than 4-5 ECU below the basic price in Italy, while in Greece prices were around the basic price.

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

The average annual price for lemons in 1983/84 was slightly higher in Italy than in the previous year, when prices had already been high as a result of stationary production levels.

Prices are still high and throughout the first part of the marketing year the monthly averages were above the basic price, especially in Greece; quotations in March, April and May in Catania, Messina and Xilokastro were sometimes below the basic price.

- Cauliflowers (with leaves or trimmed according to time of year, quality class I)

Average annual prices increased throughout most of the Community compared with 1982/83, the rise ranging from 9,9% in the Netherlands to 48,6% in Belgium. Only in Greece were quotations down on the previous marketing year.

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

In 1983 prices rose in all the Community countries except Greece (- 7,1%).

The monthly analysis shows that daily prices were generally above the basic price in France, Italy and Greece, particularly during the high season in August and September.

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

c) World Prices

The prices of fruit and vegetables - highly perishable products - are established more or less independently on the main markets. There are no real world markets for such products and consequently no world prices.

d) Consumer prices

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

6. Outlook

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

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

In the case of fruit, too, analysis of production trends over a relatively long period shows a certain stability, albeit with considerable fluctuations from one season to another, as was observed for example with the 1977/78, 1981/82 and 1982/83 harvests. The Community apple crop, for example, went from 5 million t in 1981 (deficit) to 8,6 million t in 1982 (surplus) and 6,1 million t in 1983 (normal).



## 7. Economic aspects of the measures taken

### a) Import and export measures

#### (i) Countervailing charges on imports

During the 1983/84 marketing year, charges were imposed on imports of the following products:

- cucumbers from Spain, Romania, Poland and Bulgaria
- tomatoes from Romania, Spain, Poland, Morocco and Bulgaria
- apples from Spain and Turkey
- pears from Spain and Poland
- peaches from Spain
- some varieties of plums from Yugoslavia, Bulgaria, Romania, Poland and Spain
- clementines from Cyprus and Morocco.

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

Corrective amounts were applied in 1983/84 to apples and peaches exported by Greece to the other nine Member States.

#### (ii) Export refunds

Export refunds were fixed during the 1983/84 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, table grapes, walnuts in shell, shelled almonds, shelled and unshelled hazelnuts, peaches, dessert apples, tomatoes and apricots.

These refunds, which varied according to product and were generally low, were fixed only for destinations which afforded real export outlets and only if there were export difficulties to be overcome. Greece was eligible for the same level of refunds as the Community of Nine except on peaches; here the refund was corrected by the price difference recorded when Greece joined.

(iii) Protective measures

No measures to restrict imports into the Community were taken during the 1983/84 marketing year.

(iv) Apples from the southern hemisphere

Estimated exports from southern hemisphere countries and the price trend for Community apples were such that it was not necessary to ask suppliers in the southern hemisphere to adjust their planned exports to the Community between March and August 1984.

b) Withdrawals from the market

Intervention during 1983/84 was on a smaller scale than in 1982/83 in the case of apples, cauliflowers and tomatoes; there was increased intervention in all other products except for table grapes, where there have been no withdrawals in the last three marketing years.

The quantity of apples withdrawn was 119.240 t, equivalent to 1,94% of Community production. The largest withdrawals were in Italy (90.000 t), but as a proportion of the harvest Greece had a higher percentage (7,11 or 22.692 t).

Provisional figures indicate that withdrawals of citrus fruit in Italy accounted for 252.000 t of oranges, 168.800 t of mandarins and 229.900 t of lemons, representing 11,58%, 68,1% and 29,4% respectively of Italian output. In Greece 204.195 t of oranges, 15.593 t of mandarins and 39.892 t of lemons, representing 37%, 27% and 24% respectively of Greek output, were withdrawn in the 1983/84 marketing year.

Withdrawals of peaches amounted to 330.893 t (120.000 t in Greece) but this represented only 14,3% of Community production. Withdrawals in Greece accounted for 24,8% of the harvest. Withdrawals of other products in relation to Community output were not as high: 1,65% in the case of cauliflowers, 0,32% in the case of tomatoes, 12,5% in the case of apricots and 6,22% in the case of pears. Aubergine withdrawals in 1983/84 were marginal.

c) Measures to promote the marketing of Community citrus fruit

Measures to promote the processing of oranges

Measures to assist the marketing of products processed from lemons

The "penetration premiums" (financial compensation to promote the marketing of Community citrus fruits) were fixed at the levels below for 1983/84.

Greece    Other Member States

8,78	15,30 ECU per 100 kg net for oranges of the Moro, Ovale calabrese, Belladonna, Navel, and Valencia late varieties;
7,53	13,13 ECU per 100 kg net for oranges of the Sanguinello variety;
4,96	8,65 ECU per 100 kg net for oranges of the Sanguigno and Biondo comune varieties;
7,44	12,89 ECU per 100 kg net for mandarins;
3,33	4,82 ECU per 100 kg net for clementines;
4,71	7,86 ECU per 100 kg net for lemons.

Compared with 1982/83, the financial compensation was increased by the total percentage fixed for the increase in the basic and buying-in prices of oranges and mandarins; i.e. 6,5%. In accordance with the Act of Accession, Greece received only about 57% of the premium granted in other Member States.

Pursuant to Council Regulation (EEC) No 2601/69 of 18 December 1969 laying down special measures to encourage the processing of certain varieties of oranges, the minimum price to be paid by processors to producers of oranges and the financial compensation payable to processors were fixed for 1983/84 at the levels shown in the table below.

: Type of product	: Minimum price		: Financial compensation	
	: (ECU per 100 kg net)		: (ECU per 100 kg net)	
	: Greece	: Other	: Greece	: Other
	: Member States:		: Member States :	
: Oranges of the following	:	:	:	:
: variety:	:	:	:	:
: <u>Biondo comune</u>	:	:	:	:
: Class I	: 13,41	: 14,44	: 8,08	: 9,70
: Class II	: 11,01	: 11,85	: 6,27	: 7,11
: Class III or mixed	: 8,68	: 9,35	: 3,94	: 4,61
: <u>Class III of mixed oranges</u>	:	:	:	:
: <u>of the following varieties:</u>	:	:	:	:
: Moro and Tarocco	: 17,10	: 18,42	: 12,36	: 13,68
: Sanguinello	: 15,87	: 17,10	: 11,13	: 12,36
: Sanguigno	: 13,42	: 14,45	: 8,68	: 9,71
:	:	:	:	:

Finally, under the measures adopted to assist the marketing of products processed from lemons which were applied for the first time in 1977/78, the minimum price to be paid to growers by processors in 1983/84 in both the Community of Nine and in Greece was fixed at 17,65 ECU per 100 kg net and the financial compensation payable to processors at 10,82 ECU per 100 kg net.

d) Price unity

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

e) Budgetary expenditure

EAGGF Guarantee Section expenditure on fresh fruit and vegetables, which amounted to 449,8 million ECU in 1983, is provisionally put at 537 million ECU in 1984 and is estimated at 431 million ECU for 1985, i.e. 2,8%, 2,9% and 2,2% respectively of total EAGGF Guarantee Section expenditure. The figure of 449,8 million ECU can be broken down into 51,9 million ECU for refunds, 303,4 million ECU for intervention, 15,2 million ECU for penetration premiums in the citrus fruit sector and 79,3 million ECU for financial compensation to assist the processing of citrus fruit.

**B. PROCESSED FRUIT AND VEGETABLES**

**1. Introduction**

Production of processed fruit and vegetables in the Community of Ten is shown for 1982 and 1983 in the table below.

		in '000 t	
:	Processed products	1982	1983
:	(Community of Ten)	:	:
:	Vegetables	5.185 (*)	5.795 (*)
:		:	:
:	Fruit	3.027	3.193
:		:	:

(\*) Including preserved tomatoes

Production of processed fruit and vegetables rose slightly in 1983 compared with 1982. This was mainly due to an increase in output of preserved tomato-based products, deep-frozen products and preserved fruit.

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

- a) Tomato concentrates: production rose from 589.800 t (1) in 1982 to 689.300 t in 1983, an increase of 17%;
- b) Whole peeled tomatoes: production showed a clear rise also from 1.099.000 t (1) to 1.431.000 t, an increase of 39%;
- c) Tomato juice (CCT heading No 20.07): production rose from 53.300 t (1) in 1982 to 58.800 t in 1983, an increase of 10%;
- d) Preserved mushrooms: production rose slightly between 1982 and 1983 from 237.300 t (1) to 243.000 t;

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(1) Updated from previous report

e) Preserved peaches: production also rose from 371.000 t (1) in 1982 to 426.800 t in 1983, an increase of 37%;

f) Production of orange juice in Italy was 125.000 t (1) in 1982 and 170.000 t in 1983, corresponding to + 36%; the production of lemon juice also on the contrary went down from 86.000 t (1) in 1982 to 80.000 t in 1983, that means a decrease of - 7%.

## 2. Consumption and trade

The trade of the Community of Ten in processed fruit and vegetables is summarized in the aggregate figures in the table below (excluding dried grapes and dried figs).

### 1982

	IMPORTS		EXPORTS	
	tonnes	MECU	tonnes	MECU
TOTAL	3.907.000 (1)	3.103.000	3.157.000	2.269.000
Intra-Community	2.474.000 (1)	1.803.000	2.523.000	1.751.000
Non-member countries	1.433.000 (1)	1.300.000	634.000	518.000

### 1983

	IMPORTS		EXPORTS	
	tonnes	MECU	tonnes	MECU
TOTAL	4.092.000	3.446.000	3.262.000	2.509.000
Intra-Com. (EUR 10)	2.620.000	2.020.000	2.589.000	1.922.000
Non-member countries	1.472.000	1.426.000	673.000	587.000

The available quantities of tomato concentrates and peeled tomatoes in the Community of Ten have seen a turnaround in trend, with a pronounced rise between 1982 and 1983.

The quantity of tomato concentrates available for consumption was 379.000 t (1) in 1982 and 470.000 t in 1983.

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(1) Changed from last year's figure (source: SIENA)

Intra-Community trade in concentrates rose from 170.000 t in 1982 to 180.000 t in 1983.

In spite of a marked upturn, imports of peeled tomatoes in 1983 were still rather low, at around 38.000 t. Exports fell from 103.000 t in 1982 to 92.000 t in 1983. The quantity available for consumption increased from 945.000 t in 1982 to 1.377.000 t in 1983. Intra-Community trade also rose from 301.000 t in 1982 to 320.000 t in 1983.

In the case of tomato juice, imports went down from 7.400 t in 1982 to 6.500 t in 1983 while exports remained fairly low at around 3.000 t.

Imports of preserved peaches, which were 62.000 t in 1982, were only 46.000 t in 1983. Exports remain very low, at the same level (9.900 t) in 1983 as in 1982.

The quantity of preserved mushrooms available for consumption remained stationary at about 260.000 t (1) in 1982 and 1983. Exports went down slightly from 7.000 t to 6.700 t.

It should be noted that for two products, Williams pears in syrup and cherries in syrup, the Council has put ceilings on the quantities eligible for aid.

Production of dried grapes in 1982 was 141.000 t and 167.000 t in 1983; production of dried figs was 30.000 t in 1982 and 25.000 t in 1983.

### 3. Prices

World prices for peeled tomatoes and concentrate increased slightly this year too, but less than the average rate of inflation in the Community. This brought about a relative increase in imports from non-member countries.

In the case of preserved mushrooms, a measure of balance was maintained on the market.

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(1) Updated from the previous year

Generally speaking, price levels in the Community for other products did not give rise to any difficulties, except in the case of dried grapes. Here it was necessary to maintain a minimum price at the frontier as a protective measure.

#### 4. Outlook

Production of tomato-based products in 1984 should stabilize around the production thresholds laid down by the Council.

#### 5. Budgetary expenditure

EAGGF Guarantee Section expenditure on processed fruit and vegetables amounted to 555,9 million ECU in 1982 and 746,3 million ECU in 1983 and is estimated at 820 million ECU in 1984, or 4,48%, 4,72% and 4,42% respectively of total expenditure by the Guarantee Section.



11c. LIVE PLANTS

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

In view of this diversity, the production statistics are too complicated for carrying out the necessary analysis every year. However, production of roses and carnations in the Community is as follows :

	in million units			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Roses	2,322	2,373	2,495	2,333
Carnations	4,082	4,069	4,178	n.a.

An idea of the statistical difficulties can be gained by considering, for example, that one hectare used to grow flowers and plants may produce either just one or several crops during a year and that the production system (under cover, either heated or not, or open-air) has a decisive influence on production itself.

As regards the value of production, the Commission's staff does not yet have sufficiently detailed figures to allow an analysis of the past year, except in the case of roses; production of roses in terms of value is estimated to have been 373 million ECU in 1981 and 407 million ECU in 1982 (most up-to-date figures available). Nevertheless an estimate can be made based on the fact that the overall production of this sector represents 3-4% of the value of final production in agriculture in the Community

Prices

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

## Trade

Intra-Community trade in 1983 rose by 10,9% (1982: 17,6%); imports from non-member countries over the same period increased by 11,5% (1982: 4,6%) and exports to non-member countries by 15,1% (1982: 18,1%).

### Trade by value (EUR 10)

Intra-Community trade	1.610 million ECU (+10,9% over 1982)
Imports from non-member countries	290 million ECU (+11,5% over 1982)
Exports to non-member countries	510 million ECU (+15,1% over 1982)

Exports, at 510 million ECU, exceeded imports at 290 million ECU.

Thus exports exceeded imports by 220 million ECU, as against 182 million ECU in 1982.

## Consumption

The level of consumption varies considerably from one Member State to another, depending on the living standards and habits of consumers.

## 12. HOPS

Community production in 1983 was 48.411 t or 37% of world production, from an area of 27.037 hectares or 28% of the total estimated world area of some 95.000 hectares. Yields returned to normal levels after the extremely heavy crop of 1982. The average yield in the Community was 1,79 t/ha compared with 2,05 t/ha in 1982 and a ten year average of 1,65 t/ha. Following the rapid decline in world markets from the peaks of 1980 to the troughs of 1982, the area under production in most major producing countries was cut back in 1983. The area in the Community was reduced by 528 hectares in 1983. World area was reduced by 1.254 hectares. During the campaign September '82 to August '83 Community net exports of hops amounted to some 11.900 t, compared with 13.200 t and 10.600 t respectively for the two previous campaigns. Export markets remain of primary importance to Community producers.

Having grown by just under 2% in 1982 and having grown consistently over the previous decade at annual rates of 2% to 4%, world beer production declined slightly in 1983. Cut-backs were particularly marked in those developing countries experiencing balance of payments difficulties, especially in Central and South America. There was some modest expansion in many developed countries as well as more rapid growth in the Far East. The low alpha acid content of much of the 1982 crop in Europe may have served to provide a stimulus to demand for hops for beer production in 1983. The same may prove to be true of the 1983 crop. Such impetus to demand can only be viewed as temporary. In the face of stable beer production and of technological improvements in hop utilization little growth in demand for hops can be foreseen.

Although estimated total world hop production in 1983 was substantially below the exceptional harvest of 1982, it still exceeded annual brewing requirements in terms both of total weight and of bittering value. The latter proved to be the case despite the low alpha acid contents observed throughout most of the 1983 European crop. Thus it is estimated that stock levels will have risen yet further - amounting to some 11 months supply for breweries (both within the Community and for the world). Approximately three quarters of the 1983 Community crop was covered by forward contracts. These provided a considerable degree of protection for growers from the continuing depression of spot markets.

Prices on the latter recovered slightly as a result of the smaller harvest, but remained generally at very low levels - an average of 92 ECU/50 kg compared with 65 ECU/50 kg and 225 ECU/50 kg for the 1982 and 1981 harvests respectively.

The level of producer income aid for the 1983 harvest was fixed at 300 ECU/50 kg for aromatic varieties, 250 ECU/50 kg for bitter varieties and 300 ECU/50 kg for other varieties.

### 13. MILK AND MILK PRODUCTS

#### 1. Production and utilization of milk

- a) At the end of 1983, the Community dairy cow number was 25,8 mio, which is an increase of 1,6% or more than 400.000 head over the level at end 1982, which again showed an increase of 1,6% or 400.000 head over the 1981 level. Increases in 1983 were mainly noticed in Germany, Belgium, Netherlands and the United Kingdom (by 3,7%, 2,7%, 1,6% and 2,8% respectively), representing almost 50% of the total dairy cow number. The remaining Member States, except for Denmark and Luxembourg, showed a smaller increase.

The overall development during 1982 and 1983 replaces the decrease and stagnation tendencies experienced between end 1978 and 1981. These tendencies partly reflected the impact of the non-marketing and conversion schemes and partly the impact of several general economic elements, of which cautious price policy and costs development (particularly interest rates) have been most important.

The increased price/cost ratio experienced in 1982, was replaced in 1983 by a reduction but against economic arguments (limited price increases, higher feed prices, climatic conditions in spring and harvest results) the milk production increase continued at a higher speed than in 1982. One contributory factor was that the producers expected severe Community actions attempting to reduce the deliveries from the new marketing year and onwards and consequently they continued to increase production despite decreased profitability.

In 1983, the average yield per dairy cow in the Community increased to 4.416 kg or by 2,4%, which was at the same level as the longterm trend. The structural development continued involving a reduction of smaller dairy herds and an increase in the number of bigger and more efficient ones.

The increased cow numbers and the abovementioned factors resulted in an increase in dairy cow milk production of 4% in 1983 over the 1982 level (which again was 3,1% over 1981) and the proportion of this production delivered to dairies has increased to 92,6% compared with 92,5% in 1982. The total cow milk deliveries, including cream, in milk equivalent, increased by 4,1% or 4,1 mio tonnes in 1983 compared with 3,5% or 3,4 mio tonnes in 1982. The total additional deliveries of 7,5 mio tonnes for both years were mainly used for the production of the two intervention products, butter and skimmed milk powder.

The quota system introduced in the milk marketing year 1984/85 and additional four periods of 12 months allows for the following quotas per Member State:

Guaranteed total quantities for deliveries to purchasers  
and quotas for direct sales 1984/85 - 1988/89

(thousand tonnes of dairy cow milk and cream in milk equivalent)

	Guaranteed total quantity 1984/85	Community reserve 1984/85	Total quantity 1984/85	Guaranteed total quantity (excluding reserve) 1985/86 - 1988/89	Direct sales quota 1984/85 - 1988/89
Belgium	3.138	-	3.138	3.106	505
Denmark	4.932	-	4.932	4.882	1
Germany	23.487	-	23.487	23.248	305
France	25.585	-	25.585	25.325	1.183
Greece	472	-	472	467	116
Ireland	5.280	245	5.525	5.280	16
Italy	8.323	-	8.323	8.323	1.591
Luxembourg	268	25	293	265	1
Netherlands	12.052	-	12.052	11.929	145
U.K.	15.487	65	15.552	15.327	398
EUR 10	99.024	335	99.359	98.152	4.261

In order to reach the quota level for 1984/85, the 1983 deliveries would have to be reduced by a minimum of 4,3 mio tonnes or 4,1%. Actually, the first two quarters of the marketing year 1984/85 showed a clear reaction on the start of the quota system and although the decline has not yet reached the required level, there is a tendency for the rate of decrease to become more important over time. In addition, the production of butter and SMP is reduced while the production especially of cheese, whole milk powder and - to a lesser extent - casein, continues to increase.

## 2. Production and consumption of milk products

### (a) Drinking milk

The overall use of milk in the Community for liquid milk and fresh milk products increased only marginally in 1983. The stagnation in consumption of drinking milk experienced in 1982 was replaced by an increase of approximately 1,5% in 1983 and the general tendency of the last nine years to consume more semi-skimmed milk and less whole milk continued in 1983.

The total share of UHT milk (ultra heat treated) continued to increase. In the United Kingdom, the decreasing trend in the consumption of whole milk continued in 1983. In the Netherlands, consumption of semi-skimmed milk increased but that of whole milk decreased. In Germany and France, total consumption of these two products continued to increase in 1983. In Germany, the consumption of both products has been increasing continuously over the last six years (except for a smaller decline of semi-skimmed milk in 1983), while the previous years' development in France showed rapid increase in the consumption of semi-skimmed milk and decline in whole milk consumption. The total share of UHT milk of the Community consumption of whole and semi-skimmed milk stood at 25% in 1983 compared with 23,5% in 1982, with the highest levels found in France (62%) and Germany (45%).

Consumption of cream and other fresh milk products continued to increase in 1983, but - as in 1982 - at a rather low rate.

### (b) Butter

Total butter production in the Community increased by 10% or 200.000 tonnes in 1983, compared with 1982. This development is mainly due to the high increase in milk deliveries and the relatively low increase of milk utilization for other dairy products, reflecting less favourable commercial sales possibilities on both the internal and external markets. The internal consumption of butter at market price continued to decrease in 1983; however, the heavy decrease of 8% emerging from the global butter balance relates mainly to substitution effect from Christmas butter destocked at the end of 1982 but actually sold at the beginning of 1983. The extra net sales relating to the Christmas butter scheme have more or less counterbalanced the general tendency of decline in consumption at market price, reflecting the impact of unemployment and other economic/social difficulties.

Sales of butter at reduced prices to food industries (bakeries, ice cream, non-profit-making institutions, etc.) have increased by 45.000 tonnes or 24% compared to 1982 and it is expected that this positive development will continue in 1984.

Commercial exports continued to decline and were, in 1983, 3,5% lower than in 1982, which again was 26% lower than in 1981. Total EEC butter exports (including butteroil) dropped by 11% to 355.000 tonnes, mainly due to heavy decrease in exports of butteroil relating to the food aid programme. However, the decrease in the latter has been more than counterbalanced through food aid exports during the first months of 1984.

Because of the high increase in production, the relatively low consumption and the decrease in total butter exports, the end stocks for 1983 increased by 547.000 tonnes or by 180% in comparison with 1982, which again was more than double the stocks at end 1981. Thus, the stock increase in 1983 absorbed the totality of increased production and decreased consumption and exports. Public stocks increased from 10.000 tonnes in 1981 to over 112.000 tonnes in 1982 and to 692.000 tonnes at the end of 1983. End 1984 public stock levels will largely depend on the use of current possibilities to sell butter from public stocks to the internal market and for exports.

(c) Skimmed milk powder

Community skimmed milk powder production increased by 11,1%, or 244.000 tonnes, in 1983 compared with 1982, which showed an increase of 7,2% or 148.000 tonnes to 1981. This increase is partly due to the high increase in milk deliveries and butter production and the comparable relatively smaller use of skimmed milk in the production of cheese and liquid milk products and/or fresh milk products with a relatively low fat content. The other main uses of liquid skimmed milk for animal feed increased by 40.000 tonnes and the introduction of special aid for powder to feed for pigs and poultry in July 1982 resulted in additional sales of 479.000 tonnes in 1983. This latter scheme is expected to result in sales of approximately 500.000 tonnes in 1984. Also, the skimmed milk used for casein production increased (by 14%) and this increase is slowing down during the second half of 1984.

The manufacture of skimmed milk powder in the Community far exceeds demand at market prices, which amounts to less than 11% of total production. This is the background for the aid given to skimmed milk powder incorporated in animal feed compounds.

Both the commercial and food aid exports continued to decline in 1983, when 192.000 tonnes were exported against 351.000 tonnes in 1982 and 501.000 tonnes in 1981. The exports in 1983 were the lowest since 1976. A slight improvement is expected in 1984 due especially to more regular food aid shipments.

The high increase in production and decline in exports has resulted in increased public stocks, despite an increase of 27% or 425.000 tonnes in internal disappearance. The stocks of 576.000 tonnes increased to 983.000 tonnes in 1983 and the end stock for 1984 is expected to decline, reflecting the falling production and the continuation of additional sales under the pigs and poultry scheme.

(d) Cheese

Community (EUR 9) cheese production increased in 1983 by 1,5% against 3,2% in 1982 and internal cheese consumption increased by 2% against 3% in 1982. Thus, the upward trend in consumption continued, but at a slower rate. No doubt, one of the main reasons for this continued increase is the availability to the Community consumers of a wide range of cheese types and qualities, including imports of about 100.000 tonnes of cheese from third countries. On the other hand, the Community is the world's biggest cheese exporter, exporting 405.000 tonnes in 1982. The increase of these exports in recent years - in 1982 exports increased by 38.000 tonnes and in 1983 by 25.000 tonnes - has decisively influenced the total level of Community production. Production, consumption and exports are expected to increase in 1984 at a slightly higher rate than in 1983.

(e) Whole milk powder

Traditionally, the production of whole milk powder in the Community is linked to the development on the international market. Having increased by more than 60% from 1978 to 1980, the international market came to stagnation in 1981 and exports decreased by 15% both in 1982 and 1983. Community production decreased in 1982 and 1983 by 11% and 8% respectively but production in 1984 is expected to exceed the level of 1982.

(f) Condensed milk

EEC production decreased by 8% or 130.000 tonnes in 1983 compared with 1982, mainly in response to international demand for EEC products which declined by 79.000 tonnes or 13% after for the first time having reached 600.000 tonnes in 1982. Although the EEC share of the international market has been falling from 1977 to 1980, a recovery, both in quantities exported and market share, was recorded in 1981 and 1982. However, due to increased international competition and relatively few important importing countries, the 1984 EEC exports tend to stabilize at 1983 levels.



(g) Casein

EEC production of casein is based on a system of aids paid for skimmed milk used in the production of casein and caseinates. This is to compensate for the very low import duties bound under GATT. Reflecting a decrease in the level of aids in 1980, the EEC production fell in 1981, but, due to higher aid levels, the production increased again in 1982 by 24.000 tonnes and further by 13.000 tonnes in 1983. However, in 1984 the production could stabilize, due to lower production levels during the second half of the year.

3. World Market Situation

International Developments in Production and Trade

(a) Milk production and policies

In 1982 international milk supplies started to increase faster than the general rate of increase, through the preceding four years. In fact, world milk production in 1982 increased by 2,3% or 11 mio tonnes, and continued its increase in 1983 by almost 4% or an additional 18 mio tonnes of milk. However, within the group of OECD countries accounting for 50% of world milk production but more than 90% of world trade in milk and dairy products, milk supplies increased in 1983 by 3,1% or 6,4 mio tonnes. In these latter countries stocks of butter and skimmed milk powder, the most representative surplus products in the milk sector, increased through 1983 by more than double the milk-equivalent quantity compared with the abovementioned increase of production. Thus, 1983 was not only a year of over-production; stock increases also reflect a very difficult situation as to consumption and international trade. International milk supplies have declined slightly in 1984 in comparison with 1983 due to important policy changes in certain countries, in particular in the EEC, USA and Finland, whereas milk production increased substantially in New Zealand and Australia.

Dairy cow numbers started to decline in 1983 in several countries; however, they increased in others, including New Zealand, the United States, Japan, Austria and the EEC (+ 1,6%). Hence, the policy adaptations in 1983 did not produce impressive results. Canada should be mentioned as an exception, with a decrease in milk deliveries of 4,6% compared with 1982. In most other cases, the milk production remained predominantly influenced by climatic conditions and high support price levels relative to different cost factors.

USSR ranks second - next to the EEC - on the world list of milk producing countries. In spite of slowly growing cow numbers, the average yield and consequently, total production, has been declining over a number of years. However, in 1982 this trend was reversed, resulting in annual increases of milk production over the previous year of 2,4% in 1982 and 5,9% in 1983. But since June 1984 USSR milk production has again been declining in comparison with the previous year and again the main responsible element has been bad climatic conditions and lack of sufficient quantities of animal feed. Thus, it is probable that 1984 production did not surpass 1983 production by more than 1-2 per cent, and the prospects for 1985 will probably not include more than stabilization or slightly improved levels.

In the USA the support price for milk was lowered on 1 December 1983 from \$288,81/tonne to \$277,78/tonne. This level is foreseen to remain in force until 31 March 1985. The reduction was reflected in the intervention buying-in prices for butter, cheese and skimmed milk powder. However, the reduction corresponded in principle to the amount of assessments (coresponsibility levies) imposed under previous legislation and which milk producers should pay less under the new law as from December 1983. Further reduction of the support price is possible on 1 April 1985 (by \$11,02/tonne) if intervention purchases exceed 2,7 mio tonnes milk equivalent. An additional \$11,02/tonne reduction could be made on 1 July 1985 if annual intervention purchases were projected to exceed 2,3 mio tonnes milk equivalent. A mandatory deduction of \$3,31/tonne is also included in the law. The deductions started on 1 May 1984 and are earmarked for dairy product promotion, research and nutrition education. However, the general mandatory levy of \$11,02/tonne on all milk deliveries included under the present law will expire on 1 April 1985 unless replaced by one of the abovementioned further reductions. The funds collected by this levy are helping to fund the "paid diversion programme" paying the producers \$220,46/tonne for their reduced milk deliveries through 15 months including March 1985. 38.000 producers signed contracts corresponding to a 4% reduction in 1984. However, 80% of US milk producers are non-participants in this scheme and the projection for 1984 US milk production is a decrease of about 3%.

At the beginning of September 1984 US uncommitted support stocks of butter, skimmed milk powder and cheese amounted to 113.000 tonnes, 563.000 tonnes and 365.000 tonnes respectively, i.e. slightly lower levels than at the beginning of the year.

In Canada the Market Share Quota for industrial milk continued in operation in 1983 and 1984. In fact, in 1983 the sum of over-quota and in-quota levies was increased to about 84% of the fixed "target return". The year before, this percentage amounted to 59% only. Consequently, milk deliveries in 1983 fell by 4,6% compared with deliveries in 1982. However, in April 1984 the target price was fixed 5,2% higher than the comparable price in April 1983. The sum of quota levies continued at about 84% of the new target price but milk deliveries started to increase. The price fixation effective 1 August 1984 increased the target price by further 1,9% but settled the sum of quota levies at about 90% of the target price. Nevertheless, the likely result in 1984 is an increase of deliveries of about 3% in comparison with 1983. Also, once again production levels of butter and skimmed milk powder have increased after some reductions in 1983.

In New Zealand milk producer prices have been increasing over recent years. However, the declared average payout to dairy farmers for the 1983/84 milk year decreased by 3%. For the 1984/85 milk year the preliminary basic payment price has been fixed 4,4% higher than the comparable price in 1983/84 and 1,4% higher than the average payout in 1983/84. With an eventual "end of season payment" there could be even higher increases to NZ dairy farmers. Up to 1983/84 the New Zealand Dairy Board, responsible for the international marketing operations, managed to present a positive financial account, partly due to the fall in inflation but particularly to increased production volume, which reduced unit costs.

This positive account is likely to disappear for the coming one or two milk years. In parallel with this development, a rearrangement of the Board's Reserve Bank credit facility has taken place. Thus, the maximum available credit of NZ\$750 mio was made available to the Board as a subordinated loan, repayable from May 1986 over 40 years at an interest of 1%. Against the background of falling producer price, the increased production levels have practically brought net farm incomes back into line with the recent five years' trend. For 1984 calendar year the New Zealand milk deliveries will probably increase by 12% compared with 1983, hence increasing production levels and export availabilities of butter, skimmed milk powder, cheese and in particular whole milk powder. Domestic consumption in New Zealand is stagnant, amounting to some 490.000 tonnes of milk and cream, 40.000 tonnes of butter and 27.000 tonnes of cheese.

In Australia producer prices are guaranteed for five groups of dairy products (butter, certain cheeses, skimmed milk powder, whole milk powder, casein). For these products the guarantee prices (weighted prices for 3 years) are implemented through the application of levies on production, representing the difference between average national prices and estimated export returns. For the 1983/84 milk year, the guaranteed prices increased but remained significantly below national prices. In fact, the average milk price paid to dairy farmers for all milk, industrial as well as for direct consumption and for exports as well as for domestic utilization, decreased for the first time in many years, by more than 5%. For 1984/85 a decrease in the guaranteed (underwritten) product prices has been announced for all products with the exception of cheese. In addition, export prices have been falling. However, due to increased national prices for dairy products it is estimated that the average price paid to Australian farmers in the 1984/85 milk year could amount to 19,4 Australian cents per litre, which is 2,1% higher than the price paid in 1983/84. Australian milk deliveries are still increasing and could reach 3-4% more in the 1984 calendar year than in 1983. Consequently, Australia will continue to increase the production levels of almost all dairy products and will inevitably seek further expansion of its export quantities. On the domestic market cheese consumption continues to increase, partly due to a number of imported varieties. Butter consumption has been falling; however, the rate of decrease has diminished considerably through the 1983/84 milk year.

In Japan, milk for liquid consumption represents about 61-63% of milk production. No support prices are established for the drinking milk sector, whereas guaranteed prices are in operation for milk contracted by the industry for predetermined processing and, at a lower level, for further quantities of milk sold by producers to the industry. These prices were stable through the period 1977-1981 and increased in 1982 and in 1983 by less than one per cent compared with the previous year. The exception was the non-predetermined sales from producers to industry, where the price in 1983 increased by 5,5% compared with 1982. However, the implementation of these guarantees has been limited to fixed quantities, which in 1982 and 1983, amounted to 81% of the milk used for processing, i.e. 1.930.000 tonnes and 2.150.000 tonnes respectively. Japanese milk production has increased by 3-4% annually over the most recent years, and the accumulation of surpluses will mainly depend on the continuation of increased utilization for liquid milk surpluses. In 1983, this consumption increased very slightly by 1,3%, in comparison with 1982. Japanese consumption of cheese remained unchanged in 1983 at 87.000 tonnes (natural cheese equivalent). However, imports dropped from 74.000 tonnes in 1982 to 71.000 tonnes in 1983 due to increased cheese production in Japan. Butterfat imports are only of marginal importance (2-5 thousand tonnes) whereas total domestic butter consumption is estimated at about 75.000 tonnes.

(b) International Trade

(i) World market exports

In terms of total exports, including food aid and exports on concessional terms, the 1983 international market declined in comparison with 1982 by 9% in milk equivalent, calculated on a milk fat basis. However, as exports of skimmed milk powder and cheese increased, by 2% and 3% respectively, the total milk equivalent (all milk) of 1983 world exports fell by 3% only. The exports of butter, whole milk powder and condensed milk decreased in comparison with 1982 by 11%, 13% and 12% respectively. Thus, the overall declining development, following the culmination of markets in 1979-1980, has not yet been brought to a standstill. In the meantime, food aid shipments of dairy products (mainly butter and skimmed milk powder) are estimated to have risen to 14% of total world dairy trade. In addition, an increasing part of dairy exports has moved from the category of commercial sales to the category of sales on special, concessional terms. Hence, following the development of international surpluses, the pattern of exports

has changed, both with regard to the commercial/non-commercial sales structure and with regard to the importance of the trading countries. Simultaneously, the international economic recession, supported by currency instability, high international interest rates linked to balance of payments problems or direct lack of convertible currencies has decisively hampered the economic development in traditional and potential dairy importing countries.

During these few years, from the culmination of markets to 1983, the Community has lost market shares for several products: the world butter market (butter equivalent of all butterfat exports) declined from 920.000 tonnes in 1980 to about 715.000 tonnes in 1983, of which the EEC export share fell from 65% (1980) to 50% (1983). Correspondingly, the world market for skimmed milk powder contracted from 1.060.000 tonnes (1979) to 880.000 tonnes (1983), reducing the EEC market share from 60% to 22%. For whole milk powder, world trade in 1980 was well above 700.000 tonnes and hardly reached 600.000 tonnes in 1983. The EEC market share for whole milk powder fell in these years from 73% to 66%. For condensed and concentrated milk, there was a stabilization of the world market through 1980-1982 at about 800.000 tonnes with the Community share ranging between 70-75%. In 1983 the market dropped to 700.000 tonnes whereas EEC maintained its share at 75%. In contrast to the instability of other markets world cheese exports continued to increase from about 700.000 tonnes in 1980 to 810-820.000 tonnes in 1983 and the EEC share increased through this latter period from 43% to 50%. Against the abovementioned continued decline in EEC butter and skimmed milk powder exports from 1982 to 1983, it should be mentioned that several other countries managed to increase their exports of butter and skimmed milk powder in 1983. For butter they were: Finland, Australia, Poland, Uruguay, Canada, Austria, Hungary, Norway, Argentina and Sweden, in order of importance. In total, these countries exported 51.000 tonnes more butter in 1983 than in 1982. Correspondingly, the following 10 countries exported 224.000 tonnes more skimmed milk powder in 1983 than in 1982 (in order of importance): USA, Poland, Australia, New Zealand, Sweden, Finland, South Africa, Norway, Austria and Uruguay.

Reflecting the abovementioned market developments, international market prices reported to GATT continued to weaken through 1983 and this tendency continued even in 1984. Thus, at mid-year 1984, international prices had fallen on average by one third since 1982. Moreover, in 1984 the actual market prices came very close to the officially agreed GATT minimum prices for dairy products.

(ii) EEC Exports and Imports in 1983

Part of the reduced Community exports of butter and skimmed milk powder in 1983 was due to lower levels of food aid shipments in comparison with 1982 (minus 33 000 tonnes of butter equivalent, minus 91.000 tonnes skimmed milk powder). In fact, at the end of 1983, certain quantities of committed food aid deliveries were still waiting for shipment orders, corresponding to 44.000 tonnes of butter and 130.000 tonnes of skimmed milk powder. This delay was partly due to the very late adoption of the Community food aid programme for 1983. As to commercial exports in 1983 compared with 1982, EEC butter exports fell by 3% only, compared with a 12% fall of the total world butter market. However, against a total world market increase for skimmed milk powder of 3%, EEC commercial exports of this product in 1983 fell by 35% compared with 1982. The same comparison for condensed milk and whole milk powder shows a decrease for EEC exports of 13% and 14% respectively. For cheese, however, EEC exports in 1983 increased by more than 6%. Nevertheless, in absolute terms, the total milk content of the abovementioned EEC exports (1) fell by 2,4 mio tonnes in 1983 compared with 1982. Total butter imports by the Community in 1983 amounted to 105.000 tonnes, of which 87.000 tonnes to the United Kingdom from New Zealand in accordance with the special arrangement following the Protocol 18 of the Treaty of Accession. Thus, in 1983 the Community imported nearly 15% of the total world butter trade and remained the second biggest butter importer, next to the USSR (28%). As to cheese, EEC imported 100.000 tonnes in 1983 corresponding to 12% of the world cheese trade, thus remaining the second biggest cheese importer, next to the USA (16%).

4. Milk Price Decisions

With effect from 2 April 1984 the target price for milk in the Community was fixed at an unchanged level, i.e. 27,43 ECU/100 kg, in comparison with the previous year. At the time of price fixing it was estimated, taking into account the impact on prices of green rate changes since the last price fixing, that milk prices in national currency would increase by 3% on average - hence, well below the average rate of inflation. The fixation of an unchanged price for milk should also be seen in relation to other decisions, aiming at improving the market for milk and dairy products in the Community. Thus, a substantial change in the fat/skimmed milk ratio of the target price from 55/45 to 50/50, and in the technical yield of butter (839g of fat per kg of butter; previously 850g), resulted in a decrease of the intervention price for butter of 10,6% and, correspondingly, an increase of the intervention price for skimmed milk powder of 10,9%. Consequently, the fourchette for aids to skimmed milk powder was widened to 54-85 ECU/100 kg.

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(1) Fresh products, product mixes (e.g. compound feeds) and casein are not included

However, the main measure for improving the market balance was the introduction of the quota system for milk deliveries for a five year period (see Chapter 1) imposing over-quota levies of 100% or 75%, depending on the type of quota system applied in different Member States or their regions (collective quotas, individual quotas or quotas for direct sales (1)). To compensate for extra quantities under quota in 1984/85, the coresponsibility levy for 1984/85 was increased from 2% to 3% of the target price. It was also decided to maintain the Community aid of 120 mio ECU for two marketing years, the aid to go to small dairy farmers based on Community criteria. The Council also extended the aid schemes for butter at reduced prices to include:

- non-profit-making institutions and associations,
- armed forces and units ranking as such in the Member States,
- manufacturers of pastry products and ice cream,
- manufacturers of other food products to be determined.

The general upper limit for the Community-financed aid to direct butter consumption was fixed at 12,75 ECU/100 kg against 51 ECU/100 kg in 1983/84, thus taking into account the fixed reduction in the butter price. The decisions also opened a possibility for incorporating concentrated skimmed milk or partly skimmed milk powder in the aid schemes for animal feed.

## 5. Market Prospects

The improvement of the market balance will depend largely on the success of the policies set up to limit milk production, both in the Community and in other countries. Uncertainty remains as to the future development of milk supplies in the United States when the present milk diversion programme comes to an end in March 1985. Likewise, will the present strong upward development in milk supplies in Australia and New Zealand continue into 1985?

In the case of the Community, it seems generally confirmed that the over-quota levies applied under the agreed milk quota system will lead to an adaptation to the quota levels introduced for the five milk years including 1988/1989. However, the implementation procedure includes a certain redistribution of individual quotas to reflect the utilization of national reserve quantities and to take into account certain national aid schemes for restructuration of production. Therefore, a certain period of time will undoubtedly be needed for many producers before they take final decisions on their production plans. The actual development in 1984 shows that by July the global EEC milk deliveries were on a level with deliveries through the same period in 1983, hence, the increases had come to an end.

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(1) Council Regulations (EEC) No 856/84 and (EEC) No 857/84 of 31.3.1984, and Green Europe, ISSN 0250-5886, No 203, Manuscript finished 12.7.1984.



Since then, milk deliveries have been decreasing and those for the calendar year 1984 are expected to be 2% lower than in 1983. It is likely that full Community quota adaptation will take place during the second and/or third quarter of 1985. Consequently, certain quantities could be due for over-quota levy payment at the end of the first quota year, as a transition phenomenon only. In 1985, it is expected that EEC milk deliveries to dairies will be about 5% below the 1983 level. Thus, from December 1983 to December 1985 the size of the active dairy cow population in EEC could decrease by about 1,3 mio head, taking into account that December 1983 cow numbers were relatively too high, including cows which would normally have been slaughtered during 1983. In general, producers' reactions to milk quotas in terms of cow slaughterings or changed feeding practices are difficult to forecast as they depend heavily on particular regional and structural circumstances.

The abovementioned quota scheme has also an immediate impact on the production levels of butter and skimmed milk powder. Thus, the 1984 EEC production of these two intervention products is likely to fall by about 6-8% for butter and by about 12-15% for skimmed milk powder, compared with the production levels of 1983; hence, a considerable contribution to reducing the excessive and very costly stocks of these products. However, efforts to maintain and further develop internal EEC milk utilization are given very high priority. Further to previous sales measures within EEC for butter and skimmed milk powder, new initiatives have been taken to enlarge the aid scheme for utilization of butterfat in certain parts of the food industry and to introduce partly skimmed milk powder in the animal feed sector. It was decided to sell 200.000 tonnes butter from public and private stocks as end-year sale 1984/85 within the Community at reduced prices. For exports, special provisions were introduced in 1984 for sales of butter from public stocks and old butter transformed to butter ghee. All these measures, with the exception of end-year sales, could, fully applied, increase total butter sales by about 200 000 tonnes annually. EEC stocks of butter and skimmed milk powder remain important and will not disappear from one year to the other. However, for butter the combined efforts of less milk - and butter - produced, and the abovementioned sales possibilities, resulted in a stabilization of the stock development in the autumn of 1984. This could mean an end to further stock increases for butter and make reductions possible in 1985. For skimmed milk powder, stocks are decreasing and will be significantly lower at the end of 1985.

## 6. Economic effects of common measures

### (a) Imports

The import levies as foreseen under Article 14 of Regulation (EEC) No 804/68 continue to represent the difference between the threshold price and the lowest free-at-frontier Community offer price. When fixing new prices for the 1983/84 milk year, the threshold prices were adapted in order to reflect the change of the value ratio of butterfat/skimmed milk in the target price for milk. Under the existing trade agreements between the Community and various non-member countries, the minimum prices for the tariff headings were adapted accordingly.

In July 1984 the Council decided that imports of butter into the United Kingdom from New Zealand in accordance with the special arrangement following Protocol 18 of the Treaty of Accession should be fixed at 83.000 tonnes in 1984, 81.000 tonnes in 1985 and 79.000 tonnes in 1986.

### (b) Exports

As mentioned above (under 3.b)(i)), international prices weakened in the course of 1983. However, through a long period, the Community has pursued a price stabilization policy. Since June 1983, refund levels were kept unchanged apart from adjustments to intervention price changes on 2 April 1984. Expressed in US Dollars, Community export prices have fluctuated.

### (c) Aid for skimmed milk, skimmed milk powder and casein

When adapting the value ratio butterfat/skimmed milk, the Council changed the aid fourchette for skimmed milk powder to 54 ECU/100 kg-85 ECU/100 kg. At the beginning of the 1984/85 milk year, aids for the use of skimmed milk had been fixed as follows:

- skimmed milk powder for animal feed 73,0 ECU/100 kg,
- liquid skimmed milk for calf-feed 6,95 ECU/100 kg,
- liquid skimmed milk for feeding other young animals 10,60 ECU/100 kg,
- liquid skimmed milk for the manufacture of casein 8,00 ECU/100 kg.

Compared with 1982, the use of liquid skimmed milk in animal feed in 1983 showed an increase of 23%; the use of skimmed milk powder increased by 3%, while the quantities of skimmed milk transformed into casein increased by 14%.

(d) Storage - Butter

In 1983, 637.300 tonnes of butter were bought in by the Intervention Agencies. In the same year, only 38.000 tonnes of intervention butter was sold within the Community in connection with special measures, while 19.100 tonnes were allocated for food aid. At the end of 1983, public stocks of butter were 692.000 tonnes. During 1983, private storage aid was granted for 261.200 tonnes of butter. At the end of 1983, 161.000 tonnes were still in private storage. Certain programmes for internal, special sales measures of intervention butter were modified in 1981 to grant an equivalent aid for market butter; with 198.800 tonnes sold in 1983, these programmes were far more important than the intervention butter schemes in this year.

Storage - Skimmed milk powder

In 1983, 880.000 tonnes of skimmed milk powder were bought in by the Intervention Agencies, while 524.000 tonnes were removed from storage, of which 500 000 tonnes for internal EEC measures and only 24.000 tonnes for food aid.

Public stocks at the end of 1983 amounted to 983.000 tonnes.

Storage - Italian cheeses, long-keeping cheeses

Private storage aids for certain long-storage cheeses have been applied regularly in 1983.

(e) Food\_aid\_

The Community supplies a certain part of its food aid in the form of butteroil and skimmed milk powder. The quantities annually set aside for this purpose have been 45.000 tonnes of butteroil and 150.000 tonnes of skimmed milk powder. For 1983, the quantity of butteroil was reduced to 36.500 tonnes. However, actual shipments of food aid in 1983 only amounted to about 17.000 tonnes of butteroil and 73.000 tonnes of skimmed milk powder. For 1984, the Community food aid commitments amount to 32.760 tonnes of butteroil and 122.500 tonnes of skimmed milk powder. However, intentions for 1985, proposed by the Commission, are 40.000 tonnes of butteroil and 150.000 tonnes of skimmed milk powder. Actual shipments during a calendar year will also depend on the shipping possibilities and the ability of the recipient countries to receive the quantities requested.

## 7. Financial Expenditure

The expenditure of the Guarantee Section of the EAGGF in respect of milk products fell from 4.752 mio ECU in 1980 to 3.328 mio ECU in 1982, or from 42% to 27% of the Guarantee Section Expenditure. However, in 1983 estimated expenditures in the milk sector increased by 32% to 4.396 mio ECU, accounting for 28% of total Guarantee Section expenditure. Receipts from the coresponsibility levy represented 527 mio ECU in 1983. For 1984 the estimated expenditures for the milk sector amount to 5.811 mio ECU and receipts from the coresponsibility levy to 725 mio ECU (1).

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(1) Foreseen in preliminary draft BRS 1/1984

## 14. BEEF/VEAL

### 1. Introduction

Beef/veal production accounted for about 15% of the value of final agricultural production in 1983.

About 2.48 million farms, or roughly half the total in the Community, raise cattle. Between 1977 and 1983, however, the number of cattle farmers declined at an average annual rate of 2,1% and the average number of head per farm in the Community is now about 33. Land used for fodder production accounts for about 60% of the Community's UAA, and since cattle-rearing is essentially extensive it is not surprising that most beef/veal is produced in the countries with large areas of pasture.

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

### 2. Production

#### (a) Cattle numbers

Because of the continued relatively low rate of slaughterings, and especially the cyclical fall in cow slaughterings, the upward trend in cattle numbers that first emerged in 1981 was maintained in 1983.

The survey of cattle numbers carried out in December 1982 gave a result of 78,8 million head, including 31,6 million cows, up 0,8% and 0,9% respectively on the previous year.

The number of calves (cattle less than one year old), which dropped in 1982, was up about 3,5% in December 1983 but the number of beef cows dropped further to end up at 5,8 million head, substantially below the six million mark.

The medium-term rate of increase in cattle numbers has been falling in recent years.

#### (b) Production of beef/veal

After three years of heavy slaughterings (1979-81) 1982 and 1983 saw much lower numbers of animals - both cows and heifers and adult males - sent for slaughter; calf slaughterings rose in 1983 from the comparatively low levels of 1981 and 1982.

### Slaughterings

In 1983 about 20,9 million head of adult cattle were slaughtered, an increase of about 2,5% compared with 1982; in the first half of 1984 there was a sharp upturn of over 10% compared with the first half of 1983 in the number of cows slaughtered.

Given the trend in the Community cattle population, the number of adult cattle marketed in 1984 will probably show an increase of about 4%.

The number of females (cows and heifers) slaughtered should pick up strongly in the second half of 1984.

The medium-term trends in slaughterings of adult cattle on the one hand and of calves on the other have differed in previous years: up for adult cattle but down for calves.

In 1983 the figure for calf slaughterings (6,9 million head) was 2,8% higher than in 1982; during the first half of 1984 the number of calf slaughterings rose by an even greater amount (about 7%).

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

After reaching a high level in 1980 the slaughtering coefficient for adult cattle fell sharply in 1981 and 1982 and was relatively low in 1983. The slaughtering coefficient for calves was also low.

### Average slaughter weight

The average slaughter weight of adult cattle in 1983 (291,3 kg) was up by nearly 1% compared with 1982; in keeping with the trend recorded in recent years, the average slaughter weight of calves in 1983 (116,5 kg) showed a sharp rise of about 2,2%. The very positive trend as regards the average slaughter weight of adult cattle is probably due mainly to fairly low prices for cattle feed until mid-1983.

### Production of beef/veal

Production declined for two consecutive years following the cyclical peak in production in 1980 by 3,5% in 1981 and a further 4,0% in 1982. In 1983, however, it rose by 3,5%.

In 1983 beef production rose by 3,3% in the Community; in the first half of 1984 it rose by about 4%.

Veal production was 5,0% up in 1983 with the average slaughter weight up by 2,5 kg. In the first half of 1984 veal production rose by about 9% compared with the figure for the first half of 1983.

Production of beef/veal has been increasing at a lower average annual rate than previously in response to less favourable market conditions.

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

- a decline in the number of cattle farmers at the rate of roughly 2% per year, mainly through the elimination of small farms, and
- a slight increase in the number of animals per farm.

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

- cull cows and young calves (milk production),
- suckler herds and grass-reared adult cattle (bullocks),
- young male cattle fattened on cereal-based feedingstuffs (maize silage) in special production units.

As a result of the sharp expansion in the organized production of young bulls, young male animals now account for about one third of all the beef/veal produced in the Community.

### 3. Consumption

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

Because of the economic and employment situation in the Community (industrial production stagnant and a sharp increase in unemployment) consumption of beef/veal, despite supplies still being plentiful, remained the same in 1983 as in 1982 at around 6,6 million t.

Although supplies were still plentiful, consumption, at about 6,6 million t, was about 2% down on the 1981 figure.

Consumption of beef/veal is a function of the following factors:

- population growth, which in recent years has slowed down considerably;

- economic growth, and changes in 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/veal rose from about 25 kg in the early seventies to about 26 kg towards the end of the seventies. In 1982, per capita consumption was about 24,4 kg, of which 21,6 kg for beef and 2,8 kg for veal.

Per capita consumption had increased until 1973 at an average rate of more than 1% per year. Because of the economic difficulties in recent years, the 1982 figure was more than 1 kg down on that for 1980.

- b. Because population growth slowed down, the overall consumption of beef/veal expanded more slowly from 1975 to 1980 than beforehand, by about 0,8% per year. Since 1980 total consumption of beef/veal has been dropping by 0,1% a year because of the unfavourable economic and employment situation.

(b) Rate of self-sufficiency

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

Exceeding 100% in 1974 and 1975, the self-sufficiency rate fell short of that figure in the following three years. From 1979 onwards, it was well above 100%. Counting public stocks of intervention meat, the Community at the present time has more meat available than it is consuming.

However, because of the fairly marked fall in production in 1981 and 1982 the rate of self-sufficiency in 1982 moved back down, to about 101%.

In 1983, however, it rose again to 104,5%.



#### 4. Trade

Intra-Community trade in beef/veal has been marking time in recent years at about 1,4 million t. Exports to Greece from other Member States have increased.

Since 1974, imports of beef/veal from non-member countries have averaged about 0,4 million t:

415.000 in 1978  
 412.000 in 1979  
 356.000 in 1980  
 364.000 in 1981  
 440.000 in 1982  
 448.000 in 1983

Many of these imports enter the Community on special terms.

#### The Community's external trade

( '000 t )

Period	1978	1979	1980	1981	1982	1983
Trade						
<u>Imports</u> from non-member countries:						
Beef/veal	415	412	356	364	440	448
of which: live animals ('000 head)	67 (385)	73 (451)	59 (361)	50 (310)	66 (488)	64 (505)
fresh or chilled meat	62	63	61	55	72	87
frozen meat	122	141	114	121	164	153
preserves	164	135	122	138	138	144
<u>Exports</u>	168	338	642	662	480	603
of which: preserves	38	70	30	38	38	38
Net trade balance	247	74	- 286	- 298	- 40	- 155

In 1983, exports of beef/veal to non-member countries rose to 603.000 t (carcase weight). The Community's external trade surplus in beef/veal thus amounted to 155.000 t in 1983.

The main suppliers of beef/veal to the Community in 1983 were:

- Latin American countries, especially Brazil, Argentina and Uruguay, supplying upwards of 50% of total imports and more than 70% of imports of frozen meat;
- East European countries, supplying more than 10% of total imports and nearly two thirds of imports of live animals, mainly from Poland;
- Australia and New Zealand, supplying about 4% of total imports;
- Yugoslavia, supplying around one fifth of imports of live animals and more than one quarter of the fresh and chilled meat;
- Austria, supplying about 15% of imports of live animals and about one third of imports of fresh meat;
- lastly, ACP countries (Botswana, Swaziland, Kenya and Madagascar), supplying about 7% of total imports.

The Community's main customers in 1983 were:

- Mediterranean European countries, in particular Yugoslavia, taking about 10% of total exports;
- East European countries, taking upwards of one quarter of total Community exports, the USSR taking more than 18%;
- North African countries, particularly Libya and the Maghreb countries, taking about 17% of total exports, especially of live animals;
- Middle East countries, taking about one third of total exports, with Egypt accounting for about 12%.

## 5. Prices

### (a) Common prices

For the 1984/85 marketing year the guide price for adult cattle was fixed for the whole Community, from 2 April 1984 onwards, at 205,02 ECU/100 kg liveweight.

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

The Council has also fixed the intervention price at 184,52 ECU/100 kg liveweight, or 90% of the guide price, thereby derogating from Regulation (EEC) No 805/68 for this marketing year.

(b) Market prices

In 1981 and 1982 the average Community market price for adult cattle showed an appreciable increase of the order of 10% per year, a figure comparable to the rate of inflation. In 1983, however, the increase was only 0,5%. Average prices for adult cattle remained below the Community intervention price.

In September 1984 the Community market price for all qualities of adult cattle was running at about 153,20 ECU/100 kg liveweight, i.e. just under 75% of the guide price.

After rising appreciably for two consecutive years, the Community market price for calves went up by only 0,6% in 1983.

Prices for adult cattle

(ECU/100 kg liveweight)

Period	1979/80	1980/81	1981/82	1982/83	1983/84	1983/84	% change:
							((84/85)/:
Price							(83/84)):
Guide price	154.58	160.76	172.82	191.87	207.09	205.02	- 1.0%
Intervention price	139.12	144.68	155.54	172.68	186.38	184.52	- 1.0%
Market price							
- in money terms	130.65	132.58	149.93	161.00	162.62*	153.83*	- 5.4%**
- as % of the guide price	84.8	83.0	86.1	84.2	79.7	75.0	
Import price	82.55	84.75	90.67	92.00	92.00*	86.50*	- 6.0%**

\* From April to September 1984.

\*\* Percentage change compared with the corresponding period of the previous year.

(c) Import prices

In 1982 and 1983, as a result of the world-wide economic recession, the prices of beef/veal expressed in USD fell on the world market; this fall in prices was, however, often more than offset by lower (and in some cases much lower) exchange rates for the currencies of exporting countries in the southern hemisphere. As a result, Community free-at-frontier offer prices expressed in ECU remained fairly steady, in particular in the case of frozen meat.

(d) Consumer prices

In past years consumer prices for beef/veal expressed in national currency rose at an average rate comparable to the Community inflation rate. This happened again in 1983, with an increase of still around 7% on average.

(e) Cost of animal feed

Since the sharp rise in mid-1983 of prices for protein-rich products used in animal feed, prices for commercial cattle feeds and feed grains have up to autumn 1984 shown a downward trend.

6. Outlook

- (a) At the end of 1983 the number of breeding females was very high but at the beginning of 1984 the number of females slaughtered went up sharply and the measures taken at the end of March to limit milk deliveries will accentuate the cyclical trend of cow slaughterings, in particular slaughterings of dairy cows.

In 1984, therefore, we can expect to see a large number of female slaughterings and a marked increase in beef production, the estimate being about 7,2 million t against about 6,9 million t in 1983. A further increase of 1 to 2% is expected in 1985.

In 1983 total beef/veal consumption and consumption per head remained stable at around 6,6 million t and 24,4 kg.

In view of the drop in market prices and the increased competitiveness of beef/veal with other meats, consumption is expected to increase again in the Community in both 1984 and 1985.

Given the outlook for production and consumption and the size of the present stock of intervention meat to be disposed of in coming months, the supply of beef/veal on the Community market is likely to exceed demand again next year.

Owing to a high level of production because of the numbers of dairy cattle being slaughtered the rate of self-sufficiency will be well above 100% in both 1984 and 1985.

As in 1983, export prospects on the world market are good for both 1984 and 1985 and the quantities disposed of in this may well be higher than in past years.

Market prices are very low, in particular compared with the guide price, and market prices for adult cattle are expected to recover slightly in the medium term.

- (b) There has in recent years been a sharp drop (of 10-15 kg) in per capita demand for beef/veal in most of the major countries involved in world trade in meat, with the exception of Japan and the Member States of the Community.

In other countries the shortage of foreign exchange has also adversely affected meat purchases in recent months, in particular in the case of new import markets for beef/veal.

In the major exporting countries in the southern hemisphere the production of beef/veal is sharply down as a result of both adverse weather conditions in the stockfarming areas (drought in Australasia and floods in Latin America) and a sharp rise in domestic prices, in some cases in excess of the rate of inflation in 1983/84. This price rise in real terms has led to a reluctance to send cattle for slaughter and in the short term to a reconstitution of beef production potential.

In North America, after the sharp falls in cattle numbers in recent years, production has steadied, albeit at a fairly low level, given the adverse effect of the sharp increase in cattle feed prices on the profitability of stockfarming.

Accordingly, the quantity of beef/veal available for export, in particular in the major exporting countries in the southern hemisphere with the exception of Brazil, will in 1984 and 1985 show an appreciable decrease, of about 500-600 000 t, compared with the early eighties.

Pending the expected return between now and 1986 to a level of production in these countries again much greater than their domestic demand, the economic recovery now taking place in certain countries such as the USA and Japan, combined with the still reduced export capability of the southern hemisphere countries, may well lead to an increase in world market prices in the medium term. Such a rise is at the moment firmly blocked by the dollar's recent climb as the exchange markets.

## 7. Economic aspects of the measures taken under the common organization of the market

### (a) Market support measures

In order to support the market, the Community has continued to apply a number of measures:

#### - Market clearance measures:

- . granting of export refunds with the possibility of advance fixing of the amounts; it was decided to differentiate some refunds by reference to the category of animal;
- . direct buying-in by public intervention agencies:

227 000 t in 1978

330 000 t in 1979

410 000 t in 1980

280 000 t in 1981

268 000 t in 1982

445 000 t in 1983 (representing 7.3% of Community beef production).

- . up to 1 September 1984, 195.000 t had been bought in, drop of 50 000 t from the corresponding period of 1983;
  - . granting of private storage aid in the autumn of 1983, covering an overall quantity of about 24.000 t of hindquarters (with provision for boning and/or export after a minimum period of storage) and similar aid for the private storage carcasses, forequarters and hindquarters in autumn 1984 (from 20 August to 21 Dezember).
- Measures to encourage consumption (sale of intervention meat by intervention agencies for direct consumption, allocation of a certain amount of frozen meat from intervention stocks to industry for processing in the Community, and sales of intervention meat at special prices to welfare organizations).
- Aid measures
- . possibility of granting variable premiums for the slaughter of certain beef cattle (clean cattle) in the United Kingdom;
  - . granting of a calf premium in Italy, Greece, Ireland and Northern Ireland;
  - . lastly, as an income supplement for producers specializing in quality meat, granting of a premium for keeping suckler cows, with effect from the 1980/81 marketing year.
- Adjustments to the intervention system

As in previous marketing years, the Commission restricted intervention buying to certain categories (male animals) and forms of presentation (carcasses, quarters) by reference to developments, mainly seasonal, in the market situation. In connection with the adjustment of the rules in this sector, the Council fixed the Community scale for the classification of beef carcasses and the Commission laid down the provisions for applying the scale and defined the arrangements for recording the market prices of beef carcasses on entry to the slaughterhouse. Since 9 April 1984 the Community scale for the classification of beef carcasses has been used for intervention buying.

(b) International agreements

In addition to the normal arrangements for importing beef/veal, the Community has entered into undertakings to import large quantities annually on the basis of bilateral and multilateral agreements.

Under the GATT, the Community opens annual tariff quotas for the import of:

- 38.000 head (18.000 on an autonomous basis) of heifers and cows of certain mountain breeds at the rate of 6%, and 5.000 head of certain Alpine breeds at the rate of 4%, other than animals intended for slaughter;
- 50.000 t (in terms of boned meat) of frozen beef/veal at the rate of 20%.

Under the arrangement for "high-quality" cuts, the Community undertook to raise, as from 1983, the annual tariff quota for fresh, chilled and frozen beef/veal imported at the rate of 20% from 21.000 t to 29.800 t, as follows:

10.000 t from the United States and Canada  
5.000 t from Australia  
12.500 t from Argentina  
2.300 t from Uruguay,

and to import a tariff quota of 2.250 t (in terms of boned meat) of frozen buffalo meat from Australia, also at 20%.

Under the ACP/EEC Lomé Convention, special arrangements were introduced for the import of 30.000 t (in terms of boned meat) of beef/veal from Botswana, Swaziland, Kenya and Madagascar. The agreement provides for exemption from customs duties and the reduction of other import charges.

In the forward estimates for 1984, the Community provided for the possibility of importing:

50.000 t (in terms of unboned meat) of frozen beef/veal for processing;  
190.000 head of young male cattle for fattening (164.000 for Italy, 25.000 for Greece and 1.000 for other Member States).

Under a trade agreement with Yugoslavia, 50.400 t of fresh or chilled baby beef may be imported annually from that country with a reduced levy.

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

Given the distance by sea, the Community has agreed to the advance fixing of the levy for fresh and chilled meat imported from Argentina and Uruguay.

The levies on frozen meat imported from Romania, Argentina, Uruguay, Australia and New Zealand may also be fixed in advance.

Lastly, there is provision for imports with customs duties bound under GATT, i.e. with no levy or quantitative limit; this applies to pure-bred breeding animals (duty-free) and to preserves (at the rate of 26%).

#### 8. Budgetary expenditure

EAGGF Guarantee Section expenditure on beef/veal was 1.736,5 million ECU in 1983; it is provisionally put at 2.056 million ECU in 1984 and estimated at 2.073 million ECU in 1985, i.e. 11,2% and 11,5% respectively of total Guarantee Section expenditure. The figure of 2.056 million ECU breaks down into 1.066 million ECU in refunds, 692 million ECU in intervention expenditure for public and private storage and 218 million ECU in premiums, mainly the calf premium and the suckler cow premium.



## 15. PIGMEAT

### 1. Introduction

The Community is the second-largest pigmeat producer in the world, after China. In 1983 pigmeat accounted for a larger percentage (42,6%) than any other meat of the total tonnage produced in the Community and for (12%) by value of gross final agricultural production. In December 1983 there were in the Community altogether 79,1 million pigs, including 8,8 million sows, on about 2 million farms.

The importance of the pigmeat sector derives from its own dynamism, which is reflected in the increasing trend towards large production units requiring little or no farmland and in the concentration of production, irrespective of the size of the Member States, along the North Sea and English Channel and in northern Italy. The resulting structural change has meant a drop in the number of pig farms, with the gradual disappearance of the small farms keeping fewer than 200 pigs or 10 sows and an increase in the pig herd per farm. Herd size varies greatly from one Member State to another: in December 1983 it averaged 283 pigs per farm in the Netherlands, 277 in the United Kingdom, 179 in Denmark, 152 in Belgium, 114 in Ireland, about 50 in Germany, France and Luxembourg, 16 in Greece and only 10 in Italy. The Community average is 42 pigs per farm.

### 2. Production

In 1983 the Community produced 10,5 million t of pigmeat, 3,3% more than in 1982. Despite this sharp increase, production continued to rise in the first six months of 1984. It then began to fall off, so that in 1984 production will only be slightly up on 1983.

Although successive increases had taken the pig population to record levels, the overall figure for December 1983 was 0,1% down on December 1982. Account being taken of divergent trends in pig numbers at national level, it is estimated that Germany has 30% of the Community population, France and the Netherlands 14% each, Italy 12%, Denmark 11%, the United Kingdom 10% and Belgium almost 7%.

### 3. Consumption

Although consumption rose from 10,10 million t in 1982 (37,3 kg per capita) to 10,21 million t in 1983 (37,5 kg per capita), it failed to keep pace with production, so that the degree of self-sufficiency rose from 101% in 1982 to 103% in 1983. Consumption is expected to rise by a further 0,5%, reducing the degree of self-sufficiency to 102,5% in 1984.

Annual per capita consumption varies considerably from one Member State to another, ranging from 58 kg in Germany to 25 kg in Italy and the United Kingdom and only 22 kg in Greece. The degree of self-sufficiency shows an even greater variation: from almost 400% in Denmark to less than 75% in Italy, Greece and the United Kingdom.

### 4. Trade

In line with the trend over the past ten years, intra-Community trade increased by almost 7% in 1983, when the quantities traded totalled 2,48 million t, as compared with 2,32 million t in 1982. These figures account for the bulk of world trade, including some two thirds of world exports.

INTRA-COMMUNITY TRADE IN PIGMEAT IN 1983 (1)

(tonnes)

To From	BLEU	DENMARK	GERMANY	FRANCE	GREECE	IRELAND	ITALY	NETHERLANDS	UNITED KINGDOM	EEC
BLEU	X	281	61.130	173.621	4.055	330	60.004	28.515	18.596	346.712
DENMARK	503	X	131.522	62.888	10.082	184	64.062	897	286.891	557.029
GERMANY	19.967	551	X	16.256	12.855	1	43.598	11.654	14.611	119.493
FRANCE	10.385	98	5.824	X	198	15	16.166	586	3.032	36.304
GREECE	-	-	-	-	X	-	-	-	-	-
IRELAND	954	-	3.921	9.373	5	X	723	22	27.809	42.887
ITALY	2.347	29	22.041	9.080	187	-	X	1.753	1.456	36.893
NETHERLANDS	102.858	114	301.202	159.092	26.240	664	212.786	X	78.147	881.103
UNITED KING- DOM	1.661	193	34.815	4.728	83	48.043	256	1.306	X	91.085
EEC	138.675	1.266	560.635	435.038	53.705	49.237	397.595	44.733	430.622	2.111.506

(1) Excluding fats and offal.

The above table shows that, in intra-Community trade, the smallest Member States (Netherlands, Denmark and Belgium) are the suppliers to the largest Member States (Germany, France, United Kingdom and Italy).

The trade balance with non-member countries has altered to the Community's advantage. In 1983 Community exports to non-member countries were 20% up on 1982, totalling 327.000 t as against 271.000 t. At the same time imports from non-member countries dropped by 24% to 147.000 t, as compared with 192.000 t in 1982. Thus, in terms of quantity, the surplus of exports over imports more than doubled in 1983, totalling 180.000 t as compared with 79.000 t in 1982.

The breakdown by type of product shows that the trend was even more favourable in terms of value:

Tonnes	EXPORTS			IMPORTS			BALANCE		
	1982	1983	%	1982	1983	%	1982	1983	83/82
Live pigs	385	431	0,1	21.729	5.392	3,7	-21.344	- 4.691	- 77%
Meat and fats	56.683	107.764	33	80.824	48.386	32,9	-24.141	59.378	-346%
Lard	37.346	23.789	7,3	26.870	29.610	20,1	10.476	- 5.821	-156%
Offal	22.986	24.039	7,4	49.262	50.146	34,2	-26.276	-26.107	- 1%
Sausages, prepared and preserved meats	153.496	170.831	52,2	13.710	13.382	9,1	139.786	157.449	+ 13%
TOTAL	270.896	326.854	100	192.395	146.916	100	78.501	179.938	+129%

Under the two headings which are by far the most important in terms of value, the Community further strengthened its position as a net exporter of processed products, which account for more than half of all exports, and again became a net exporter of fresh and salted meat.

The main market for preserved products is the United States whilst Japan is the largest buyer of meat. A huge range of processed products is exported to many different countries.

As in the past, the East European countries, led by Hungary, are the Community's main suppliers but mention should also be made of Sweden and, for offal and fats, Canada and the United States. Incomplete returns for 1984 show a marked rise in imports, which should return to their 1982 level, and a sharp increase in exports, which could total almost 400.000 t, mainly because of the reopening of the Japanese and American markets to fresh and frozen meat from Denmark, in September 1983 and January 1984 respectively.

## 5. Prices

### (a) Common prices

#### - Basic price

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

For 1983/84 the basic price was raised by 5,5% to 205,39 ECU/100 kg. For 1984/85, acknowledging the need for a cautious policy on prices, the Council lowered the institutional prices for all types of meat by 1%, so that the basic price was set at 203,33 ECU/100 kg.

#### - Sluice-gate prices

The sluice-gate prices, which are fixed every quarter, are considered to be the offer prices which are applied at the Community frontier by the most efficient producers under world market conditions and at which products from non-member countries may be imported without undercutting the price levels aimed at by Community market regulations. The sluice-gate prices depend on the world market prices for feed grain. Changes in the latter caused the sluice-gate prices to rise from 122,17 ECU/100 kg on 1 February 1983 to 156,87 ECU/100 kg on 1 February 1984. Since 1 August 1984 the level has stood at 153,46 ECU/100 kg.

### (b) Market prices

In 1983 prices fell sharply between January and April, necessitating the reintroduction of intervention measures in the form of private storage aid between 1 February and 9 September 1983.

Having dropped to 145 ECU/100 kg in April, prices remained unchanged until July, before picking up once more in August and reaching 162 ECU/100 kg by the end of September. Prices then declined steadily, falling to 152 ECU/100 kg by the end of the year and then dropping sharply to 144 ECU/100 kg in early January 1984. Immediately after the resumption of private storage aid on 16 January 1984 prices improved strongly and by March they were back at their 1982-83 level. This level was then surpassed and since June prices have been consistently higher than 165 ECU/100 kg.

Pig carcass prices

	1.11.80 31.10.81	1.11.81 31.10.82	1.11.82 31.10.83	1.11.83 31.10.84	1.11.84 31.10.85
<u>Basic price</u>					
absolute value	158,72	176,16	194,68	205,39	203,33
% change	105,50	117,11	129,40	136,52	135,15
<u>Market price</u>					
absolute value	140,21	161,38	153,18	159,41	
% change	104,89	120,73	114,54	119,40	
as % of basic price	88,34	91,60	78,7	77,6	
<u>Sluice-gate price</u>					
absolute value	131,54	132,33	124,99	152,12	
% change	119,46	120,18	113,51	138,15	

(c) Prices in non-member countries

Of the "market economy" non-member countries, the largest producers are in North America. In the United States the upturn in production recorded in 1983 continued into the first half of 1984, keeping prices at very moderate levels. Since July production has declined appreciably but prices have remained stable at the 1983 level. Pig numbers are 9% down and production 5% down on 1983. In Canada, although production has been expanding steadily since last year and this trend should continue into 1985, prices are 10% up on 1983.

In Spain, there has been a further 3,5% increase in pig numbers (December 1983 as compared with December 1982), which has helped to maintain the steady expansion of production. In 1983 prices were on average 6% lower than in 1982, reaching a level close to the Community average.

Of the countries with state-run economies, China is the world's largest producer with almost 12 million tonnes and a pig population of some 320 million. Chinese production is on the increase, as is production in the East European countries, which are the Community's main suppliers. In Poland and Czechoslovakia pig numbers increased by 7% in 1984 whilst in Hungary they increased by 23% during the first six months of 1984. The GDR has introduced far-reaching changes in its agricultural policy. In 1984 prices of pigs for slaughter were 55% higher than in 1981, as compared with a 6% drop over the last 10 years.

(d) Consumer prices

The 1983 fall in producer prices was to a great extent passed on to consumer prices, so that the market was able to absorb much of the increase in production. The subsequent improvement in producer prices was also passed on to the consumer, after a certain time-lag, with the result that demand has been faltering since the summer of 1984.

6. Production costs

Production costs other than feed represent about 30% of the total cost of producing pig carcasses. As in previous years, these costs have been influenced by the general level of inflation and interest rates. Feed costs, on the other hand, have been affected by marked fluctuations since the summer of 1983, following the rise in the world market price for soya (being sheltered by the mechanisms of the CAP, Community cereal prices have not been affected by the impact on the world market of the PIK scheme in the United States).

Variations in pigmeat and feed prices

: Member : State	: December 1983/1982		: September 1984/1983	
	: Pig carcasses	: Feed	: Pig carcasses	: Feed
: France	: - 6 %	: + 17 %	: + 11 %	: - 2 %
: Belgium	: - 8 %	: + 14 %	: + 11 %	: + 1 %
: Netherlands	: - 12 %	: + 12 %	: + 6 %	: - 4 %
: Germany	: - 17 %	: + 8 %	: + 8 %	: - 5 %
: Italy	: - 1 %	: + 11 %	: + 9 %	: + 5 %
: United Kingdom	: + 2 %	: + 10 %	: + 14 %	: - 1 %
: Denmark	: + 3 %	: + 15 %	: + 8 %	: - 21 %

The first half of the above table clearly shows the difficult position in which pig farmers have found themselves, with pigmeat prices falling steeply on the one hand and feed prices rising sharply on the other. This situation continued into the first few months of 1984 but the position then improved, as can be seen from the second half of the table, with first of all a rise in pigmeat prices and then a drop in feed prices, which became noticeable from August onwards. Since then the price of feedingstuffs has been at a level favourable to pig farmers.

## 7. Outlook

In 1983 and in the first half of 1984 production increased considerably but since then there has been a downward trend and the volume of production in 1984 should be about the same as the high level recorded in 1983. Moderate price levels have meant that internal consumption has been able to absorb some of the increase in supplies. External trade has also helped to ease the market situation. The increase in exports in 1984 should be even greater than in 1983, taking exports to 400.000 t. Imports, on the other hand, should return to their 1982 level, after a marked decline in 1983.

Unless, as is always possible, some health incident causes restrictions to be placed on exports and thus disturbs the Community market, pigmeat prices should remain at a high level until the first quarter of 1985, given the downward trend in supplies, whilst feed prices should settle at a level favourable to pig farmers.

In planning for the future, producers would seem already to have taken account of this rather favourable outlook. The results of the August 1984 survey of pig numbers in the Community clearly indicate that the number of breeding pigs is on the increase once more, which should mean that production will pick up in the second quarter of 1985, particularly in Denmark, the United Kingdom and the Netherlands. If this does occur, pig prices are likely to enter a new downward phase of their cycle in 1985.

## 8. Economic aspects of the measures taken under the common organization of the market in pigmeat

### (a) Levies and refunds

Under the system of trade with non-member countries, levies and (where appropriate) additional amounts may be charged on imports and refunds may be granted on exports.



Levies followed the trend in world and Community prices for feed grain and, after successive increases in 1982 and 1983, they stood at 55,8 ECU/100 kg from 1 August to 31 October 1983. They then fell to 38 ECU/100 kg for the period 1 February-31 July 1984.

Since 1 August the levies have remained unchanged at 40 ECU/100 kg.

Additional amounts were charged on certain products and countries of origin between April and September 1983. They were again introduced on 30 November 1983 and have remained in force since then.

Market developments have necessitated frequent changes in the export refunds. In February and then again in April 1983 the refunds on non-processed products were increased, only to be reduced again in October 1983. Processed products were not affected by these variations. In December 1983 the refund on carcasses was increased. From April 1984 onwards the level of the refunds began to come down, first of all on preserved meats and then, in May, on certain cuts and processed products. In July the level of all the refunds was lowered. In October 1984 there was a further lowering of the refunds on fresh meat and processed products.

#### (b) Intervention

Private storage aid was reintroduced from 16 January to 20 June 1984. Such aid was granted in respect of more than 100.000 t and helped to bring about the strong upsurge in prices which was recorded immediately after the measure entered into force.

#### 9. Budgetary expenditure

EAGGF Guarantee Section expenditure on pigmeat in 1983 totalled 145 million ECU, including 120,2 million ECU for export refunds and 24,8 million ECU for private storage aid, as compared with total expenditure of 112 million ECU in 1982 (refunds: 96 million ECU, private storage: 16 million ECU). For 1984 provision has been made for expenditure totalling 207 million ECU, i.e. 166 million ECU for export refunds and 41 million ECU for private storage aid.

The preliminary draft budget for 1985 sets aside 195 million ECU.

## 16. EGGS

### 1. Introduction

The relative value of egg production in the Community may be gauged from recent estimates:

	<u>1981</u>	<u>1982</u>
Eggs/livestock products	6,1%	5,3%
Eggs/total agricultural production	3,5%	3,0%

National figures indicate that undertakings with more than 10.000 layers at present account for more than 50% of production in most Member States and up to 75% in the United Kingdom and the Netherlands. Greece and Luxembourg, which account for about 3% of Community production, are the only countries where production is still relatively unconcentrated.

According to FAO and USDA statistics, the Community, which in 1982 was the second largest egg producer in the world, after China and before the United States, was overtaken in 1983 by the Soviet Union. It remains the number one exporter, ahead of the United States. This corresponds to 14% of world production and 33% of world exports (eggs in shell and egg products), not including intra-Community trade.

### 2. Production, consumption and trade

In 1983 Community egg production (4,2 million t) was 1,5% down on the previous year. The serious crisis on the egg market, which began after Easter 1982, led to a decrease of layer chick placings in 1982 and 1983. This began to have an appreciable impact on production from May 1983 onwards. During the first half of 1984, supply was still down on the previous year, but it rose again during the second half. Now, towards the end of the year, the market situation is therefore again unstable.

Consumption decreased slightly from 3,87 million t in 1982 to 3,84 million t in 1983. In most Member States this year there is a tendency for consumption to stagnate or even decline. Favourable prices and advertising campaigns have been unable to halt this trend. Per capita consumption has remained unchanged for several years.

Intra-Community trade, accounting for one eighth of production, increased by 3,6% in 1983. Two thirds of this trade consisted of exports mainly from the Netherlands, Belgium and France to Germany. Italy was the second largest buyer in 1983.

The measures adopted by the United Kingdom following the judgment of the Court of Justice in July 1982 (national measures to combat Newcastle disease) enabled trade to be resumed in 1983, with eggs being supplied to this Member State mainly from the Netherlands and France.

The volume of trade with non-member countries in 1983 is estimated at 186.000 t: 151.000 t of exports and 35.000 t of imports (1). Exports of eggs for consumption were 8% down on 1982, not only to Middle East countries (Iraq, Saudi Arabia and Egypt), but also to Switzerland and Austria as these importing countries have been producing more eggs themselves. In 1984, exports have continued to decline, with a 33% fall over the first eight months. Exports of hatching eggs, on the other hand, are still showing an upward trend (+ 2,7% in 1983, + 6,5% in the first eight months of 1984).

Imports of eggs in shell, most of which enter the Community under inward processing arrangements (for re-export after processing), increased in 1983 and 1984 because more eggs were available from non-member countries in Europe. The volume of these imports remains well below 0,5% of Community production, however. As regards hatching eggs (turkeys), purchases in non-member countries were well down in 1983.

### 3. Prices

The fall in Community supply in 1983 restored prices to a satisfactory level from August 1983 onwards. Although supply remained low during the first half of 1984, the egg market showed the expected drop in prices after Easter. Although this was due primarily to the seasonal fall in demand, it was accentuated this year by the decline in exports. Even though prices stabilized at the end of July, the current market situation is unstable on account of a new increase in supply in several Member States and uncertainty about export outlets. The difficulties of many producers could ease, however, if the recent drop in feed prices continues.

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(1) Eggs in shell and egg products as eggs-in-shell equivalent.

#### 4. Outlook

Despite the unsatisfactory market situation since May, layer chick placings showed an upward trend this summer in some Member States. In the short term, Community supply can therefore be expected to continue to expand slightly, with the risk of a fresh market crisis in the second quarter of next year.

In the medium term, a very prudent production policy should be pursued, principally on account of declining per capita consumption in the Community and the limitations of the world market. The world market's absorption capacity is actually decreasing as production units are being set up in importing countries.

#### 5. Measures taken under the common organization of the market

- (a) Sluicgate prices were raised after 1 August 1983, but were reduced on 1 August 1984 in line with the trend in feed grain prices on the world market. Levies, which are based essentially on the difference between feed grain prices in the Community and on the world market, have followed a contrary trend.
- (b) Refunds on eggs in shell, which had been cut several times between September 1983 and March 1984, were set at 15 ECU/100 kg on 21 September 1984 in view of the Community market situation. Refunds on hatching eggs and egg products were adjusted in a similar manner on the same dates.
- (c) On 1 July 1984, a Council Regulation amending certain marketing standards for eggs entered into force. The new provisions aim to improve consumer information by requiring that the packing period be clearly marked and allowing additional particulars to be given on small packs. However, detailed rules still have to be adopted by the Commission before information on the farming method and the origin of the eggs may be indicated on the pack.
- (d) During 1984 the Council continued its examination of the Commission proposal for altering the coefficients and standard amounts for calculating the levies and sluicgate prices for eggs, but failed to reach an agreement.

#### 6. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section on eggs, all of which is for refunds, amounted to 30,4 million ECU in 1983 (0,2% of total guarantee expenditure). The figure entered in the 1984 budget is 33 million ECU and the estimate for 1985 is 36 million ECU.

## 17. POULTRYMEAT

### 1. Introduction

The relative value of poultrymeat production is still fairly similar to that of eggs, i.e. together about 14% of livestock production and 8% of total agricultural production. The figures relating to poultrymeat are :

	<u>1981</u>	<u>1982</u>
Poultrymeat/livestock products	7,8%	7,8%
Poultrymeat/total agricultural production	4,5%	4,4%

Poultrymeat production is still characterized by concentration and by various forms of vertical and horizontal integration. The degree of concentration, particularly in the chicken sector, is greater than in the egg sector, since in the northern countries of the EEC more than 90% of production is accounted for by holdings with more than 10.000 birds. However, concentration is less marked in France, Italy and Belgium, where traditional forms of production and marketing (roped chickens) are still fairly important. This is also true of Greece, which accounts for about 3% of Community production.

In 1983, with 14% of world production, the Community was, after the USA, the world's second largest producer not only of all poultrymeat but also of chickens and turkeys. It remains the largest exporter, ahead of Brazil, the USA and Hungary.

### 2. Production, consumption and trade

For the first time since 1973, total Community production (4,32 million t) decreased in 1983 by 2,6%. This decline took place in all the Member States except for Italy, Ireland, Denmark and Greece. It is continuing in 1984, although at a slacker pace. The greatest reduction was in chicken production, which fell from 3,0 million t in 1982 to 2,88 million t in 1983. Because of falling demand for frozen chicken in Europe and keen competition on the world market, production had to be scaled down significantly in 1983, particularly in Germany, France and the Netherlands. As a result of this adjustment, supply in the Community has stabilized in 1984.

Turkey production (700.000 t per year), which rose by a further 4% in 1983, has dropped slightly in 1984 (-0,8%), mainly because of the reduction in Italy.

Exact figures cannot be given for the recent development of consumption, as the supply estimates have failed to take full account of the variations in poultrymeat stocks since 1982. Nevertheless it is likely that consumption per head increased by 100 g per year in 1983 and 1984, in view of healthy sales of fresh meat and new derived products (cuts and processed turkey products).

Intra-Community trade in slaughtered poultry increased in 1983, but there was no change in the case of live birds. The decline in deliveries to Germany was more than made good by the resumption of trade with the United Kingdom.

Exports to non-member countries in 1983 totalled 446.000 t, mainly chickens (410.000 t) for the Middle East and the USSR. This represents a slight increase (1%) over the previous year (1). Thus the Community was able to maintain its position on the world market, the overall volume of which remained fairly stable in 1983, following a sharp drop in 1982. During the first three months of 1984, however, demand on the world market slackened again. As a result, exports from all the exporting countries decreased. As far as the Community is concerned, the loss of exports during the first eight months of 1984 probably amounted to 27%.

Imports represent 1,5% of consumption. They comprise mainly geese and ducks from East European countries (27.000 t in 1983). Imports of turkey meat including uncooked turkey preparations decreased in 1983 (by 1.000 t), as did those of other poultrymeat preparations, as a result of increased offer prices for the imported products. In 1984 there was a further drop in such imports, particularly from the USA.

### 3. Prices

The trend in chicken prices in 1983 still reflected the serious crisis on the market for frozen chickens, particularly in Germany, the Netherlands and Denmark.

Supplies were less plentiful in 1983, but it was not until the end of the year that prices responded and reached a satisfactory level, which has stabilized in 1984. Prices of fresh chickens and of other poultry, on the other hand, generally remained firm last year.

In 1983 consumer prices of chickens fell in Germany and the Netherlands, but rose slightly in the other Member States.

### 4. Outlook

As already mentioned in the previous report, Community poultrymeat production slowed down in 1983 for the first time since the common organization of the market was established. This is attributable to a drop in chicken production, which is not only feeling the effects of far-reaching changes in consumption patterns in Europe (preference for fresh chickens, cuts and preparations), but is also facing a decline in the medium term in world market demand. The need to adapt to these new market conditions justifies the cautious policy being pursued by the slaughterhouses, which seem to be expecting production to expand only slowly in 1985.

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(1) The figures given here must not be confused with the data contained in Table M.17.3, as the latter have been calculated differently for the purposes of a consistent EUR 10 supply balance.

Although the general outlook for turkeys in 1983 was more optimistic, increased competition from other meats has made a less expansionist policy necessary in this sector as well in 1984. It seems unlikely that production will expand by much in 1985, except in Germany where demand seems to be picking up in a situation where consumption is below the Community average.

5. Measures taken under the common organization of the market

- (a) Following the trend in feed grain prices on the world market, sluice-gate prices were increased in August 1983 and reduced slightly on 1 August 1984. Levies, which reflect the difference between Community and world market prices for feed grain, followed the opposite course.
- (b) In view of the Community market situation and the conditions of competition on the world market, refunds for chickens were reduced on several occasions from 20 ECU/100 kg on 14 September 1983 to 13 ECU/100 kg on 6 June 1984.

6. Budgetary expenditure

Being limited to refunds, expenditure by the EAGGF Guarantee Section on poultrymeat amounted to 92,9 million ECU in 1983 (equivalent to 0,6% of total EAGGF Guarantee Section expenditure).

Expenditure provisionally stands at 92 million ECU in 1984 and is estimated at 100 million ECU in 1985.

## 18. SILKWORMS

Silkworms, reared in Greece and Italy and on a small scale for research purposes in France, account for only a tiny part of Community agriculture and of world sericulture.

According to the FAO, world production of raw silk (including waste) in 1983 was 67 000 t, compared with 65 000 t in 1982 and 67 000 t in 1981. Silkworm rearing is virtually an Asian monopoly (61 000 t): China (38 000 t) and Japan (13 000 t) together account for 76% of world production.

Community production has been declining steadily in recent years since the rise in rearing costs is not adequately offset.

In 1983 only 5 460 boxes were used compared with 6 294 in 1982 (- 13%), 8 640 in 1981 and 11 100 in 1980. Cocoon production was only 143 t, compared with 153 t in 1982, 224 t in 1981 and 308 t in 1980.

The situation has improved since 1983, particularly in Italy, where there has even been an upturn in silkworm rearing.

For 1984/85 the amount of aid was fixed at 107.59 ECU per box (95.20 ECU in Greece), compared with 106 ECU in 1983/84, a rise of 1.5%.

EAGGF guarantee spending on silkworms amounted to 0.6 million ECU in 1983.



## 19. SHEEPMEAT AND GOATMEAT

### 1. Introduction

Sheepmeat and goatmeat account for about 2% of the Community's final agricultural production. While sheep are raised on 600.000 farms in the Community, sheep numbers are concentrated in just four of the Member States. The United Kingdom containing 38%, France 19%, Italy 18% and Greece 16% together make up 91% of the Community sheep flock. Sheepmeat accounts for about 20% by value of all meat production in Greece and about 13% each in the United Kingdom, France and Italy. For the Community as a whole the figure is about 4%.

The Community, with its output of about 730.000 t, is the world's second largest producer accounting for about 12% of its sheepmeat and goatmeat. It comes after the USSR (800.000 t) but before New Zealand (660.000 t), Australia (600.000 t), China (400.000 t) and Turkey (300.000 t).

The common organisation of the market in sheepmeat and goatmeat came into effect on 20 October 1980 (Regulation (EEC) No 1837/80 of 27 June 1980).

A report on the functioning of the common organisation of the market in sheepmeat and goatmeat (COM(83) 585 final) was presented to the Council by the Commission on 31 October 1983.

### 2. Production

#### (a) Sheep and Goat Numbers

The number of sheep in the Community, which has risen almost without interruption since 1972 (1), reached 60,8 mio in December 1983 including 41,4 mio ewes in 1983. The rate of increase, at 1,5%, was considerably lower than the 2,4% in 1982 but it varied somewhat between the Member States. Numbers fell by 2,2% in France but, apart from Luxembourg where they remained steady, rose in all other Member States. Denmark recorded a 6,8% increase, Ireland 4,7%, Germany 3,9%, Italy 3,7% and the Netherlands 2,2% (2). Ewe numbers increased by 0,9% in 1983 compared with 3,5% in 1982.

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(1) The only exception was 1975. The annual rate of increase from 1973 to 1982 was 1,7%.

(2) Belgium recorded a 44,6% increase in sheep numbers but much of this was owing to change in methodology of census.

Goat numbers reached 7,9 mio in December 1983, an increase of 11,1% on 1982 (without significance, however, owing to a change in methodology of census in Greece).

(b) Production of sheepmeat and goatmeat

In 1983 production in the Community at 722.000 t was up 2,3% on 1982. It dropped by 4,3% in France, rose by 10% in Germany, 7,1% in the United Kingdom and 1,7% in Greece, but was static elsewhere. The underlying trend in production is upward since 1970 and the annual rate of increase in it from 1973 to 1982 was 2,7%.

3. Consumption

Consumption in 1983 at 974.000 t was unchanged from 1982.

Average annual consumption per head in the Community in 1983 was 3,6 kg. Greece accounts for the heaviest consumption with 14,3 kg per head per year, followed by the United Kingdom 7,5 kg and Ireland 7,4 kg, France 4,2 kg, BLEU with 1,8 kg and Italy 1,5 kg. Consumption is less than 1 kg per head in other Member States.

The long term trend in consumption is unchanged at Community level. However, the trend is downwards in both the United Kingdom (although there has been a tendency for this to level out since the establishment of the common organisation of the market) and Ireland, but upward in the other Member States.

4. Trade

(a) Non-Community countries

In 1983 imports into the Community amounted to 252.000 t, a decrease of 10,5% on 1982. The main contributors to this drop were New Zealand, down 13,1% to 194.000 t, Argentina, down 14,9%, and Hungary, down 9,9%. On the other hand imports increased from Australia by 41,5%, Poland by 27,6% and Bulgaria by 7,9%. Imports into Belgium were down 32,7%, the Netherlands 31,3%, the United Kingdom 17,8% and Italy 9,2%, but were up 55,2% in Greece and 17,6% in Germany.

Exports from the Community reached 4.500 t in 1983, a rise of 21,6% on 1982. The United Kingdom increased its exports by 52,4% and now accounts for 75% of Community exports.

(b) Intra-Community

In 1983, intra-Community trade was 97.700 t. The United Kingdom, with 49.800 t, supplied 51% while France, with 58.900 t, received 60% of the trade. The trade grew by 20,6% over 1982, the main growths being in United Kingdom, exports up from 37.600 to 49.800 t, the Netherlands (11.000 to 14.600 t), Germany (3.400 to 4.800 t) and BLEU (3.500 to 7.000 t). Exports from France and Ireland both fell by approximately 500 t to 5.700 t and 14.600 t respectively.

5. Prices

(a) Institutional prices

For the 1984/85 marketing year :

- The basic price was fixed at 428,04 ECU/100 kg for the Community as a whole a drop of 1% on 1983/84.
- The intervention price was fixed at 363,83 ECU/100 kg (- 1%) and the derived intervention price (Ireland) at 344,32 ECU/100 kg.
- The adjustment of the regional reference prices was completed and from 1984/85 onwards the reference price becomes the basic price.
- The seasonal adjustment of the basic price has been changed to allow a better adaptation of the usual seasonal changes on the Community market to production costs. The scale of the seasonal variation is 12% above and below the basic price. The minimum is in July, August and September instead of September and October, as has so far been the case.

(b) Market

In 1983 the average Community market price remained unchanged from 1982 at 369,699 ECU/100 kg. This represents a marked change from the increases of 4,3% in 1982 and 14,7% in 1981 respectively. There were, of course, appreciable differences in both price and rate of price change in the various Member States as follows:

	ECU/100 kg	Variation from 1982 %	National currency variation from 1982 %
Germany	353,641	- 0,5	- 3,1
France	427,225	9,2	13,4
Italy	446,511	- 1,7	2,7
Netherlands	367,796	5,3	3,3
Belgium	423,165	2,9	8,0
United Kingdom	259,591	- 3,9	- 3,9
Ireland	342,855	3,4	6,7
Denmark	283,128	3,4	4,6
Greece	496,614	- 4,7	8,4

In 1983, as in each previous year since the introduction of the regime, there was no trend towards the alignment of prices between Great Britain and France as can be seen below:

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984*</u>
British price as percentage of the French price	73	63	70	69	60	68

## 6. Outlook

The following can be expected for 1984.

(a) A further rise in the total number of sheep in the Community

To reach 61 mio head. This rise is likely to take place in certain Member States only and to differing extents. It is likely to be largest in the United Kingdom (1,6%) and Ireland (1,0%). However, in other Member States the number of sheep is expected to remain fairly steady.

(b) An increase in Community production (2,5%)

Increases in production in the United Kingdom principally, and also in France, are expected to result in a production level of 740.000 t in 1984. Production in other Member States should remain static.

(c) A moderate increase in Community consumption (1,4%)

(A rise of 14.000 t to 988.000 t). This is due to an expected increase in United Kingdom consumption of 2,9%.

\* preliminary.

(d) A decrease in the Community's deficit

The balance in recent years has been as follows:

	Deficit (consumption less production) t	Self-sufficiency %
1977	280.000	68,9
1978	271.000	70,2
1979	286.000	69,4
1980	251.000	75,0
1981	232.000	75,1
1982	269.000	72,4
1983	252.000	74,0
1984 (estimate)	250.000	74,7

(e) A fall in imports from non-Community countries

Under the voluntary restraint agreements with the Community, these countries may export to it a maximum of 321.790 t (1) of live animals and sheepmeat expressed as carcass weight equivalent. In 1984 the non-Community countries in Europe will be exporting amounts close to the agreed limits. On the other hand, Australia, Argentina, Uruguay and Chile will be well below the limits and New Zealand, the major supplier, is expected to export only 195.000 t of its 245.500 t quota. Total Community imports then are expected to drop by 7.000 t to 245.000 t in 1984.

(f) Little change in the average Community market price (+ 0,7%)

This is in line with the change in the Community basic price for 1984/85 (- 1%). However, prices are likely to be up by 11,1% in Denmark, 7,7% in Great Britain due to changes in the seasonalised scale of the guide level, 3,9% in the Netherlands and by 2,7% in Greece while drops in price of 5,5% in Ireland and 4% in France, Germany and Italy are likely to occur. On this basis, the British price will reach 67,9% of the French price in 1984.

7. Supply balance for 1984

For 1984 the supply balance is estimated as follows:

(1) Including 2.290 t granted under the autonomous quota for non-Community countries which have not concluded such agreements.

Gross indigenous production	739.000 t
Total consumption	989.000 t
Consumption/production deficit	250.000 t
Import/export deficit	240.000 t
- Imports from non-Community countries	245.000 t
- Exports to non-Community countries	5.000 t
- Changes in stocks	- 10.000 t

8. Economic aspects of measures taken under the common organisation of the market

(a) Variable premium (Great Britain only)

The total paid under the variable premium scheme in the 1983/84 marketing year was 285 MECU, as against 236 MECU in 1982/83. This amounts to an arithmetic mean of 91,84 ECU/100 kg, an increase of 0,7% over the previous year and represents 35,08% of the average market price in Great Britain in 1983/84.

In the week beginning 18 July 1983, the premium reached its maximum of 193,212 ECU/100 kg, thus equalling 111,9% of the market price in the same week!

(b) Ewe premium

In the 1983/84 marketing year premiums were fixed for seven Member States and amounted in all to 220 MECU.

The amount of the premium per ewe and the increase on the previous year was as follows:

	Premium, ECU per ewe	% increase on 1982/83
Denmark	13,642	91
Netherlands	20,305	52
Luxembourg	22,500	30
Belgium	24,955	32
Germany	15,971 —	52
Ireland	18,092	70
Great Britain	11,007	149
Northern Ireland	23,574	52

The principal beneficiaries of the ewe premium were the United Kingdom 167 MECU, Ireland 35 MECU and Germany 11 MECU. By way of comparison, the amount granted in 1982/83 was 100 MECU, of which the United Kingdom received 67 MECU and Ireland 19 MECU.

On these bases the total cost of premiums (ewe premiums and variable premium) can be summarised as follows:

1982/83	307,4 MECU
1983/84	480 MECU.

The variable premium clawback (1) on exports from Great Britain have been deducted from these totals.

For the 1984/85 marketing year, the level of expenditure on both premia will be affected by changes in them arising from Council decisions on the 1984/85 price package. These changes can be summarised briefly as:

Variable premium: The changes in the seasonalised basic price and, hence, the guide level reduce the possibility of high levels of variable premium payments during the mid-summer period.

Ewe premium: The premium is now payable only on the loss of revenue incurred in the production of lamb and not on all sheepmeat as hitherto. This represents a saving of 15% on the level of ewe premium.

(c) Refunds

No refunds in 1983 or 1984. The Community has not in any case adopted implementing rules as yet.

(d) Management of the voluntary restraint agreements

The mechanisms provided for in these agreements operated normally in 1984.

(e) Intervention

No intervention in 1983 or 1984. Market prices in France, the only Member State where the possibility of intervention buying is agreed for 1984/85, were above the intervention price.

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(1) Clawback amounts: 1982/83, 28,7 MECU; 1983/84, 25 MECU.

## 20.a. ALCOHOL

### Introduction

Not only is there no market organization for agricultural alcohol, but also the sector is being increasingly disrupted.

### Production

Production of agricultural alcohol in the Community in 1983 (or the 1982/83 marketing year) shows slight fluctuations everywhere except France and Italy. In these two Member States, production of vinous alcohol shows a very substantial increase (from 1 443 000 to 3 789 000 hl).

### Consumption

The trend seen last year continues: consumption tending to level out as purchasing power in the Community is stagnating.

### Prices

Prices are becoming more and more erratic. Sales of French alcohol at low prices are destabilizing the markets of the other Member States.

### Trade

Trade consists mainly of exports of French agricultural alcohol to the other Member States and synthetic alcohol produced in the United Kingdom being sent to the other Member States.

### Outlook

In the absence of a common will to establish a common market organization, the Commission will have to take steps to put an end to the disturbances.

### Expenditure

Still for the record, but it should to be borne in mind that the cost of producing vinous alcohol is continuing to increase dangerously.



## 20b. POTATOES

### 1. Introduction

There is no common organization of the market for potatoes. However a proposal was presented by the Commission to the Council on 23 January 1976 covering the whole range of fresh and processed products.

It provides for:

- marketing standards;
- measures to encourage the formation of producer groups;
- the support measures required to keep the market stable;
- a system of trade with non-member countries incorporating a reference price system for new potatoes.

Products such as potato starch<sup>1</sup>, dehydrated potatoes<sup>2</sup> and products processed from potatoes<sup>3</sup> are already subject to a common organization. The marketing of seed potatoes is subject to a Council Directive<sup>4</sup>.

### 2. Production

According to FAO statistics, the world harvest in 1982 was 254 861 000 t. Community production, at 28 270 000 t in 1983, accounts for about 11% of the world total. The average yield per hectare in the EEC is almost double the world average.

The value of potato production represented % of the value of final agricultural production in the Community. According to 1982 EEC statistics, about 1.8 million holdings (in the enlarged Community) grow potatoes. At national level the production structure is very variable, the average crop area per farm being 3.8 ha in the Netherlands, 0.4 ha in France and 0.3 ha in Italy.

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<sup>1</sup> Regulation (EEC) No 2727/75, 29.10.1975, OJ L 281, 1.11.1975.

<sup>2</sup> Council Regulation (EEC) No 1117/78, 22. 5.1978, OJ L 142, 30. 5.1978.

<sup>3</sup> Council Regulation (EEC) No 516/77, 14. 3.1977, OJ L 73, 21. 3.1977.

<sup>4</sup> Consolidated version of the Council Directive of 14. 6.1966, OJ C 66, 8.6.1974, p. 35.

Since 1951-55 the total area under potatoes in the EEC has dropped by about 69%: from 3 512 000 ha in 1951-55 to 1 073 000 ha in 1983. Because of the increase in yields per hectare, however, production has fallen by only 54% (from 61 957 000 t in 1951-55 to 28 270 000 t in 1982). There was a shortage in 1983, however.

The Community is basically self-sufficient but there have been supply problems following very dry years.

The area under new potatoes was smaller in 1983 (105 000 ha, as against 120 000 ha in 1982), but production remained over 2 million t. There continues to be a shortfall, about 380 000 t being imported into the Community every year.

The area under seed potatoes in the EEC remained at around 100 000 ha in 1983. About 2,6 million t were harvested, mainly in the Netherlands, the United Kingdom, France and Germany.

Processed products (crisps, instant potato, chips, etc.) are also important in the potato sector. About 4 million t of fresh potatoes are processed annually in the EEC. Some varieties are particularly suited to processing and are grown mainly under contracts between farmers and the processing industry. Development has been very rapid and conditions are right for the further expansion of some products in the near future.

### 3. Consumption

Potatoes are used mainly unprocessed as foodstuffs and to a lesser extent for feeding animals. The quantities turned by the processing industry into products for human consumption represent about 20% of total human consumption.

#### (a) Human consumption

Per capita consumption of unprocessed potatoes is more or less stationary. After a sharp drop in 1976/77 as result of the shortage caused by the drought in 1976 (69.1 kg per head) it climbed to 76.4 kg in 1979/80 but fell back to 75.8 kg in 1980/81 and then fell still further to 74.6 kg in 1981/82; in 1982/83 it was 76.2 kg per head.

(b) Animal consumption

The quantity fed to livestock ranges from about 3 million t to about 7 million t, depending on the volume of the harvest. In 1982/83 it was 3 857 000 t: 1 936 000 t in Germany; 195 000 t in France; 190 000 t in Italy; 337 000 t in the Netherlands; 559 000 t in the United Kingdom; 154 000 t in Ireland, etc.

(c) Products processed for human consumption

Consumption of products processed from potatoes (about 4 million t in 1979) continues to increase.

Consumption of certain products such as deep-frozen pre-cooked products should increase still further, particularly when the current economic situation starts to look up.

4. Trade

Intra-Community trade in ware and seed potatoes absorbs only 8 to 10% of total production, although for new potatoes the figure is around 70%. The net exporters are the Netherlands, France and Ireland. The United Kingdom exports seed potatoes and imports new potatoes. Italy exports new potatoes and imports seed potatoes and ware potatoes. Denmark and the BLEU also have a large-scale import-export trade.

The structure of Community trade in processed products is similar to that of trade in unprocessed products. The Netherlands and France are exporting countries and the others are importers.

Trade with non-EEC countries is mainly in seed potatoes and new potatoes. Seed potatoes are exported to South America, Africa and Asia and new potatoes are imported from the countries round the Mediterranean.

5. Prices

Prices are very unstable, varying from year to year. Because of the inelasticity of demand, plentiful harvests tend to force down prices. Prices may also be affected by other factors such as the weather or unexpected exports to countries with shortages.

In 1983, the harvest was the poorest ever recorded in the EEC. The 1983/84 marketing year thus began with prices substantially higher than the previous year: at Rotterdam, 16.13 ECU/100 kg on 26 September 1983 for Bintje + 50 mm (6.69 in 1982); at Arras, 12.66 ECU/100 kg for Bintje + 40 mm (7.48 in 1982). Throughout the autumn and early winter prices rose steadily and, after Christmas, on 9 January 1984, prices were as follows: at Rotterdam, 24.15 ECU/100 kg for Bintje + 50 mm (7.12 in 1983); at Arras, 19.35 ECU/100 kg for Bintje + 40 mm (7.55 in 1983). During the winter the price rise continued, and the marketing year ended with very high prices: at Rotterdam, 39.59 ECU/100 kg on 29 May 1984 for Bintje + 50 mm (15.44 in 1983); at Arras, the last quotations date from 8 May 1984: 29.82 ECU/100 kg for Bintje + 40 mm (6.62 in 1983).

The high prices for ware potatoes also led to new potatoes being sold at higher prices than in 1983. The price trend in 1984 once again confirmed the close correlation between ware potatoes and new potatoes.

## 6. Outlook

The 1983/84 marketing year was therefore a year of very modest production, satisfactory exports and high producer and selling prices. Provisional figures indicate, however, that the area under potatoes in 1984 is little different from 1983 (about 1 110 000 ha in 1984, as compared with 1 073 000 ha in 1983).

The situation as regards the harvest is different from last year. Most areas of the Community had rain in the summer, and production appears to be normal.

Prices on the Rotterdam market started at substantially lower levels than in 1983: on 3 September, 8.41 ECU/100 kg (20.59 ECU in 1983) for Bintje +50 mm; at Arras, for Bintje + 35 mm, the price was 8.15 ECU/100 kg (16.73 in 1983).

## 7. Economic aspects

On account of the high prices, no support measures were taken in the Member States last year.

## 20.c. HONEY

### 1. Introduction

There is no common organization of the market in honey. The only general charge on imports is a 27% customs duty, which is reduced to 25% for most developing countries and Malta, 10,8% for Turkey and nil for ACP countries. The 38 least advanced developing countries are exempted from customs duties.

### 2. Production, consumption and trade

In 1982/83 the Community produced 55.000 t of honey and imported 112.000 t. Germany, France and Greece were responsible for 80% of production. Consumption, which exceeds 1 kg per head per year in only three countries (Germany, Greece and Denmark), fell slightly in 1982/83 in some Member States, including Germany.

The Community is only 35% self-sufficient, but the situation varies widely among the Member States. Greece is the only 100% self-sufficient country. France increases its degree of self-sufficiency by applying a licensing system to imports from certain countries and, like Italy, the applying bilateral quotas in trade with state-trading countries.

Germany is the biggest importer (60% of the Ten's imports), followed by the United Kingdom (18%). Imports are mainly from Latin America (1983: Mexico 25.700 t, Argentina 11.500 t), China (25.600 t), East European countries (18.000 t) and Australia (8.700 t).

### 3. "Common measures" to assist bee-keeping

The aid scheme for bee-keeping introduced by Council Regulation (EEC) No 1196/81 consists of a specific contribution to associations of bee-keepers recognized by the Member States which has been fixed at 1 ECU per marketing year per hive in production. Associations can use the aid to purchase feeding sugar and for general programmes for improving honey production, technology and marketing. The aid scheme covered three marketing years: 1981/82, 1982/83 and 1983/84.

EAGGF guarantee expenditure totalled 2 million ECU in 1981, 4,5 million ECU in 1982 and 4,4 million ECU in 1983 and is estimated at 1 million ECU in 1984. Most of the aid has been used by associations to buy feeding sugar and it is only in France that over half of the aid received has been used for the general programmes referred to above.

With the aim of combating a bee disease threatening the whole of Europe, the Council amended the above-mentioned Regulation in July 1983 by providing additional financing for a research programme on varroasis to be carried out at European level. In 1984 the Commission awarded research contracts to 12 institutes for a total of 279.000 ECU. It also envisages continuing research into this disease under the five-year programme on the coordination of agricultural research.

## 21. FEEDINGSTUFFS

### 1. Supply and consumption of raw materials for feedingstuffs in 1983

In 1983 the composition of compound feedstuffs changed considerably on the reason of 3 factors :

- (1) Due to bad weather conditions, the harvest on maize and soyabeans combined with several production reduced programmes in US (PIK) decreased considerably, which led to high export prices for those products.
- (2) At the same time, producer prices for manioc, mainly in Thailand, reached their peak level, which led to so high export prices that the classical mixture soya-manioc was of reduced interest for compound feeders.
- (3) Due to the big offer on wheat all over the world, wheat was incorporated in feedstuffs in bigger quantities than before in the US, Scandinavian countries and the Community, replacing soya, manioc, maize and barley. In the Community, 21 mio t of wheat i.e. 6 mio t more than in the previous season, were used as feedstuffs in compound feed.

On this reason, the upward tendency in the imports of so-called cereal substitutes slackened down.

In the case of manioc, the imports (4,5 mio t) reached not even the provided import quotas from Thailand or other exporting countries as Indonesia, China, etc. due to lack of supply.

Only the upward tendency for the imports of corn-gluten feed remained unchanged (3,56 mio t in 1983).

### 2. Short term outlook

According to FAO's forecast world production of cereals in 1984 is now put at 1.763 mio t, 129 mio t or 8% more than in 1983. The most significant change has been the estimates for the Community, following the conclusion of bumper harvests (147 mio t in 1984 against 123 mio t in 1983).

The output for the cereal harvest in Eastern Europe is estimated at 91 mio t against 85 mio t last year.

The US cereal harvest is put at 310 mio t, 103 mio t more than the poor harvest in 1983, when acreage reductions under government programmes and unfavourable weather reduced the crop.

In the USSR, the total grain harvest, including rice and pulses, is now put at 180 mio t, 10 mio t less than last year.

World cereal production, see Table 1 below:

Table 1

WORLD CEREAL PRODUCTION

mio tonnes

	1982	1983	1984
		estim.	f'cast
Wheat	485	496	510
Coarse grains	792	688	797
Rice (paddy)	423	450	456
TOTAL	1.700	1.634	1.763

Source: FAO, Food Outlook, October 1984

World production of coarse grains in 1984 is with 797 mio t, 109 mio t more than in 1983.

For the Community, the estimate of coarse grain output has been put at 70 mio t, 6 mio t higher than in 1983.

Coarse grain production in the United States will be 233 mio t.

For the USSR, FAO's estimate of coarse grain output has been put at 90 mio t, compared with 101 mio t in 1983.

World trade in wheat and coarse grains during the 1984/85 season (July-June) is forecast at 194 mio t, 4 mio t larger than last year but 8 mio t below the peak reached in 1981/82. The increase is entirely due to larger imports by the USSR. These are currently forecast at 43 mio t, 11 mio t more than last year and the second largest on record.



Aggregate imports of wheat and coarse into the developing countries in 1984/85 are currently estimated at 96 mio t, almost 3 mio t less than last year. However, imports into the low-income food-deficit countries are expected to increase by 1 mio t or 5% in 1984/85.

Imports into other countries, mainly Western European countries, are expected to decline as some substitution of coarse grains by lower-priced feed wheat is likely.

World wheat and coarse grain imports, see Table 2 below:

Table 2

WORLD WHEAT AND COARSE GRAIN IMPORTS

	mio tonnes			
:	: 1982/	: 1983/84	: 1984/85	:
:	: 1983	: prelim.	: f'cast	:
-----	-----	-----	-----	-----
: Wheat	: 97	: 100	: 99	:
: Coarse grains	: 88	: 90	: 95	:
-----	-----	-----	-----	-----
: TOTAL	: 185	: 190	: 194	:
-----	-----	-----	-----	-----
: Developing countries	: 96	: 99	: 96	:
: Developed countries	: 89	: 91	: 98	:
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Source: FAO, Food Outlook, October 1984

Given the current 1984 production forecasts and taking account of an expected increase in global consumption, world cereal stocks are expected to rise during 1984/85. They are forecast to increase by 25 mio t to 287 mio t by the end of 1984/85, reflecting mainly the rise in holdings of coarse grains, which had previously been depleted. Carry-over stocks of coarse grains are now forecast to rise from 89 mio to 105 mio t. Global stocks of wheat are also forecast to rise for the fourth year in succession, from 130 mio t to 137 mio t, reflecting increased output and larger stocks in a number of important producing countries.

The increase of carry-over stocks in cereals will be in both developed and developing countries. In the developed countries the additional accumulation of stocks is expected to be largely confined to the EEC and the United States. Stocks in Canada and Australia are expected to fall.

World carry-over stocks of cereals, see Table 3 below:

Table 3

WORLD CARRY-OVER STOCKS OF CEREALS

		mio tonnes		
		Crop years ending in:		
		1983	1984 estim.	1985 f'cast
Wheat	120	130	137	
Coarse grains	161	89	105	
Rice (milled)	43	43	45	
<b>TOTAL</b>	<b>325</b>	<b>262</b>	<b>287</b>	
of which				
main exporters	201	125	142	
others	124	137	145	

Source: FAO, Food Outlook, October 1984

## 22. MEAT

### 1. Introduction

In 1982 production of all types of meat accounted for 34% of final agricultural output and was thus the Community's major agricultural activity. Its importance is underlined by the fact that 60% of the cereals used are fed to animals, mainly for the production of meat, while only 25% go to human consumption.

On the world scale, the Community accounts for about one sixth of total meat production, occupying third place among the world's leading meat producers, just behind China and the USA.

### 2. Production

After declining in 1982, gross Community production of meat (all types, including edible offal) went up by 2.1% in 1983 to a volume 1.6% greater than the average (24.1 million t) for the three previous years.

This was due in the main to a cyclical increase in production of 3.7% for beef/veal and 3.2% for pigmeat, and also to a 2.3% rise in sheepmeat production. Poultrymeat production on the other hand was down, for the first time since 1973, the drop of 2.6% resulting from adjustment to lower demand for frozen chicken in the Community and strong competition in the world market.

For 1984 it can be expected that total gross Community production will continue to increase, by roughly 2%, with beef/veal and sheepmeat production rising by 2.5% to 4% and pigmeat slightly up also, by 1%-1.5%, but with a drop for poultrymeat of 0.5%. As far as beef/veal is concerned there should be a cyclical increase in supply accentuated by large-scale slaughtering of females as a consequence of the measures taken at the end of March to limit milk production. Sheepmeat production is expected to increase particularly in the United Kingdom. Pigmeat supplies, which increased still further in the first half of the year, are now showing a downward trend. In the first half poultrymeat also showed a slackening off.

### 3. Consumption

After a steady increase in meat consumption up to an EEC average of almost 90 kg per head, 1981 was the first year showing a drop of more than 1 kg. This reduction was observed in nearly all Member States (with the exception of the Netherlands and Greece) as a consequence of the economic recession. In 1982 per capita consumption stood at the same level but revived slightly in 1983.

Through continuing to drop in France it has increased in Italy, Germany, the United Kingdom and Denmark. It is only in Italy, however, that the high level of 1980 has been exceeded. The 100 g rise in average Community consumption in 1982 was due mainly to a 10% increase in per capita consumption in Greece.

As far as the different types of meat are concerned it seems that the economic recession has had a harmful effect above all on beef/veal and to a lesser degree on sheepmeat consumption.

For the period 1981 to 1983 per capita intake of both was below the level of 10 years previously.

On the other hand, pigmeat and poultrymeat increased their share of total meat consumption (including offal) still further to 58.8% in 1983.

The trend of consumption will be above all dependent on the recovery of the economy, since this will set the trend of consumer incomes, and on the relative prices of the various types of meat. To judge from the estimates at present available total consumption may well increase in 1984 and 1985. In 1984 the rate of growth will be between 0.5% and 1% for pig- and poultrymeat and should be even higher for sheepmeat and beef/veal in view of the pronounced drop market prices for the latter.

#### 4. Trade

Intra-Community trade in the various types of meat depends primarily on the differences in self-sufficiency between the individual Member States and thus varies according to their respective degrees of concentration of production and/or consumption. Intra-Community trade is more important in pigmeat and beef/veal (20% of total Community consumption) than in sheepmeat (10%) and poultry (9%).

Whereas for beef/veal and pigmeat the higher figure indicated more uniform levels of consumption (beef/veal: 23-33 kg in all the big countries) and/or some specialization in production of specific types of meat (bacon, store cattle, high quality beef), for sheepmeat as well as for poultrymeat there is a high production level in the main consuming countries.

After 20 years of growth from the establishment of the EEC, intra-Community trade is, generally speaking, slackening off at about one sixth of total consumption. This follows a period of more rapid expansion after the 1973 enlargement.

Regarding trade with non-member countries, recent years have shown a steady tendency to a fairly balanced situation, with the EEC becoming a net meat exporter for the first time in 1981. This was due to rising exports of poultrymeat, stable pigmeat exports, the appearance of beef/veal surpluses in 1980/81 and a simultaneous drop in sheepmeat and horsemeat imports.

1982 shows a more or less balanced situation for all meat (excluding offal), as a result of lower exports of all main types, in particular beef/veal and higher imports of beef/veal and sheepmeat. For 1983 and 1984 a tendency to somewhat higher net export figures can be observed in the beef/veal and pigmeat sector. Poultrymeat exports are in retreat in 1984.

It has to be emphasized, however, that the EEC has not only become a major exporter of poultrymeat, beef/veal and pigmeat, opening up new markets in the Middle East (poultrymeat, beef/veal) and the Far East (pigmeat), but is now also supplying poultrymeat, pigmeat and beef/veal to areas with a stockrearing tradition that as a result of agro-economic difficulties are now dependent on supplies from abroad. It still holds true that the EEC is also amongst the biggest world importers for both beef/veal and sheepmeat, having concluded for these products a number of preferential agreements not only with industrialized countries like Australia and New Zealand, but also with developing countries in Africa and South America.

## 23. OILS AND FATS

### 1. Introduction

The oils and fats sector includes :

- vegetable oils and fats which, in view of the structural differences of the market, must be subdivided into olive oil and other oils;
- oils and fats of land animals which must also be subdivided into butter on the one hand and lard and tallow on the other;
- oils and fats of sea creatures.

The above oils and fats are the basic raw material but may be consumed in their unprocessed state or as prepared oils and fats, such as margarine; they may be used as animal feedingstuffs, for human consumption or for technical purposes. They may be incorporated in other products. The various basic products can also replace one another to a large extent, depending on their ultimate use. The form of ultimate use varies considerably in the Community. For example, oils and fats are consumed principally in the form of butter and margarine in the northern countries, whereas in France and Italy liquid vegetable oils account for the largest share in the consumption of oils and fats.

The proportions of the various categories in total human consumption vary only slightly from year to year. The table below shows the quantities of the different categories of oils and fats consumed in 1982 and the proportion of each category in relation to total consumption.

Table I

Apparent human consumption of each category of oils and fats in terms of quantity and as a percentage of total human consumption

<u>Community of Ten</u>	<u>1982</u>	
	<u>Quantity (1000 t)</u>	<u>(%)</u>
1. Vegetable oils and fats	4.216	57
2. Oils and fats of land animals	1.350	18
3. Oils and fats of sea creatures	434	6
4. Butter	<u>1.360</u>	<u>19</u>
TOTAL	7.360	100

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Source : EUROSTAT

Different policies are applied for each category of product in the Community. In the vegetable oils sector, all oilseeds can enter the Community duty-free. Oils are subject to duties ranging from 10% to 15% but lower rates of duty or zero rating are applied to imports of oils from associate countries, which account for up to 70% of oils imported as such.

The prices of vegetable oils in the Community tend, therefore, to be at world market levels, except in the case of olive oil. Similarly, oils and fats of sea creatures and land animals are subject to relatively low import duties. In the case of butter, lard for human consumption and olive oil, however, support prices are fixed in the Community and imports are subject to a levy. This diversity of policies for the various products, which are naturally interchangeable, obviously affects consumption.

## 2. Production

The factors determining production of the different groups of oils and fats in the Community vary for each category.

Soya accounted for about 67% of the quantity of oilseeds crushed in the Community in 1983. It is processed mainly into oilcake, which accounts for 80% of its volume. Soya oil is a secondary product which, with 1.450.000 t consumed in 1983, accounts for not less than 25% of Community vegetable oil requirements. Of our consumption of vegetable oils, 48% comes from other oilseeds crushed in the Community, the remainder being imported in the form of oil. Of the total quantity of seeds crushed (15.580.000 t) in 1983, about 24% were of Community origin.

According to Fediol statistics, the production of vegetable oils in the EEC, not including olive oil, was 3.959.000 t in 1983.

Production of olive oil is normally between 700.000 t and 900.000 t per year in the Community of Ten. Since olive trees are perennials, production does not depend on demand, but principally on weather conditions.

Production of oils and fats of land animals - mainly lard and tallow - is almost 1.700.000 t per year. These fats are a by-product of slaughtering, and consequently in this category production is determined principally by animal numbers and the demand for meat.

Production of oils and fats of sea creatures is carried on principally in Denmark, although the United Kingdom and Germany also contribute to Community production, which was about 116.000 t in 1983.

Production of butter reflects the level of milk production in the Community and the degree of surplus production. Butter being one of the products accepted for intervention. The EEC is more than self-sufficient in butter, demand for which is stagnating or falling. The quantity of butter produced in 1983 was 2.263.000 t as against 2.050.000 t in 1982.

### 3. Consumption

The level of consumption of oils and fats in the Community is determined, as elsewhere, by the following factors :

- absolute population level and rate of growth;
- absolute level of incomes and income trend;
- price and availability of the product;
- level of consumption reached.

In the Community the population is increasing slowly. The level of economic development, although high compared with a large part of the world, has been relatively stagnant in recent years.

Per capita consumption of oils and fats (with the exception of butter) decreased from 28 kg per head in 1977 to 23 kg per head in 1982

Apparent human consumption of oils and fats of land animals has remained fairly stable at around 7,5 kg/head since 1975. Consumption of oils and fats of sea creatures appears to have increased from 458.000 t in 1977 to 590.000 t in 1983.

The Community produces more butter than it consumes. Nevertheless, it imports around 90.000 t per year as a result of international commitments entered into by the Community in 1973 with New Zealand.

Butter is exported partly as food aid and partly at world market prices, with the exporter in the latter case receiving a refund. Exports have declined over the last three years from 530.000 t in 1981 to 355.000 t in 1983.

### 5. Prices

As stated above, prices in the oils and fats sector show a tendency to remain at the world market level for all products except olive oil and butter, for which prices are fixed in the Community.

The table below gives the price of soya oil as compared to prices for vegetable oils, lard, tallow and oils of sea creatures. The price of soya oil tends to dictate the trend for the other products.



Table II

Selected oil prices (average Sept/Oct) (US\$/t)

	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
Soya oil (Netherlands, FOB ex min)	654	613	540	463	463	722
Lard (CIF UK)	705	671	601	601	504	555
Tallow (United States CIF Rotterdam)	592	503	474	443	408	509
Fish oil (all origins CIF n.w. Europe)	448	449	427	363	349	391

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Source : "Oil world"