

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(86) 700 final

Brussels, 23 December 1986

THE SITUATION ON THE AGRICULTURAL MARKETS

1986 REPORT

(Report from the Commission to the Council)

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FOREWORD

Starting with this edition, the presentation and content of the Report on the Situation on the Agricultural Markets have been revised.

The three parts into which previous reports were divided (Agricultural Markets - Summary, Analysis by Sector, Survey of Certain Groups of Sectors) have been reduced to two. The part entitled "The Situation on the Agricultural Markets - Summary" at the beginning of this report corresponds to Part A of previous reports. The second part entitled "The Situation on the Agricultural Markets - Analysis by Sector", combines Parts B and C of previous editions; the surveys of groups of sectors are no longer presented separately and now form an introduction to sections dealing with several sectors: the feedingstuffs market ("Feedingstuffs" in previous reports) is discussed at the beginning of the section on "Animal Feed", the oils and fats market (formerly "Oils and Fats") at the beginning of the section on "Oils and Fats" and the meat market (previously "Meat") at the beginning of the "Meat and Eggs" section.

In addition, the various analyses by sector have been grouped in a smaller number of sections dealing with related sectors. However, the changes made to the layout of the report (reduction in the number of parts, combining of certain analyses by sector) do not affect the report's continuity with previous editions, which is completely safeguarded. Although the presentation is different, this report contains the same analyses by sector as previous reports and enables all the information contained in them to be updated.

The structure of the sections containing the analyses by sector has also been reviewed in order to make them more attractive and easier to read. Each section has the same general layout: a presentation of the general market situation, a detailed analysis of the 1985/86 marketing year, a study of prospects for the current marketing year on the basis of the information available in autumn 1986; the situation in Spain and/or Portugal resulting from the provisions contained in the Act of Accession is dealt with separately. In addition, graphs setting out the major features of each sector have been introduced.

THE SITUATION ON THE AGRICULTURAL MARKETS

1986 REPORT

CONTENTS

| | <u>Page</u> |
|------------------------------------------------------------------|-------------|
| FOREWORD | 3 |
| THE SITUATION ON THE AGRICULTURAL MARKETS - SUMMARY | 7 |
| - Introduction, situation on the principal markets and outlook | |
| - Inclusion of the new Member States | |
| THE SITUATION ON THE AGRICULTURAL MARKETS - ANALYSIS BY SECTOR | 27 |
| <u>Part I</u> : Products covered by a market organization | 29 |
| 1. Cereals and rice | 31 |
| 2. Sugar | 67 |
| 3. Oils and fats: | 83 |
| . the market in oils and fats | 85 |
| . olive oil | 89 |
| . oilseeds | 97 |
| 4. Fruit and vegetables, live plants and floricultural products: | 113 |
| . fresh fruit and vegetables | 115 |
| . products processed from fruit and vegetables | 132 |
| . live plants and floricultural products | 147 |
| 5. Wine | 151 |
| 6. Fibre plants and silkworms: | 167 |
| . cotton | 169 |
| . fibre flax and hemp | 175 |
| . silkworms | 181 |
| 7. Specialized crops: | 183 |
| . tobacco | 185 |
| . hops | 196 |
| . seeds | 199 |

| | <u>Page</u> |
|----------------------------------------------------------------|-------------|
| 8. Animal feed: | 205 |
| . the market in animal feed | 207 |
| . dried fodder, peas and field beans, sweet lupins | 213 |
| 9. Milk and milk products | 219 |
| 10. Meat and eggs: | 247 |
| . the market in meat | 249 |
| . beef/veal | 254 |
| . sheepmeat and goatmeat | 272 |
| . pigmeat | 283 |
| . poultrymeat | 296 |
| . eggs | 307 |
| <u>PART II</u> : Products not covered by a market organization | 317 |
| 11. Alcohol | 319 |
| 12. Potatoes | 320 |
| 13. Honey | 327 |

THE SITUATION ON THE AGRICULTURAL MARKETS

SUMMARY

MARKETS FOR AGRICULTURAL PRODUCTS

This chapter reviews the main developments in market policy over the last year and their cause. Once again this review confirms the necessity to continue to pursue the adaptation of the common agricultural policy set in train by the Commission and which the Council continues to follow.

1986, in particular 1 March 1986, represents a watershed for many common market organizations with the commencement of the integration into the CAP of Spanish and Portuguese agriculture. The principles and timetable foreseen for this integration are described in the Chapter entitled "Agricultural aspects of Community enlargement" in "The agricultural situation in the Community - 1985 Report".

For the major agricultural sectors: dairy, beef and cereals, the problem of stock management have become a major feature of market management. The following table and graphics demonstrate vividly the problems of structural surpluses which persist in these sectors. The book value of goods held by Community intervention agencies now exceed 12 billion ECU and the quantities involved have a depressing effect on prices, generate substantial storage costs and when goods, particularly animal products (notably butter, skim-milk powder and beef), are sold ex-intervention, substantial losses have to be borne by FEOGA.

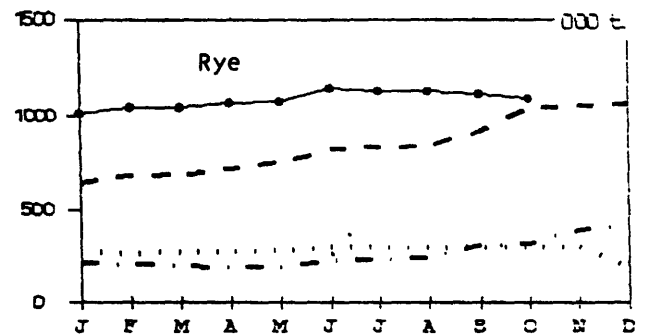
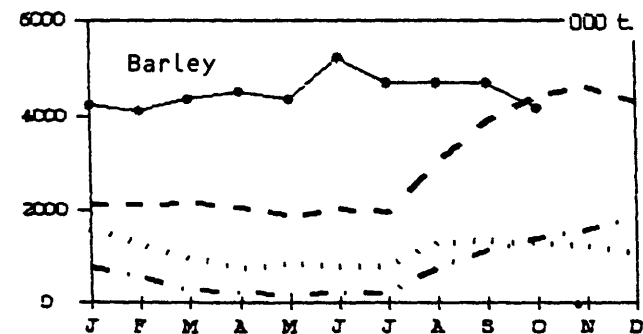
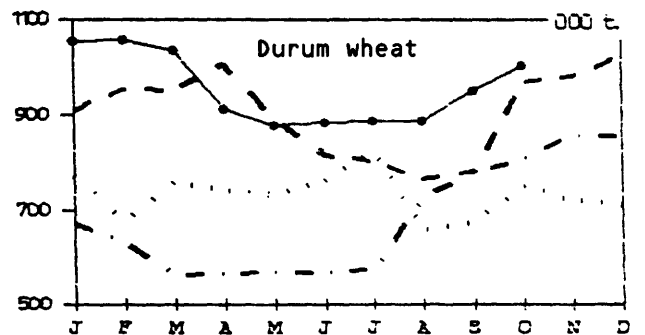
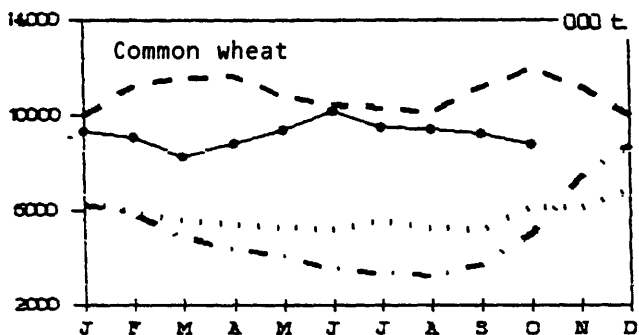
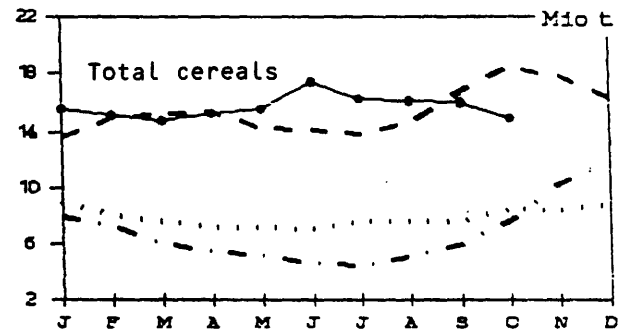
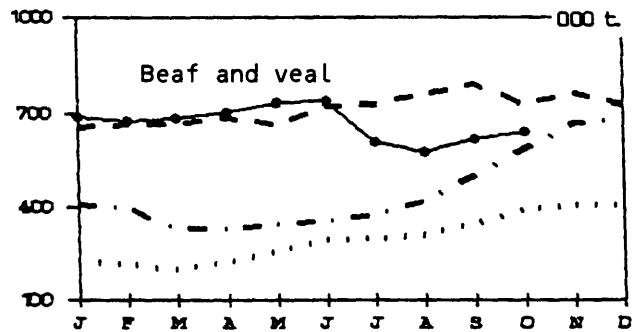
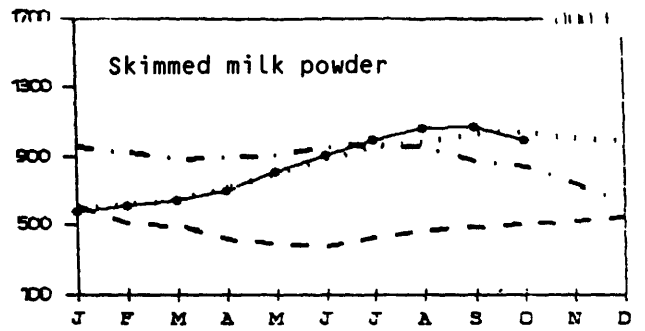
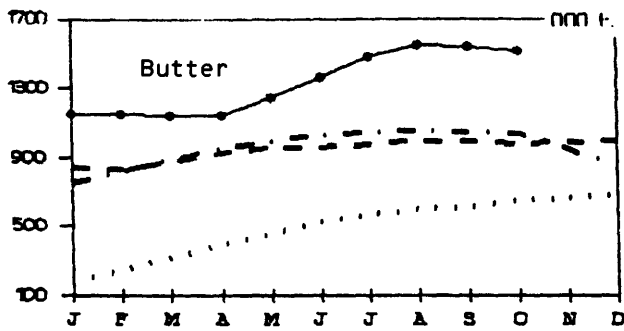
Table A

EC stock situation for the major surplus commodities

| | : Stock held on | | : Book value | : Cost p.a. for | : quantity held: | |
|----------------------|-----------------|-----------|--------------|-----------------|------------------|----------------|
| | :-----: | :-----: | | | : (Public) : | : on 30.8.1986 |
| | :30.8.85: | :30.8.86: | : 30.8.86 : | :-----: | | |
| | : Mio t : | : Mio t : | : Mio ECU : | : Storage : | : Interest : | : Total: |
| | : | : | : | : | : | : (1) : |
| : Butter (interv.) | : 1,014 : | : 1,360 : | : 4,403 : | : 132,7 : | : 308,3 : | : 441,0: |
| : Butter(private)(3) | : 0,209 : | : 0,148 : | : 0,505 : | : 19,8 : | : 22,4 : | : 42,2: |
| : S.M.P. | : 0,473 : | : 0,956 : | : 1,719 : | : 17,1 : | : 120,3 : | : 137,4: |
| : Beef (2) | : 0,782 : | : 0,730 : | : 1,862 : | : 107,6 : | : 130,3 : | : 237,9: |
| : | : | : | : | : | : | : |
| : Sub-total | : | : | : | : | : | : |
| : Animal products | : - : | : - : | : 8,489 : | : 277,2 : | : 581,3 : | : 858,5: |
| :-----: | :-----: | :-----: | :-----: | :-----: | :-----: | :-----: |
| : Common wheat | :10,252 : | : 9,135 : | : 1,835 : | : 190,6 : | : 128,5 : | : 319,1: |
| : Durum wheat | : 0,982 : | : 0,961 : | : 0,261 : | : 20,0 : | : 18,3 : | : 38,3: |
| : Barley | : 3,235 : | : 4,567 : | : 0,913 : | : 95,3 : | : 63,9 : | : 159,2: |
| : Rye | : 0,847 : | : 1,151 : | : 0,235 : | : 24,0 : | : 16,4 : | : 40,4: |
| : Maize | : - : | : 0,376 : | : 0,069 : | : 7,8 : | : 4,8 : | : 12,6: |
| : | : | : | : | : | : | : |
| : Sub-total cereals | :15,316 : | :16,190 : | : 3,313 : | : 337,7 : | : 231,9 : | : 569,6: |

- (1) N.B. This does not allow for the "loss" when stocks are sold from intervention.
- (2) Based on bone-in values.
- (3) On the basis of intervention price and of a storage period of 7 months.

EC INTERVENTION STOCK SITUATION



..... 1983 - . - . 1984 - - - - 1985 —●— 1986

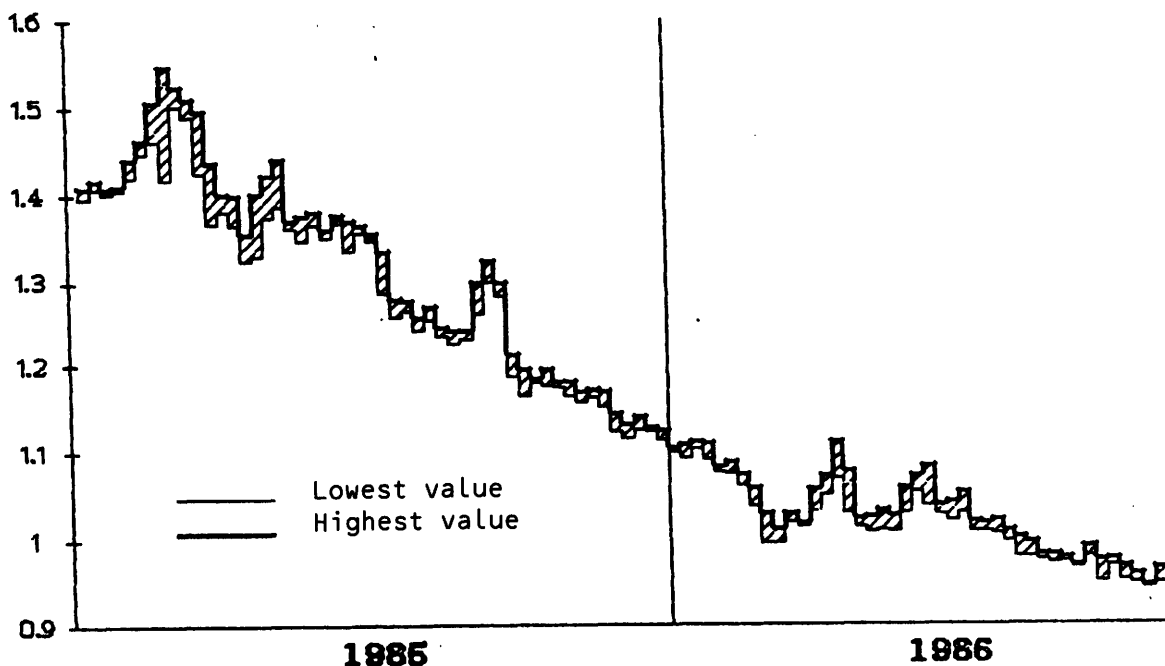
In addition, following the accession of Spain the public stocks of olive oil held within the Community now exceed 250.000 tons.

The figures demonstrate why a major preoccupation for the Commission, when managing the agricultural markets, has been to limit the increase in intervention stocks of surplus products and to dispose of the continually aging products already held in store. The stock situation reflects the stagnation of domestic demand coupled with persistent overproduction of the main agricultural commodities. Traditional outlets on the world market for many agricultural commodities have been squeezed by the shortage of solvent demand and the Community's market share has been under attack by aggressive marketing strategies of some competing suppliers.

The year has been marked by three factors which have exacerbated market problems :

- the volatility and downward trend of the US\$ has made exporting more difficult (see graphic);
- milk production (in spite of the super-levy system) has consistently outstripped demand;
- the shortage of supplies of beef from some traditional suppliers has enabled the Community to export record quantities in 1986, including for the first time substantial sales of beef to Brazil.

MINIMUM AND MAXIMUM VALUE OF THE DOLLAR IN TERMS OF ECU
(Weeks from 30.12.84 to 21.10.86)



1985 and 1986 have been characterized by high levels of production and the necessity to make substantial withdrawals from the market when the common market organization made provision to support the domestic market by this means. The following table provides a synopsis of the volumes of production and withdrawals. (N.B. all figures refer to the Community of Twelve unless otherwise specified).

Table B - A synopsis of the state of Community commodity markets

| | (EUR-12: Million tons) | | | | | |
|------------------------|------------------------|-----------|--------------|--------------|---------------|----------|
| | Production | | Domestic Use | | Intervention | |
| | 1985 | 1986p | 1985 | 1986p | (1) | |
| | 1985 | 1986p | 1985 | 1986p | 1985 | 1986p |
| :Common wheat | : 65,9 | : 64,6 | : 54,6 | : 54,6 | : 10,5 | : 10,2 |
| :Durum wheat | : 5,8 | : 6,6 | : 4,7 | : 4,7 | : 0,8 | : 0,9 |
| :Barley | : 51,2 | : 46,4 | : 40,9 | : 40,7 | : 2,0 | : 5,2 |
| :Maize | : 25,4 | : 24,8 | : 29,0 | : 28,9 | : - | : 0,4 |
| :Sorghum | : 0,4 | : 0,3 | : 0,4 | : 0,5 | : - | : - |
| :Rye | : 3,2 | : 3,0 | : 2,9 | : 2,9 | : 0,8 | : 1,2 |
| :Total Cereals | : 160,1 | : 151,7 | : 140,8 | : 139,0 | : 14,1 | : 17,8 |
| :Rice | : 1,81 | : 1,76 | : 1,13 | : 1,14 | : - | : - |
| :Sugar (6) | : 13,58 | : 13,63 | : 10,78 | : 10,62 | : 0,063 | : 0,074 |
| :Olive oil | : 1,4 | : 1,2 | : 1,1 | : 1,1 | : 0,0* | : 0,05* |
| :Rapeseed | : 3,77 | : 3,42 | : 3,9 (2) | : 4,0 | : 0 | : 0 |
| :Sunflower seed | : 2,71 | : 2,92 | : 2,8 (2) | : 3,0 | : 0 | : 0 |
| :Soya seed | : 0,33 | : 0,85 | : 12,6 (2) | : 13,0 | : 0 | : 0 |
| :Peas and field beans | : 2,31 | : 2,69 | : 2,31 (2) | : 2,69 | : 0 | : 0 |
| :Lupins | : pm | : pm | : pm (2) | : pm | : 0 | : 0 |
| :Flax | : 0,1 | : 0,1 | : 0,1 | : 0,1 | : 0 | : 0 |
| :Hemps | : pm | : pm | : pm | : pm | : 0 | : 0 |
| :Silkworms | : pm | : pm | : pm | : pm | : 0 | : 0 |
| :Cotton (fibres) | : 0,2 | : 0,2 | : 1,3 | : 1,3 | : 0 | : 0 |
| :Cauliflowers | : 2,122 | : n.a. | : 1,696(3) | : n.a. | : 0,015(3) | : 0,015 |
| :Aubergines | : 0,520 | : n.a. | : 0,424(3) | : n.a. | : 0,001(3) | : 0 |
| :Tomatoes | : 13,268 | : 12,567 | : 10,352(3) | : n.a. | : 0,828(3)(4) | : 0,226 |
| :Peaches | : 2,659 | : 2,671 | : 2,035(3) | : n.a. | : 0,364(3) | : 0,304 |
| :Apples | : 7,345 | : 8,060 | : 6,580(3) | : n.a. | : 0,152(3) | : 0 |
| :Lemons | : 1,445 | : n.a. | : 1,002(3) | : n.a. | : 0,003(3) | : 0,040 |
| :Pears | : 0,688 | : n.a. | : 0,687(3) | : n.a. | : - (3) | : - |
| :Mandarins | : 0,761 | : n.a. | : 0,277(3) | : n.a. | : 0,160(3) | : - |
| :Oranges | : 4,532 | : n.a. | : 3,673(3) | : n.a. | : 0,075(3) | : - |
| :Apricots | : 0,585 | : 0,538 | : 0,440(3) | : n.a. | : 0,012(3) | : - |
| :Table grapes | : 2,425 | : n.a. | : 1,822(3) | : n.a. | : - (3) | : 0 |
| :Wine (Mio hl) (5) (6) | : 190,391 | : 180,983 | : 165,639 | : 162,183(7) | : 35,736 | : 24,785 |
| :Tobacco | : 0,404 | : 0,411 | : 0,601 | : n.a. | : - (8) | : - (8) |
| :Milk deliveries | : 114,9 | : 119,5 | : - | : - | : - | : - |
| :. butter | : 2,050 | : 2,156 | : 1,593 | : 1,625 | : 1,212(9) | : 1,475 |
| :. SMP | : 1,976 | : 2,133 | : 1,583 | : n.a. | : 0,478 | : 0,845 |
| :Beef | : 7,906 | : 7,760 | : 7,525 | : 7,600 | : 0,453 | : 0,573 |
| :Sheepmeat | : 0,906 | : 0,919 | : 1,135 | : 1,142 | : - | : - |
| :Pigmeat | : 11,872 | : 12,211 | : 11,571 | : 12,004 | : 0,077 | : 0,115 |

- (1) Either public stocks at 30 September for products which are processed or withdrawals from the market at public expense during the previous 12 months.
 - (2) Domestic use figures for oilseeds refer to imports = production=exports of seed only and do not include seed equivalent of meat and oil.
 - (3) EUR 10 - Based on prod. EUR 10 = import extra CEE - exportation extra CEE.
 - (4) Official datum provided provisionally by the Italian government; the actual one will be more important.
 - (5) All wines (table wine + quality wines + other wines).
 - (6) Marketing years: 84/85 - 85/86.
 - (7) Domestic use = import/export balance - Community distillation.
 - (8) Tobacco from these crops is still being commercialized, until now it has not been brought to intervention.
 - (9) Available stocks 30.9.1985 and 1986.
- * Net withdrawals.

The succeeding sections provide a summary of the major developments which have taken place in the following sectors :

- cereals
- animal feed
- milk
- beef
- wine
- sugar
- cotton

CEREALS

General

The bulk of cereals produced and consumed in the Community (of 12) are common wheat and barley, for which the Community (of 12) is a net exporter. The other major cereals are rye and durum wheat for which the Community is a net exporter, and maize for which the Community (of 10) is broadly self-sufficient. Since the Iberian peninsula is net importer of cereals, the overall impact of enlargement has been to reduce (modestly) the cereals export balance of the Community.

The major use for grains is for feeding animals, an outlet which is under increasing pressure from both imported and indigenous cereals substitutes. Most of these substitutes are by-products and are priced according to what the market will bear. The fall in value of the U.S. dollar has reduced the (relative) price of imported substitutes and these have taken a slightly increased share of the feed market in the Community.

The 1985/86 marketing year

1985 was marked by diverse weather conditions. Despite exceptionally wet weather in Northern Europe destroying or damaging some of the crop while drought conditions reduced yields significantly in a number of southern areas, the total harvest of 138 million tonnes (Community of 10) was the second largest ever.

The abundant harvest coupled with exceptional shortages in some areas due to adverse weather conditions led the Commission to provide subsidies for substantial movements of grain from regions of affluence to some of the hardest pressed areas (Ireland, Northern Ireland, Southern France and certain Italian regions).

Supply and demand for cereals EUR-12

(July/June crop year)

| | | (provisional) (million t) | | | | | |
|------------------------------------------------------------------------|---|---------------------------|----------|----------|----------|---------------|----------|
| | | Wheat (1) | | Barley | | Total cereals | |
| | | 1985/86: | 1986/87: | 1985/86: | 1986/87: | 1985/86: | 1986/87: |
| Opening stocks | : | 19,0(2): | 18,8(2): | 28,2(2): | 9,3(2): | 33,3(2): | 37,2(2): |
| Production | : | 71,7 | 71,2 | 51,2 | 46,4 | 160,4 | 152,7 |
| Imports | : | 2,9 | 2,6 | 0,1 | 0,4 | 10,7 | 7,0 |
| Supplies | : | 96,3 | 92,6 | 59,5 | 56,1 | 204,1 | 195,9 |
| Human Consumption | : | 32,0 | 31,1 | 0,1 | 0,1 | 35,3 | 34,4 |
| Animal Feed | : | 22,5 | 23,4 | 32,4 | 32,9 | 87,2 | 87,4 |
| Seeds etc. | : | 4,8 | 4,8 | 8,4 | 7,7 | 18,3 | 17,1 |
| Demand | : | 59,3 | 59,3 | 40,9 | 40,7 | 140,8 | 138,9 |
| Balance | : | 34,3 | 33,3 | 18,6 | 15,4 | 63,3 | 57,0 |
| of which | : | | | | | | |
| Exports | : | 15,5 |)33,3 | 9,3 |)15,4 | 26,1 |)57,0 |
| Closing stocks | : | 18,8(2):) | | 9,3(2):) | | 37,2(2):) | |
| :Source: EC Commission | | | | | | | |
| :(1) Includes durum wheat | | | | | | | |
| :(2) Includes intervention stocks of 14,1 Mio tonnes - total cereals - | | | | | | | |
| : (30.6.85) and 17,8 Mio tonnes at 30.6.1986. | | | | | | | |

As the world market price spiralled downwards, the substantial export programme of the Community became more and more expensive. The costs to FEOGA were exacerbated by the (legal) obligation to respond to cut price sales to traditional Community markets by the Community's main competitors whose aggressive export policy contributed to a further deterioration in world market prices.

Demand for animal feed on the Community market remained stagnant and an increased proportion was met from substitutes notably imported products. In consequence, animal consumption of cereals declined from 73 Mio tons in 1984/85 to 70 Mio tons in 1985/86 (EUR 10). By the end of the marketing year, stocks of grain held in intervention had risen to a new record and included (for the first time) a modest quantity of maize.

The 1986/87 marketing year

The 1986 crop has been harvested in the context of a revised cereals market organization. The total volume (EUR-12) is estimated as 5% below that of 1985 (i.e. 152-154 million tonnes). The production of individual cereals ranges between a 16% increase in durum wheat, to a substantial cut in the harvest of "other cereals". While this represents a substantial exportable balance and access to intervention was restricted at the beginning of the marketing year (see Chapter "The common agricultural policy in 1986") prices have remained relatively firm with substantial stocks being held by producers.

MILK

General

The runaway growth in milk output has been halted by the super-levy arrangements initiated in 1984. Nevertheless, the flexible application of the super-levy arrangements, the realisation by producers that a modest overshooting of their reference quantity was profitable, the persistent contraction of domestic demand and the continuing deterioration of the export market combined to boost recourse to intervention as a major outlet.

The deteriorating situation of the dairy market is clearly shown by the following table (EUR 10):

(million t)

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|-------------------------|-------|-------|-------|-------|-------|
| Production | 107,7 | 111,9 | 109,2 | 107,3 | 107,8 |
| - Deliveries to dairies | 99,7 | 103,7 | 101,4 | 99,7 | 100,5 |
| - Direct sales | 3,9 | 3,8 | 3,6 | 3,4 | 3,4 |
| Domestic consumption | 85,4 | 82,4 | 88,0 | 84,8 | 85,0 |
| Imports | 2,6 | 2,5 | 2,4 | 2,4 | 2,4 |
| Exports | 12,4 | 10,0 | 12,7 | 12,2 | 11,7 |
| Balance | 8,4 | 17,8 | 6,7 | 8,5 | 9,6 |

This development persuaded the Council to adopt legislation to reduce milk production by 2% in 1987 and a further 1% in 1988. However, the growing imbalance in the milk market became so pronounced in 1986, that during the first 9 months of the year it was estimated that 43% of butter production and 30% of skimmed-milk powder (SMP) production was sold to intervention and public stocks soared (see graphic 1) to reach 1,4 million tonnes of butter and more than 1 million tonnes of SMP by the end of August. Further measures became imperative.

The Commission put together an urgent package of measures designed to tackle both the symptoms and the causes of this abuse of the system of public intervention for dairy products. In September, after consulting the Management Committee on Milk and Milk products, the Commission lengthened the period during which butter offered to an intervention agency remained the financial responsibility of the seller, thereby rendering intervention less attractive and closed a loophole in the legislation whereby producers had been able to increase the fat content of their milk without paying the super-levy. In addition, the Commission proposed that the Council adopt urgently three proposals to reduce the economic incentive to produce milk.

- (1) Access to intervention for SMP should be limited to the period 1 April to 30 September;
- (2) The Commission should be authorised to suspend access to intervention for butter and SMP in exceptional circumstances and be given the power to otherwise support the butter market;
- (3) Inter-regional compensation of milk quotas should be discontinued in order that all production beyond the reference quantity should be discouraged by being subject to the super-levy.

At the time of writing the Council has yet to approve these proposals.

These events have overshadowed the Commission's efforts to dispose of existing stocks which have included improved conditions for subsidized sales to:

- various social groups including the armed forces
- the ice-cream industry
- the cakes and pastry industry
- milk fat incorporated in animal feedingstuffs
- industry for processing into concentrated butter and butteroil (which represent markets where there is potential for growth).

Old butter has also been disposed of by special export arrangements.

Cattle farmers were again able to purchase skimmed-milk powder, as in the past, at reduced prices.

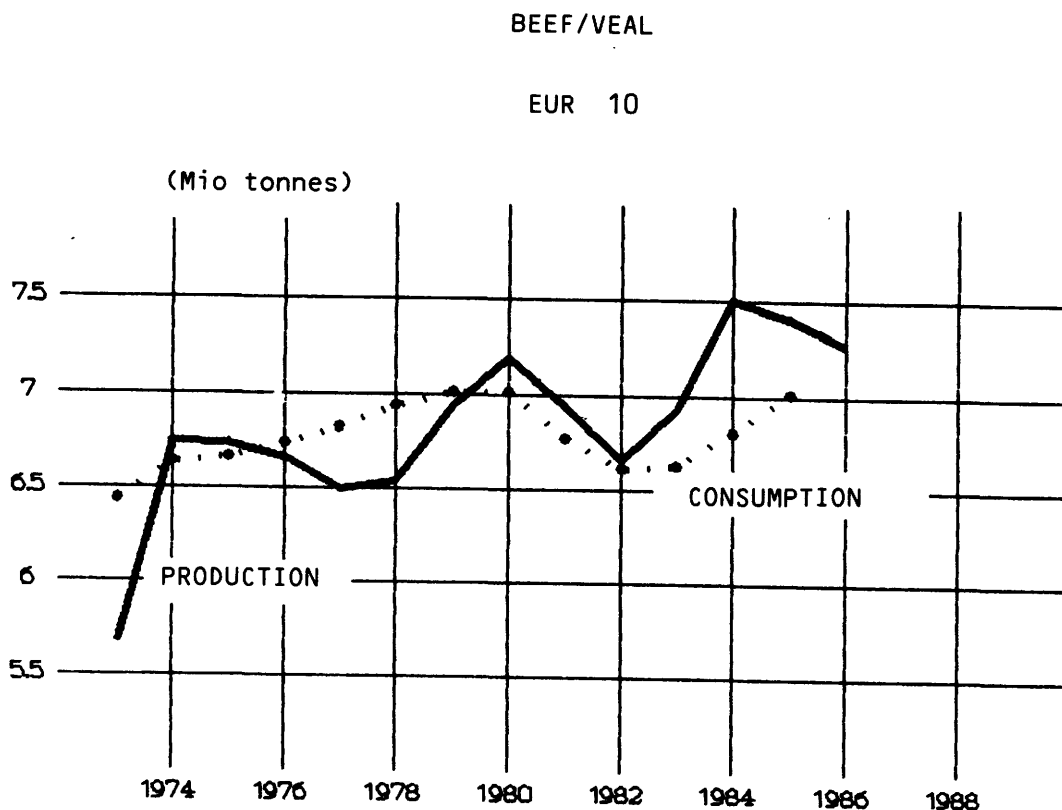
The Commission proposal to extend the scope and scale of reduced price butter sales to a great number of socially disadvantaged people (notably the elderly and the unemployed) is still blocked by a minority in the Council of Ministers (Agriculture).

BEEF

General

The pattern of supply and domestic demand in the beef market has deteriorated in recent years as meat supplies increased due to a combination of factors, at the same time demand stagnated. The deterioration in the situation and the poor outlook for the beef sector led the Commission in December 1985 to propose a substantial revision of the beef regime. The Council has undertaken to decide on a revision of the common market organization for beef by the end of 1986.

The graphic below shows the expected development in the pattern of supply and demand in the beef sector in the Community of 10 and the expected development in the medium term.



1985 and 1985/86 marketing year

Supply in 1985 and the 1985/86 marketing year significantly exceeded domestic demand. As a result, despite record exports in 1985 sales to intervention were in excess of 453 000 t and by December 1985 public intervention stocks exceeded 700 000 tons. Market prices were in general poor and producers' incomes were squeezed.

1986 and 1986/87 marketing year

The market situation for beef has continued to deteriorate despite the use of the full range of outlets for cattle and beef production including the penetration of a new export market (the sale of two lots of 100 000 tons of frozen beef to Brazil). Total exports of beef in 1986 are confidently expected to exceed 1 million tons (a new record), the autumn private storage scheme has temporarily removed 150 000 tons of beef from the market and an excess of 500 000 tons has been bought into intervention.

The outlook for the remainder of the marketing year is bleak. Despite substantial sales of frozen beef from intervention (see preceding paragraph) intervention stocks are still in excess of 600 000 tons. As a matter of urgency, the Council should adopt the Commission's proposal to shift the balance of market support from intervention purchases towards a premium system. Prices (at record low levels in some regions of the Community) are not expected to show more than the traditional seasonal improvement.

WINE

General

The wine market has two distinct segments - the 'table wine' market and the 'quality wine' market. The 'quality wine' market is essentially self-supporting, while the 'table wine' market has been under stress for some time with a substantial imbalance between production and consumption. The excess volume of production has been increased by the accession to the Community of two wine producing countries: Spain and Portugal. The Community produces more than half of the world's wine and is naturally a major exporter.

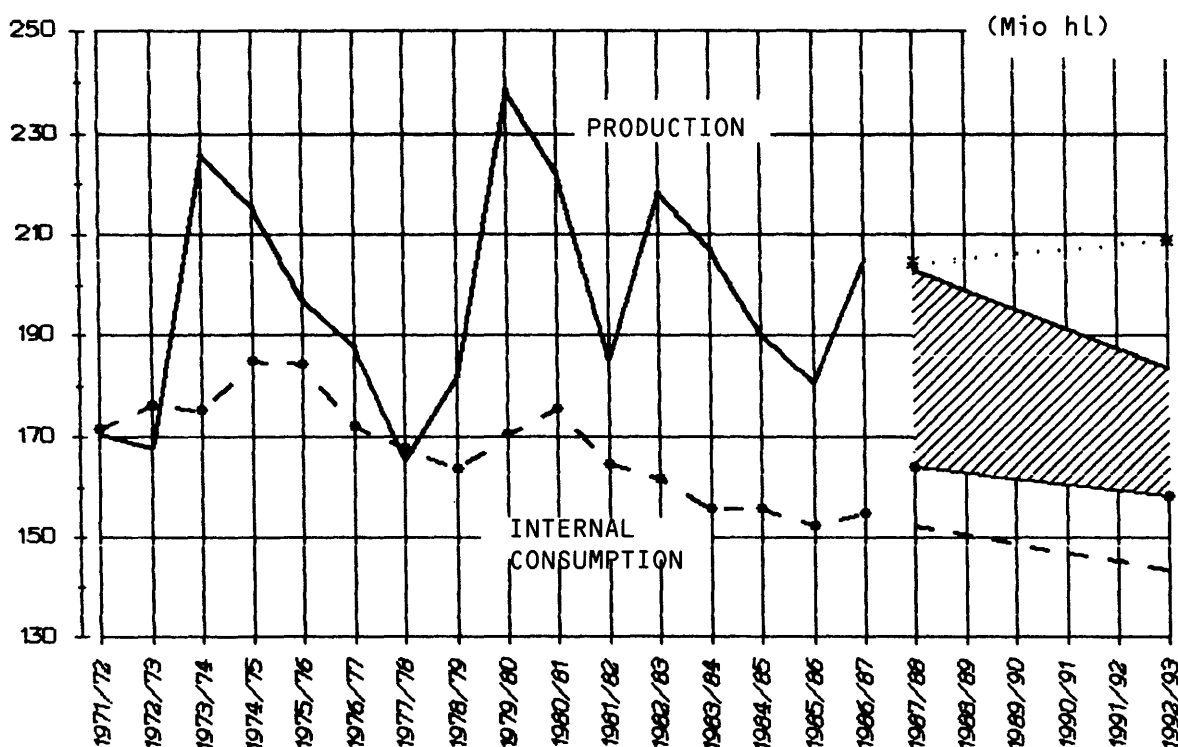
Although the area under vines in the Community is in decline, the regular renewal of old stock with higher yielding new varieties has led to an increase in production. Consumer tastes have changed. Wine consumption in the non-producer countries has increased, stimulated in part by the approximation of excise duties on drinks with an alcoholic content. Nevertheless changing consumer tastes in the major producing countries has led to a substantial decline in the Community's total consumption of 'table wine'.

The reform of the wine regime approved by the Council in 1984 (described in the 1985 Report) is expected to reduce the imbalance in the table wine market by the end of the 1980's (see graphic) and so reduce the volumes of wine for which distillation has become a structural outlet (representing up to 20% of production).

SUPPLY AND DEMAND FOR WINE

EUR 12

1971/72 - 1992/93



Internal consumption excluding quantities distilled with the help of subsidies. The shaded part from 1987 to 1992 indicates the volume of surplus wine accumulated during the period = 200 Mio hl.

The 1985/86 marketing year (in the Community of '10')

The structural measures designed to ease the market have yet to have an impact. Production of wine totalled 140 million hectolitres of which 95 million hectolitres was of "table wine". Given the considerable stocks (51 million hectolitres) held at the beginning of the season, substantial distillation was required to absorb the excess supply. It is expected that when all returns are completed, once again more than 20% of the 1985/86 production of table wine will have been distilled.

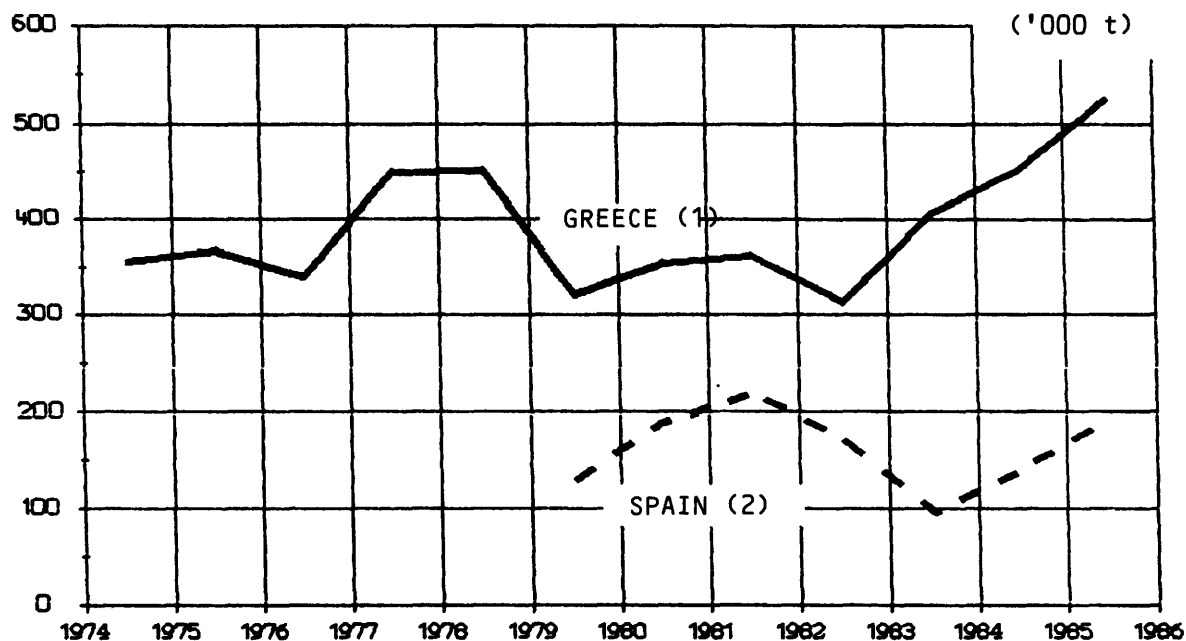
No report on the year 1986 can omit a reference to the tragic deaths which occurred due to the fraudulent adulteration of wine. While a short term reduction in demand was natural, it is hoped that consumer confidence is being regained and that in the longer term demand will be unaffected.

COTTON

General

The accession to the Community of first Greece and subsequently Spain has added a significant indigenous production of cotton to the range of agricultural products produced in the Community. Arrangements for a common market organization for cotton based on an aid system were made at the time of the accession of Greece in 1981 and adapted with the accession of Spain. While cotton production in Greece had been in decline prior to accession, the relatively attractive support arrangements provided by the Community have encouraged a considerable expansion in planting and therefore in production (see graphic); a similar pattern is expected to occur in Spain. Nevertheless the level of self-supply in the Community is relatively low (around 15%), however the FEOGA support arrangements per hectare are amongst the most expensive of all commodities covered by the CAP.

PRODUCTION OF UNGINNED COTTON
IN GREECE AND SPAIN



(1) Unadjusted weight

(2) Production of fibres 32 %, unadjusted weight

Source : Hellenic Cotton Board; EL Forppa

The 1986/87 marketing year

In 1986, cotton was planted on nearly 300 000 hectares in the Community. While the bulk of the area (210.000 hectares) is in Greece, significantly higher yields in Spain produced an estimated harvest of 250 000 tons in Spain in contrast with 560 to 570 000 tons in Greece and a very small quantity was also produced in Italy.

The market organization for cotton has a guarantee threshold mechanism i.e. the full unitary aid is only payable if no more than 752 000 tons of cotton are produced in the Community. Since the 1986 harvest is estimated at 819 000 tons the unitary aid was abated accordingly. A notable feature of 1986 has been the extremely low level of prices on the world market, prices below the level of the costs of production; it is hoped that this situation may gradually improve over the medium-term.

SUGAR

General

During the 1980s the dominant feature of the world and Community markets has been oversupply. This has led to an increase in the level of stocks. These excessive stocks have depressed prices on the world market to significantly below the level of the costs of production in the world's most competitive areas of production.

Supply and demand for sugar

(million t)

| | | Production | | Consumption | Excess | Stock |
|--------|----------|------------|-----------------|-------------|--------|-------|
| | | Total | EC A+B quota | | (1) | |
| World | 1981/82 | 100,7 | - | 92,0 | 8,7 | 33,3 |
| (1) | 82/83 | 100,5 | - | 94,0 | 6,5 | 39,1 |
| | 83/84 | 97,8 | - | 96,2 | 1,4 | 40,1 |
| | 84/85 | 100,0 | - | 98,6 | 1,4 | 40,3 |
| | 85/86 | 97,8 | - | 100,1 | - 2,3 | 37,3 |
| | * 86/87 | 100,4 | - | 101,0 | - 0,4 | - |
| EEC | (1981/82 | 15,0 | 11,5 | 9,6 | 1,9 | 2,6 |
| (1) | (82/83 | 13,9 | 11,4 | 9,5 | 1,9 | 3,0 |
| | (83/84 | 11,0 | 10,9 | 9,3 | 1,6 | 1,7 |
| EUR-10 | (84/85 | 12,5 | 11,2 | 9,6 | 1,6 | 2,1 |
| | (85/86 | 12,7 | 11,2 | 9,4 | 1,8 | 2,4 |
| | (* 86/87 | 12,4 | 11,6 | 9,5 | 2,1 | 2,3 |
| EUR-12 | (1985/86 | 13,6 | - | 10,6 | - | - |
| | (* 86/87 | 13,4 | 12,5 | 10,8 | 1,7 | 2,5 |

* Estimation.

(1) World: expressed in 'raw sugar'; Excess = production - consumption.
EEC : expressed in 'white sugar'; Excess = A and B quota production - consumption.

Although prices on the world market are above the record low levels of June 1985, future prospects remain bleak. Heavy over-capacity of production on the world market continues and the continuing expansion of the supply and use of other sweeteners, notably in the United States of America, provide a gloomy prospect for the sugar market.

The 1985/86 marketing year

The 1985/86 marketing year essentially concerned the Community of Ten. The most salient features of the marketing year were :

- no reduction in production (despite a reduction in plantings);
- reduced domestic consumption;
- record exports of 4.2 million tons (of which 1.2 million tons of C sugar - i.e. directly financed by producers).

Given the low levels of prices on the world markets receipts from sugar production fell substantially in 1985/86.

The revised market organization

During 1986, the market organization was renewed for the next five year period with two significant changes :

- the levy payable by producers of A and B quota sugar were increased to take account of the realistic requirements of a self-financing market organization;
- the 400 MECU "loss" during the previous five years of the market organization are to be recovered from producers at the rate of 80 MECU in the first two years.

The arrangements (both for quotas and the recovery of the loss) may be modified for the last three years.

The 1986/87 marketing year

At the time of writing (October 1986) the short-term market outlook contains no indications of a significant improvement compared with the 1985/86 marketing year. Production is not expected to be significantly below 1985. The downward trend in human consumption is not expected to improve significantly while a slow improvement in the take-up of sugar by the chemical industry is anticipated. The recovery of the "loss" for the old market régime will reduce receipts for sugar producers.

THE OUTLOOK

The enlargement of the Community has altered the pattern of supply and demand for a number of agricultural commodities and is expected to have a significant impact in due course on trade flows within the Community and between the Community and the rest of the world. The Community's position as by far the world's largest importer of food and agricultural products has been reinforced, while her export potential has also increased for a number of agricultural and food products.

The Commission has followed its consultation on "The perspectives for European Agriculture", which resulted in the conclusion that it was necessary to adapt the Common Agricultural Policy to current realities, with proposals which it has submitted to the Council and other Community institutions. Other proposals (including socio-structural proposals) are expected to be tabled which will complete the process of adaptation, in order to cope with stresses and strains which the success of the Common Agricultural Policy has created in the market place.

There is no longer any major commodity suitable for widespread production within the Community, for which we are in structural deficit. With so many Community markets saturated, and with poor prospects for increased solvent demand or significantly reduced competing supply on world markets, it is clear that existing market instruments need adapting in order to bring about a healthier market balance. The problem of disposing of surplus stocks which have built up while reform was being discussed can only be successfully dealt with once the underlying causes of the build up of stocks have been dealt with.

The substantial re-orientation required of the main production sectors will further exacerbate the problem of reconciling the objectives of better market balance on the one hand and that of maintaining farm incomes on the other hand. This apparent contradiction can only be resolved through the significant change in approach within the CAP directed towards a more market oriented price policy, complemented by appropriate instruments to support the protection of farm incomes.

THE SITUATION ON THE AGRICULTURAL MARKETS

ANALYSIS BY SECTOR

Part I

PRODUCTS COVERED BY A MARKET ORGANIZATION

1. CEREALS AND RICE

CEREALS

1. INTRODUCTION

From the 1980/81 marketing year onwards the Community of Ten, which until then had grown less cereals than it consumed, has been more than self-sufficient (all cereals excluding rice).

This situation is the result of an improvement in productivity brought about by the refining of cultivation techniques, the use of steadily improved varieties and the replacement of part of the area formerly sown to feed grains by common wheat, considered in many regions of the Community to be the most advantageous cereal both economically and technically.

The annual increase in production, which averaged 1.67% over the period 1973 to 1979, rose to 3.14% for the period 1979 to 1985. As consumption in the Community and demand on the world market are relatively stable, the cereals market in the Ten accumulates heavier surpluses each year and the cost of absorbing these is an increasing drain on the Community budget.

The Council has therefore, as part of its reform of the common agricultural policy, been forced to adopt a series of measures to limit over production and the financial consequences thereof.

2. GENERAL SITUATION

The 1985/86 cereal harvest was 150.8 million t, an 8% drop on the 138.7 million t of 1984/85.

There are two reasons for this: the severe winter of 1984/85, resulting in destruction of part of the autumn sowings in certain regions, and poorer weather during the growing period than in 1984.

Despite a markedly smaller harvest, supplies available on the Community market in 1985/86 were more or less equal to those in 1984/85, since the stock carried over on 1 April 1985 was 22.8 Million tonnes compared with the 12.7 million tonnes carried over on 1 August 1984.

In the 1985/86 marketing year the quantities of cereals going for human consumption, for animal feed and for industrial utilization were not markedly different from the quantities used for these purposes in 1984/85.

Exports of cereals and cereal products on the other hand fell back to some 25.5 million tonnes in 1985/86 from 28.5 million tonnes in 1984/85, the reasons being reduced demand on the world market, the fall in the dollar and the American world market offensive mounted under the Export Enhancement Programmes.

It must be pointed out, however, that because of the change in the date of commencement of the marketing year (1 July instead of 1 August), it is not possible at the moment to make a sufficiently precise analysis of the marketing year now over.

Production in 1986 seems to have been slightly lower than in 1985 owing to drought in certain areas and to poor crop health in others. It is estimated at 135.2 million tonnes in the Ten and 152.7 million tonnes in the Twelve.

World market demand appears to be moving upwards, owing mainly to reduced production of common wheat in the USSR because of drought. The lower dollar and increased American pressure on the market (new loan rate and BICEP) will, however, be serious obstacles to exports from the Community.

3. 1985/86 MARKETING YEAR

In the cereals sector, transition is by stages for Portugal. For Spain it is of the conventional type and the EEC market organization mechanisms were introduced on 1 March 1986, since when the integrated market, i.e. that to which the EEC market organization applies, comprises the Community of Ten plus Spain. The following analysis for the 1985/86 marketing year deals, however, with the Ten alone. A special section then follows on the cereal markets in the two new Member States.

3.1. THE MARKET IN THE COMMUNITY OF TEN

A. Production

In 1985 the cereals harvest in the Ten was considerably lower than in 1984, 138.7 million tonnes against 150.8 million tonnes.

There were two reasons for this:

- a reduction in areas due to the severity of the winter of 1984 to 1985: some of the winter wheat was destroyed in certain areas and was not all replaced by spring sowing (-472.500 hectares);
- a fall in yields because of poorer weather during the growing period than in 1984 (51.0 quintals per hectare compared with 54.62 in 1984).

World production in 1985/86 amounted to 1.354 million tonnes (Community share 10.2%), a 1.4% increase on 1984/85. The shares in world production of the other major exporters were

- | | | |
|-----------------|---|-------|
| - United States | : | 25.1% |
| - Canada | : | 4.3% |
| - Argentina | : | 2.0% |
| - Australia | : | 1.8% |

(a) Common wheat

The 1985 harvest in the Ten was sharply down on 1984, 60.2 million tonnes against 70.3 million tonnes.

There were two reasons for this:

- a reduction in area owing to the severity of the 1984/85 winter, the autumn sown wheat lost in certain areas not having been fully replaced by spring sowings;
- a reduction in yields owing to poorer weather during the growing period than in 1984 (56.3 quintals per hectare against 61.89).

Compared with 1984 there was, then, a fall in production of 10 million tonnes, as the result of a drop of more than 620.000 hectares in the area harvested and of 5.6 quintals per hectare in yield.

Despite this fall, the underlying trend in production noted since the end of the Seventies is seen to be persisting. The 1984 crop enjoyed exceptionally favourable weather conditions from sowing right through to flowering and ripening. The 1985 harvest was, despite the damage occasioned by the winter of 1984/85, still markedly higher than those recorded in 1982/83.

(b) Durum wheat

Durum wheat production in 1985/86 was 5.33 million t, a 16% drop on the 6.2 million t grown in 1984/85.

The area sown to the cereals was practically unchanged from 1984 (2.3 million ha against 2.4 million ha), the reason for the drop in production being a fall in yields from 27.5 to 23.6 quintals per hectare.).

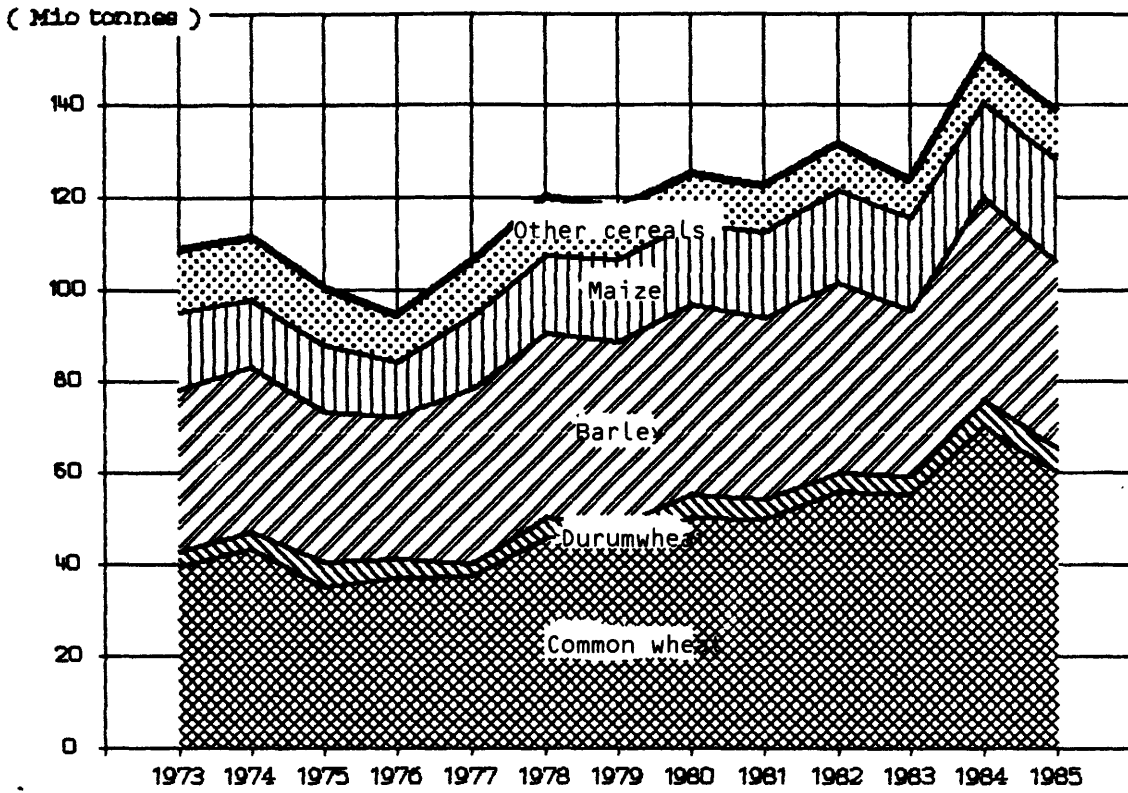
The steadiness of the figure for total area sown to durum wheat masks fairly important changes in the main producing Member States. In Italy, where for a number of years there had been a steady increase in area sown, a drop of 3.7% was recorded in 1985/86 (1.74 million ha against 1.81 million ha in 1984/85), while in Greece the area went up by 8.33% on 1984/85 (312.000 to 338.000 ha) and in France by 24.8% (129.000 to 161.000 ha).

(c) Barley

At 40.8 million t, barley production in 1985/86 was markedly lower (7.9%) than the 44.3 million t produced in 1984/85, the principal reason being a fall in yields from 51.8 to 47.9 quintals per hectare.

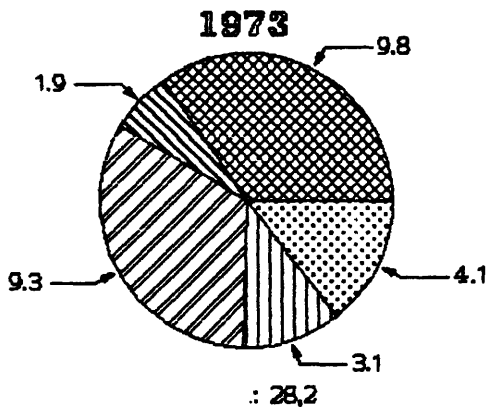
The area sown to barley was 100.000 ha, 1.2% less than in 1984/85. This was in line with the trend since 1980/81.

CEREAL PRODUCTION



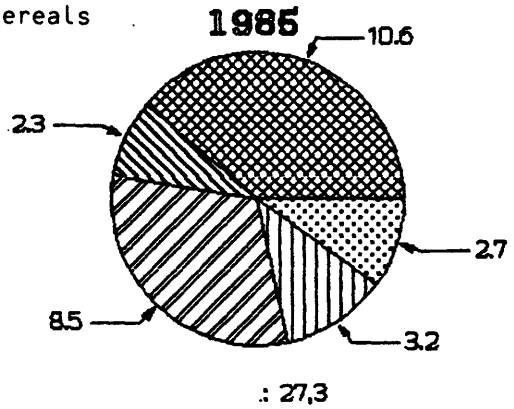
AREA

(Million hectares)



: EUROSTAT

- Common wheat
- durum wheat
- barley
- maize
- other cereals



As with common wheat, the 1984 barley harvest benefited from exceptionally favourable weather and health conditions and the 1985 harvest is still a high one, thus confirming the trend to increasing yields resulting essentially from the gradual replacement in farmers' cropping plant of 2-row winter or spring varieties by 6-row winter varieties, which give markedly high yields.

(d) Rye

The 1985/86 production figure was down on that of 1984/85 as a result both of a drop in yields (down to 45.15 to 41.33 quintals per hectare) and in areas sown (down 16.000 hectares or 2.3%).

(e) Oats

For a number of years the area sown has been dropping by some 4% a year while the yield has been increasing by around 1%. In 1985/86 sowings were, however, up by 2.17% and yields by 0.9% compared with 1984/85. This larger area is probably a one-year phenomenon only, occasioned by the replacement by oats of other cereal sowings damaged during the winter of 1984/85.

(f) Maize

After dropping markedly, maize sowings have been picking up again for two years owing to the popularity of new hybrids with performances improved by up to 20%. Maize is not, however, regaining the place it lost to common wheat in areas where weather and soil do not afford yields that are high and consistent enough to satisfy producers' profit requirements.

It appears that maize is gaining more ground in industrial crop areas, at the expense of sugar beet and potatoes.

In 1985/86 production was 21.78 million t (+ 2.17% owing to a 0.9% increase in yield and a 3.1% increase in area).

B. Utilization within the Community

The total quantity of cereals used in 1984/85 was 118.9 million t, 2.5 million t more than in 1983/84. Approximately 40.2% of this was common wheat, 27.9% barley and 19.9% maize. The breakdown of use was:

- animal feed 72.9 million tonnes or 61.3% (60.3% in 1983/84)
- human consumption 31.2 million tonnes or 26.2% (25.9% in 1983/84)
- industrial uses 8.4 million tonnes or 7.1% (8.2% in 1983/84)
- seed and losses 6.4 million tonnes or 5.4% (5.4% in 1983/84)

The percentages for the different uses vary considerably between cereals, between Member States and from year to year. The following table gives a breakdown for the Community of Ten in 1984/85.

Cereal consumption in 1984/85: breakdown by cereal and use

| | Human consumption | Animal feed | Industrial uses | Seeds and losses | Total |
|------------------------|-------------------|-------------|-----------------|------------------|-------|
| | % | % | % | % | % |
| Durum wheat | 88,0 | 1,1 | - | 10,9 | 100,0 |
| Common wheat | 47,5 | 44,9 | 1,7 | 6,0 | 100,0 |
| Rye and meslin | 48,0 | 43,5 | 1,6 | 6,9 | 100,0 |
| Barley | 0,2 | 77,7 | 15,2 | 6,9 | 100,0 |
| Oats and mixed cereals | 5,3 | 89,7 | - | 5,0 | 100,0 |
| Maize | 12,8 | 75,7 | 10,2 | 1,3 | 100,0 |
| Sorghum | 1,5 | 97,0 | - | 1,5 | 100,0 |

Total cereal consumption in the Community of Ten in 1985/86 is expected to work out at 116.7 million tons, the latest estimates giving a drop in animal feed use of 71.4 million t, a slight drop in human consumption to 30.3 million t and a rise in industrial uses to 8.9 million t.

a) Human consumption

In 1984/85 the use of cereals for human consumption increased by 3.2% on 1983/84, owing primarily to a recovery in the use of durum wheat for human consumption in Italy. There are statistical difficulties, however, over assessment of the value of meal production by-products used for the manufacture of high-quality products.

More than 4 million tons of maize a year is used to make starch for use in the production of foodstuffs or industrial products. Maize is also used in distilling, in brewing and in the manufacture of breakfast cereals.

Use of cereals for human consumption EEC-10 - breakdown by cereal
('000 tonnes)

| | Quantity used for human consumption (grain equivalent) | |
|--------------|-----------------------------------------------------------|---------|
| | 1983/84 | 1984/85 |
| Common wheat | 22.707 | 22.664 |
| Durum wheat | 3.224 | 3.896 |
| Maize | 2.689 | 3.017 |
| Rye | 1.179 | 1.189 |
| Oats | 345 | 347 |
| Barley | 84 | 74 |

The 1985/86 estimates are for a drop of 2.6% in the volume of cereals used for human consumption. It is expected that common wheat consumption will be at the same level as in previous years.

b) Animal feed

This is the principal outlet for cereals grown in the Community, accounting for about 61% of utilization in the Community in 1984/85.

The total quantity of cereals used as animal feed reached a record level of 74.8 million tonnes in 1973/74 and thereafter fluctuated between 69 and 73 million tonnes, with a slight downward tendency. 1984/85 saw an increase to 73 million tonnes, the main reason being a sharp increase in wheat use because of its improved competitiveness against imported substitutes.

The 1985/86 figure will, according to the estimates, be down to around 71.5 million tonnes, since the fall in value of the dollar has made cereals grown in the community very uncompetitive against substitutes.

There have been major changes in the positions held by the different cereals over the last two years. These include a substantial rise in the use of wheat, since its competitive position against the other cereals, particularly maize and barley, has improved.

Trend in the use of cereals as animal feed

| | 1984/85 (million t) | 1985/86 (1) (million t) | Change between 84/85 and 85/86 |
|---------------|------------------------|----------------------------|-----------------------------------|
| Total cereals | 72,9 | 71,4 | - 2,1 |
| of which | | | |
| barley | 25,7 | 24,9 | - 3,1 |
| common wheat | 21,4 | 22,1 | + 3,3 |
| maize | 17,9 | 16,3 | - 8,9 |
| oats | 5,9 | 6,3 | + 6,8 |

(1) provisional figures

Until 1975/76 about 50% of the cereals used as animal feed was fed by the farmers who had given them to livestock on their own farm. Since then this figure has slipped to 43% owing to an increasing tendency for producers to sell their cereals and buy in compound feeds and to increasing producer specialization.

Use as animal feed of cereals (a) grown on the farm and (b) purchased
breakdown by cereal (1984/85)

| Cereals | Grown and used on farm ('000 t.) | Purchased ('000 t.) | Total | |
|-----------|-----------------------------------------|-------------------------|------------|-------|
| | | | ('000 t.) | % |
| Wheat | 7.418 | 14.023 | 21.441 | 29,4 |
| Rye | 830 | 249 | 1.079 | 1,5 |
| Barley | 14.370 | 11.377 | 25.747 | 35,3 |
| Oats etc. | 4.401 | 1.524 | 5.925 | 8,1 |
| Maize | 3.640 | 14.250 | 17.890 | 24,5 |
| Other | 292 | 569 | 861 | 1,2 |
| Total | 30.951 | 41.992 | 72.943 | 100,0 |
| | 42,4 % | 57,6 % | 100,0 % | |

In 1972/73 cereals accounted for more than 62% of the energy value of concentrate feeds (i.e. excluding bulky fodder, root crops, grazing etc.). This percentage had fallen to 52.5% in 1983/84. During the same period the share of manioc rose from 1.5% to 6% in 1981/82 to fall back to approximately 4.4% in 1983/84 and that of oilcake rose from 12% to nearly 17.5%.

The fall in the use of cereals was primarily due to replacment by manioc, oilcake and certain industrial by-products, all of which can be imported into the Community free or almost free of import duty

Imports of cereal substitutes 1974-1985

(million tonnes)

| | 1974 | 1978 | 1982 | 1983 | 1984 | 1985 |
|-----------------------------|------|------|------|------|------|------|
| Soya (1) | | 14,5 | 18,5 | 18,3 | 16,4 | 18,6 |
| Total cereal substitutes | 4,6 | 11,9 | 16,2 | 14,1 | 13,6 | 14,7 |
| - manioc | 2,1 | 6,0 | 8,1 | 4,5 | 5,3 | 6,3 |
| - maize gluten feed | 0,7 | 1,7 | 2,8 | 3,6 | 3,7 | 3,5 |
| - citrus pellets | 0,3 | 1,0 | 1,3 | 1,4 | 1,3 | 1,5 |

(1) Soya cake equivalent of soya in the form of grain and cake.

c) Industrial uses

The use of cereals for processing and other industrial purposes dropped by 13.3% in 1984/85 for all cereals together.

The industrial use of wheat increased considerably, by 24.2%, but that of barely dropped by 8.9% to 5.0 million tons.

The industrial use estimate for 1985/86 shows a further increase of 1.2 million tons for wheat.

d) Self-sufficiency

In 1984/85 the degree of self-sufficiency rose 21.4% from 106.0% to 127.4% as a result of a substantial increase of 22.8% in production but a modest gain in consumption of only 2.2% accounted for primarily by an increase in animal feed use of 3.9% and in human consumption of 3.2%.

The estimates for 1985/86 give a degree of self-sufficiency of 118.7%.

Summary of cereals supply balance in the Community of Ten for 1984/85

| | Common wheat | | Durum wheat | | Barley | | Maize | |
|-----------------------|----------------|---------------------------|----------------|---------------------------|----------------|---------------------------|----------------|---------------------------|
| | Mill- ion t | <u>1984/85</u> 1983/84 | Mill- ion t | <u>1984/85</u> 1983/84 | Mill- ion t | <u>1984/85</u> 1983/84 | Mill- ion t | <u>1984/85</u> 1983/84 |
| Usable production | 70,2 | + 27,2 % | 6,1 | + 57,3 % | 44,2 | - 22,3 % | 20,3 | + 2,2 % |
| Imports | 2,0 | - 20,5 % | 0,5 | - 23,2 % | 0 | 0 % | 4,4 | - 0,23% |
| Used within Community | 47,8 | + 2,9 % | 4,4 | + 19,4 % | 33,1 | - 0,6 % | 23,6 | - 2,0 % |
| Exports | 17,6 | + 15,2 % | 1,7 | + 53,6 % | 8,6 | + 55,2 % | 1,2 | + 15,6% |
| Stock variation | + 6,8 | - | +0,5 | - | + 2,2 | - | - 0,2 | - |

| | Oats | | Rye | | Other cereals | | Total cereals | |
|-------------------|----------------|---------------------------|----------------|---------------------------|----------------|---------------------------|----------------|---------------------------|
| | Mill- ion t | <u>1984/85</u> 1983/84 | Mill- ion t | <u>1984/85</u> 1983/84 | Mill- ion t | <u>1984/85</u> 1983/84 | Mill- ion t | <u>1984/85</u> 1983/84 |
| Usable production | 6,8 | + 26,05% | 3,1 | + 29,3 % | 0,5 | + 22,0% | 151,4 | + 22,8% |
| Imports | 0,1 | - 47,9 % | 0,1 | - 7,6 % | 0,2 | + 1,3 % | 6,7 | - 23,0% |
| Used within | 6,6 | + 13,5 % | 2,5 | + 3,2 % | 0,7 | + 15,6 % | 118,9 | + 2,2% |
| Exports | 0,1 | + 38,9 % | 0 | - 79,7 % | - | - | 29,0 | + 28,0% |
| Change | + 0,3 | - | + 0,7 | - | - | - | - | - |

e) Stocks

According to the best available estimates total cereal stocks in the Community of Ten at the beginning of the 1985/86 marketing years amounted to 24.0 million t, of which 1.2 million t was being held on farms. Common wheat accounted for 14.3 million t, durum wheat for 1.4 million t, barley for 4.1 million t and maize for 2.4 million t. The change in the beginning of the marketing year to 1 July inflated the carryover figures artificially since they added one month's consumption in the northern countries.

Intervention stocks in EEC-Ten rose from 13.9 million tonnes on 1 August 1985 to 16.9 million tonnes on 1 July 1986 made up of 10.2 million t of common wheat, 0.9 million t of durum wheat, 4.3 million t of barley, 1.1 million t of rye and 0.4 million t of maize.

C. Trade

a) Between Member States

The major Community supplier of cereals to the other Member States is France, exports from which in 1985/86 amounted to 16.7 million t (including cereal-based products), of which 8.1 million t was common wheat and 2.5 million t barley.

Belgium, Germany, Italy and the Netherlands are the main purchasers of common wheat but it may be assumed that a large proportion of the tonnage consigned to Belgium is reexported to non-member countries through Belgian ports.

Italy remains the largest importer of Community wheat for domestic consumption. The transfer of 300.000 tonnes of wheat from United Kingdom intervention stocks for use as animal feed stimulated the use of wheat for this purpose in Italy.

Intra-Community trade in barley (including malt) amounted to 5.5 million t in 1985/86, approximately 20% of which is imported by Italy from France and the United Kingdom. Barley consignments from the United Kingdom to other Member States in 1985/86 were 1.1 million t, a large proportion of which is re-exported to non member countries through continental ports.

France exported 5.3 million t of maize to the other Member States, mostly for animal feed.

b) With non-member countries

Imports of cereals and cereal products from non-member countries amounted to 6.9 million t in 1984/85 (20% down on 1983/84), including 3.9 million t of grain maize (10% down on 1983/84). Some 75% of the maize came from the United States and the balance mainly from Argentina and Yugoslavia.

Imports of common wheat dropped from 2.3 million t in 1983/84 to 2.0 million t in 1984/85. Most of this comes from North America. Barley imports plummeted from 500.000 t in 1983/84 to 75.000 t in 1984/85.

Imports, particularly of maize, again declined in 1985/86. Final figures are not yet available.

Exports of cereals and of cereal-based products rose from 20.6 million t in 1983/84 to 28.6 million t in 1984/85. Common wheat and common wheat flour accounted for 17.4 million t, most which went to the USSR, Poland, North Africa, Africa south of the Sahara and the Near East.

Exports of common wheat and of common wheat flour in 1985/86 amounted to 13.50 million t (provisional figure). in a sharply declining world market.

Barley exports attained a record figure of 7.86 million t in 1984/85, i.e. more than double the 3.02 million t in 1983/84. Exports of unroasted malt were however slightly down, from 1.61 million t (barley equivalent) to 1.49 million t. In 1985/86 the EEC maintained its high export flow with approximately 6 million t of barley and 1.7 million t of unroasted malt (barley equivalent). The principal customary importers of Community barley are Saudi Arabia, the USSR and the Mediterranean countries. Exported malt goes to a wider range of destinations.

c) International agreements and food aid

The Community was committed under the 1980 Food Aid Convention to supply 1.650.000 t of cereals of which 927.663 t, some 56%, was to be supplied by the Community as such and the balance by the Member States using an allocation to be agreed amongst themselves.

On 1 July 1986 the new 1986 Convention, increasing the Member States' quota by 20.000 t and so raising the total to 1.670.000 t, came into force.

For 1984/85 and 1985/86 the Community set the amount of food aid to be supplied at 1.160.000 t, 232.337 t more than the Convention commitment.

By 30 June 1986 the Community had supplied 1.017.466 t, 87.7% of the 1984/85 programme, and 164.236 t, only 14.2% of the 1985/86 programme.

The member States have fulfilled their commitments 100% for all years up to 1984/85 and exceeded them for the latter by 366.500 t. For 1985/86, one Member State has exceeded its commitment by 173.430 t but the others have still to deliver 339.238 t, 60.4% of their total commitment.

D. Prices

a) Common prices

As the Council did not adopt the cereals prices in time for the beginning of the 1985/86 marketing year, the Commission was forced to take action to prevent a breakdown in the operation of the cereals policy mechanisms.

It decided that the intervention and threshold prices for durum wheat for the 1984/85 marketing year should be retained for 1985/86, and that the intervention prices for the other cereals should be reduced by 1.8%, in line with the amounts by which the production thresholds had been exceeded.

The 1985/86 levies decided on were based on the 1984/85 threshold price minus the reduction in the intervention price. The monthly increments were left unchanged.

A special intervention measure for common wheat of breadmaking quality was planned for the end of the 1985/86 marketing year for a quality higher than the minimum at a price 5% above the single intervention price. The purpose was to support production of better-quality wheat and so reserve the trend to high production but at the same time maintain the competitiveness of wheat as animal feed.

b) Market prices

When the 1985 crop was harvested cereal prices were very low because of uncertainty about the level of the common prices

As soon as the Commission had fixed provisional prices for the 1985/86 marketing year and announced the special intervention measure for common wheat of breadmaking quality of a specific quality at the end of the marketing year, common wheat prices returned to a level distinctly higher than the common intervention price. After the entry into force of the special intervention measure at the end of February 1986, they fell below the intervention price

The feed grain market came under pressure, particularly in the United Kingdom, because a fairly large quantity could not be bought in.

In Italy and in Greece, durum wheat prices fluctuated throughout the year down to 5% below the intervention price.

The market in barley followed the trend of that in feed wheat. The drop in the feed wheat price below the intervention price allowed more feed wheat to be used as animal feed at the expense of barley and maize.

Maize prices remained firm at a level distinctly higher than the common intervention price until May, when the combination of an announcement that no end-of-year carryover payment was planned and the shortfall as against optimistic forecasts concerning exports to Spain resulted in pressure on prices in France and the offering of maize for buying-in for the first time at the end of that month.

c) World prices

Excess supply forced world prices down in 1985/86. World stocks again rose, from around 257 million t at the end of 1984/85 to 320 million t at the end of 1985/86, since world production (1.354 million t) was again higher than consumption (1.280 million t).

The 1985 world wheat harvest of 511 million t was lower than the 1984 record of 523 million t, but was about 4 million t higher than world consumption in 1985/86.

Production was down in the main exporting countries. Wheat production in the USA fell from 70.6 million t in 1984 to 66 million t in 1985, in the Community from 150.8 million t to 138.7 million t and in Argentina from 13.6 million t to 8.5 million t. The Canadian harvest however increased from 21.2 to 23.9 million t and that in the USSR, the main importer, rose from 75 million t to 85 million t. The high level of wheat production that has been achieved for some years now in Asia is an important factor. China, for instance, produced 87.8 million t in 1984 and 85.5 million t in 1985 compared with such 31 million t in 1970, and India 45.5 million t in 1984 and 44.2 million t in 1985 compared with 20 million t in 1970. The overriding reason for these achievements is the introduction of new varieties and of more intensive growing methods. Production in Africa has, on the other hand, increased very little (9/4 million t in 1984 and 10.6 million t in 1985, compared with 8.4 million t in 1970).

Mainly as a result of the drop in wheat imports by the USSR (28.2 million t in 1984/85, 16,9 million t in 1985/86), the volume of wheat traded in the world market reached only 86.6 million t against 104.2 million t in 1984/85. A drop in demand for feed grain has also been noted, the volume traded being only some 85 million t in 1985/86 against 102 million t in 1984/85.

Highest and lowest average daily quotations in 1985/86 cif Antwerp/Rotterdam

| Type | Highest quotation | | Lowest quotation | |
|--------------|-------------------|-----------|------------------|------------|
| | ECU/t. | Month | ECU/T. | Month |
| Common wheat | 172,13 | July 1985 | 95,11 | May 1986 |
| Barley | 160,04 | July 1985 | 74,86 | June 1986 |
| Maize | 166,33 | July 1985 | 90,15 | April 1986 |
| Durum wheat | 221,68 | July 1985 | 148,16 | June 1986 |

The BICEP programme and the widespread granting of credit by the United States have made it increasingly difficult for Community exporters to remain competitive and they have lost important traditional markets, particularly in the Mediterranean countries.

E. Management of the market

a) Levies and refunds

Import levies varied considerably in 1985/86 because of wide fluctuations in the dollar and in world cereal prices

- Common wheat :
104.64 to 180.08 ECU per tonne, i.e. 70.8 to 188 % of the cif price (net of tax)
- barley :
96.32 to 178.09 ECU per tonne, i.e. 42.0 to 60.2% of the cif price (net of tax)
- maize
85.38 to 160.30 ECU per tonne, i.e. 58.7 to 176.2% of the cif price (net of tax).

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

For wheat, a single open market invitation running from mid-June 1985 to the end of May 1986 covered most destinations except Scandinavia and Switzerland, the total amount committed being 3.1 million t. The refund had to be constantly increased during the marketing year because of the fall in the dollar and in world rates, from 16 ECU/t at the beginning of the tendering period to 94 ECU/t at the end of May 1986.

More than 4 million t of common wheat were exported as a result of invitations to tender for intervention stocks opened between November 1985 and July 1986. Under these invitations, cereals are sold to the exporter at the world market price. The refund covered the difference between the Community intervention price and the world price is thus already incorporated in the selling price.

An invitation to tender for the export of barley from the open market covering the same period as the invitation to tender for the export of wheat was opened for most destinations except Scandinavia, Switzerland, Japan and South East Asia. A quantity of 4.1 million t was awarded with a refund ranging from 42 ECU/t in July 1985 to 131 ECU/t in May 1986.

As with wheat intervention stocks of barley were exported as a result of invitations to tender opened between November 1985 and July 1986. It proved possible to sell more than 2.2 million t.

At the beginning of the 1985/86 marketing year, long-duration certificates were granted for exports of common wheat to countries of black Africa that are traditional customers of the Community. Ordinary refunds were set for the main basic cereals (except maize, for which the Community still has a deficit) exported to neighbouring countries (Switzerland, Austria, Liechtenstein and Scandinavia), where the Community has a logistical advantage over its competitors. Export refunds were also fixed on normal terms for wheat flour, rye flour, durum wheat meal and malt.

b) Intervention

The 1985/86 marketing year began with intervention stocks of 13.9 million t. In the Community of Ten 11.7 million t were bought in during the marketing year, 1.7 million t less than in 1984/85.

The special intervention measure for buying in at 5% above the intervention price of wheat of higher quality than the minimum included a quantitative restriction for each member State. Under it, 1.2 million tonnes of common wheat were bought in.

During the marketing year, 8.7 million tonnes of cereals were sold, of which approximately 7 million tonnes were exported (including 500.000 tonnes as food aid) and 1.7 million tonnes were disposed of on the Community market.

On 1 March 1986 760.000 tonnes of cereals of the Spanish national stocks, mainly barley, were added to the Community intervention stocks. Between 1 March and the end of the marketing year, 200.000 tonnes of barley were accepted by the Spanish intervention agency.

The net effect of buying-in and sales was that at the end of the marketing year the Community's intervention stocks set a new record (18.0 million t for Community of Twelve).

The stock, buying-in and sales figures for the Community of Ten in 1985/86 are:

('000 tonnes)

| | Common wheat of bread-making quality | Feed wheat | Durum wheat | Rye | Barley | Maize | All cereals |
|----------------------|--------------------------------------|------------|-------------|-------|--------|-------|-------------|
| Stocks on 1.8.1985* | 4.298 | 5.955 | 760 | 834 | 2.013 | 0 | 13.861 |
| Purchases | 1.229 | 4.286 | 650 | 559 | 4.631 | 350 | 11.706 |
| Sales | 2.616 | 2.981 | 526 | 256 | 2.311 | 0 | 8.690 |
| Net charge | - 1.387 | + 1.305 | + 124 | + 303 | +2.320 | 350 | + 3.016 |
| Stocks on 30.6.1986* | 2.911 | 7.260 | 884 | 1.137 | 4.333 | 350 | 16.877 |

* The 1985/86 marketing year for durum wheat began in July and the figures are for 1.7.1985 and 30.6.1986. For the other cereals it began on 1 August 1985 and finished on 30 June 1986 (date of beginning of marketing year altered).

c) End-of-year carryover payment

In 1985/86 the Council discontinued the carryover payments for private stocks of wheat and maize.

F. Budgetary expenditure

EAGGF Guarantee Section expenditure in the cereals sector was 2.310 million ECU in 1985 (11.7% of total Guarantee Section expenditure). The estimate for 1986 is 3.197 million ECU. The 1985 amount divided into 1.077 million ECU on export refunds and 1.233 million ECU on intervention measures, 752 million ECU of which was directly allocated to intervention storage operations.

Estimated expenditure and storage in 1986 is 931 million ECU.

3.2. THE ENLARGED COMMUNITY MARKET - SPECIAL PROVISIONS APPLYING TO SPAIN AND PORTUGAL

The Spanish cereal sector is covered by transitional arrangements of the conventional type and the mechanisms of the EEC market organization were introduced on 1 March 1986. In the case of Portugal transition is by stages: the national arrangements in force before accession continue during the first stage but are to be adjusted so that the EEC market organization mechanisms can be fully applied when it comes to an end.

A. Cereals sector in Spain

The area under cereals in Spain was 7.42 million hectares in 1985 and in that year accounted for 21.4% of the area under cereals in the Community of Twelve. Production, which was a record 20.3 million tonnes in 1985, is variable because very susceptible to climatic variations, in particular the frequent droughts. Before accession, Spain imported feed grains, in particular maize. In some years it exported barley, which accounts for more than half of total cereal production.

The basic figures for the sector in Spain are (1985/86 marketing year)

| | : Common : wheat | : Durum : wheat | : Barley | : Maize | : All : cereals |
|---------------------------------------|---------------------|--------------------|----------|---------|--------------------|
| : Area ('000 ha) | : 2.025 | : 133 | : 4.155 | : 525 | : 7.419 |
| : Production ('000 t) | : 4.950 | : 376 | : 10.680 | : 3.300 | : 20.421 |
| : Domestic consumption : ('000 t) | : 5.046 | : 404 | : 9.241 | : 5.801 | : 21.597 |
| : Degree of self- : sufficiency(%) | : 98,1 | : 93,0 | : 115,6 | : 56,9 | : 94,6 |

B. The cereals sector in Portugal

Portugal requires far more cereals than it grows. The 1985 production figure was 1.221 million t and approximately another 2.5 million t, chiefly maize, were imported during the 1985/86 marketing year. From 1986 onwards the State import monopoly EPAC is, during the first stage of the transition period, to be gradually dismantled.

The basic figures for the sector in Portugal are (1985/86 marketing year)

| | : Common : wheat | : Durum : wheat | : Barley | : Maize | : All : cereals |
|----------------------------------|---------------------|--------------------|----------|---------|--------------------|
| : Area ('000 ha) | : 244 | : 27 | : 79 | : 275 | : 935 |
| : Production ('000 t) | : 351 | : 38 | : 64 | : 570 | : 1.221 |
| : Domestic consumption ('000 t) | : 1.059 | : 58 | : 134 | : 2.483 | : 4.142 |
| : Degree of self-sufficiency (%) | : 33,1 | : 65,5 | : 47,8 | : 23,0 | : 29,5 |

4. 1986/87 MARKETING YEAR- SHORT-TERM OUTLOOK

4.1. COMMON PRICES - CHANGES IN MARKET ORGANIZATION

When it set prices for the 1986/87 marketing year, the Council decided that in order to remedy the structural imbalance of the cereals market certain changes should be made in the market organization. These are fourfold.

- Restrictive prices

The intervention prices for maize and wheat of breadmaking quality have been kept unchanged for 1986/87 and those for feed common wheat, barley, sorghum and feed rye reduced by 5%.

The target prices were slightly adjusted to take account of changes in transport costs. The monthly increases were reduced by 4.7% in line with the drop in interest rates.

The intervention price for durum wheat was reduced by 4% but to compensate this the production aid was raised to 113.79 ECU per hectare in the Community of Ten (+12.32%). It was fixed at 16.26 ECU per hectare in Spain.

In the mountain, hill and less-favoured areas the durum wheat production aid will be replaced from 1987/88 onwards by specific aids under the socio-structural measures.

- Restriction of intervention

The permanent guarantee of buying-in has been replaced by a guarantee covering only part of the marketing year (1 October to 30 April).

- Quality improvement

A special increase of 3.59 ECU/t and 8.97 ECU/t is granted respectively on wheat and rye of breadmaking quality that meets specific requirements. The Commission has also introduced certain technical requirements for the acceptance of common wheat for intervention and has reduced the moisture content for all cereals to 14%.

- Co-responsibility levy

For the 1986/87 to 1990/91 marketing years, a co-responsibility levy on producers will be charged at the time of first processing, export in the form of grain or acceptance for intervention. For 1986/87 the amount is 5.38 ECU/t on all cereals.

4.2. IMPORT LEVY ON MAIZE AND SORGHUM

The Community, in response to American claims of unfair treatment attendant on the accession of Spain to the Community, has agreed that if during the period 1 July to 31 December, 1986 United States exports to Spain of maize, sorghum, maize gluten, brewers grains and citrus pulp are less than an average of 234.000 tonnes per month, a reduced rate levy on imports into the Community of maize and sorghum will be set.

4.3. STARCH

In February 1986 the Council decided on fundamental changes in the arrangements applying to starch and starch products.

The production refund hitherto granted on all starch produced in the Community is replaced by a system of compensation restricted to technical uses where no protection against imports is afforded by the common agricultural policy.

The new arrangement came into force on 1 July 1986 but there will be a three-year transitional period. From 1 July 1987 the manufacturers concerned will have access to starch and starch products at prices comparable to those on the world market. A gradually decreasing reduction will be granted under the old system up to 1 July 1989. For the 1986/87 marketing year the fixed part of the production refund has been set at 20 ECU/t for common wheat and 15 ECU/t for maize processed into starch or used for the production of maize groats or meal.

4.4. SHORT-TERM OUTLOOK

The areas under cereals in the Community of Ten in 1986 were unchanged from 1985. Growing conditions were good in the north of the Community but southern regions suffered from prolonged drought. Tentative estimates are for a total production of approximately 135 million tonnes. The quality of harvested crops is generally good and most of the harvest is of better quality than the more rigorous minimum set for intervention.

The following estimates were available in the autumn

| | Production | | Area | | Yield | |
|----------------------|-------------------|---------------|--------------------|---------------|-------------------|---------------|
| | 1986 million t | 1985 = 100 | 1986 million ha | 1985 = 100 | 1986 million t | 1985 = 100 |
| :Common wheat: | 60,36 | 100,3 | 10,72 | 100,8 | 5,63 | 99,5 |
| :Durum wheat : | 6,41 | 118,3 | 2,51 | 108,7 | 2,55 | 109,0 |
| :Barley | 39,26 | 96,2 | 8,26 | 96,8 | 4,75 | 99,2 |
| :Rye | 2,66 | 94,7 | 0,65 | 94,2 | 4,08 | 98,3 |
| :Oats | 5,07 | 71,8 | 1,33 | 77,3 | 3,81 | 92,5 |
| :Maize | 20,85 | 95,7 | 3,13 | 97,5 | 6,66 | 98,2 |
| : Total : cereals | 135,24 | 97,5 | 26,77 | 98,2 | 5,05 | 99,2 |

Estimated cereals production in the Community of Twelve in 1986 is 152.7 million tonnes (see following table).

| <u>Community of Ten</u> | <u>1985</u> | <u>1986</u> |
|-------------------------|-------------|-------------|
| Total cereals | 138,7 | 135,2 |
| - Common wheat | 60,2 | 60,4 |
| - Durum wheat | 5,3 | 6,4 |
| - Barley | 40,8 | 39,3 |
| - Maize | 21,8 | 20,9 |

| <u>Community of Twelve</u> | <u>1985</u> | <u>1986</u> |
|----------------------------|-------------|-------------|
| Total cereals | 160,4 | 152,7 |
| - Common wheat | 65,5 | 63,5 |
| - Durum wheat | 5,9 | 6,9 |
| - Barley | 51,5 | 47,6 |
| - Maize | 25,6 | 24,8 |

Market prices for cereals in the Community of Ten and in Spain have remained firm during the first few months of the 1986/87 marketing year. The much smaller crop in the south of the Community has nullified the effect of oil production of cereals in the Community in general and the existence of large stocks. Further, the drop in interest rates and the availability of storage capacity have resulted in retention of cereals. Most notably, common wheat prices on the Spanish market have been very high, well above the intervention price, as a result of the drop in production and of the restriction on trade between the Community of Ten and Spain provided for in the Act of Accession.

The reduction in the intervention price of feed wheat and of barley will probably result in greater use of them in feed compounding to the disadvantage of maize. Human consumption should remain stable. The amount of wheat used industrially may increase partly at the expense of maize.

Imports of cereals into the Community will probably continue to drop. Export prospects for 1986/87 are less favourable than in 1985/86. World demand for wheat, assessed at 86 million tonnes for 1986/87, is stagnant. The carryover stocks of wheat held by the exporting countries have reached the unprecedented level of 156 million tonnes and the very low prices at present prevailing hold out little prospect of a substantial increase in the volume of trade.

RICE

1. INTRODUCTION

The main problem in connection with the management of the rice market is the disposal of a structural surplus, which may be estimated for the 1985/86 marketing year at some 350.000 tonnes of milled rice. The surplus is due to the fact that the quality of the rice for which there is a demand in northern Europe is not in line with the quality of the rice grown in the Community. The shortage in the Community in absolute terms is about 150.000 tonnes, but its imports in fact amount to some 470.000 tonnes.

2. GENERAL SITUATION

The following table shows the development of the market in rice over the last ten years:

| EUR-10 | | (milled rice equivalent) | | |
|---------------------------|-----------|--------------------------|------------|-----------|
| | (1) | (2) | Difference | (2) - (1) |
| | 1976-1980 | 1981-1985 | % | |
| | t | t | | t |
| : Production | : 627 960 | : 645 360 | : + 2,8 | : 17 400 |
| : Imports | : 418 079 | : 515 463 | : + 23,3 | : 97 384 |
| : Exports | : 274 500 | : 359 868 | : + 31,1 | : 85 368 |
| : Balance Imports/Exports | : 143 579 | : 155 595 | : + 8,4 | : 12 015 |
| : Estimated consumption | : 771 539 | : 800 954 | : + 3,8 | : 29 514 |

It can be seen that:

- the increase in production was not as high as the increase in consumption;
- Community trade has progressed, both as regards imports and exports.

In 1985 production in the Community of Ten reached a record of 1 346 712 tonnes of paddy rice, an increase of about 18% (208 000 tonnes) on the 1984 harvest. This increase was due to:

1. larger areas being sown;
2. higher yields;
3. particularly favourable weather conditions.

A tentative estimate of consumption in the 1985/86 marketing year indicates an increase of 5% on the previous year's figure (about 851.000 tonnes of milled rice in 1984/85 compared with 896.000 tonnes in 1985/86).

The situation on the world market was marked by very substantial stocks (52 million tonnes of milled rice) and a harvest in 1985 of about 462 million tonnes of paddy rice, a drop of about 9 million tonnes on 1984. The area sown to rice decreased in China, Thailand, Pakistan and Brazil but rose in Indonesia and Bangladesh.

The decline in world prices, which started in the 1983/84 marketing year, continued in 1985 and during the first half of 1986. With very heavy world supplies, the lack of funds on the part of several importing countries played a large part in keeping prices low.

Prices quoted on the Community market during the 1985/86 marketing year remained very close to the intervention price and considerably lower than in 1984/85. This drop in prices can be said to have been offset in terms of farm income by higher yields.

3. THE 1985/86 MARKETING YEAR

Rice is subject to conventional transition in Spain, whilst in Portugal transition is by stages. The mechanisms of the EEC market organization have applied in Spain since 1 March 1986; since that date, the integrated market, i.e. the market to which the EEC market organization applies, has been made up of the Community of Ten plus Spain. However details given below for the 1985/86 Marketing Year relate only to the Community of Ten. A special feature at the end of this section deals with rice in the two new Member States.

3.1. THE COMMUNITY MARKET OF TEN

A. Production

The area given over to rice in the Community in 1985 was 214.787 ha, an increase of 5.4% on 1984. The area under rice in the Community was 0.2% of its total UAA and 0.1% of the total area under rice in the world.

In France the area under rice was 11.200 ha compared with 9.400 ha in 1984, an increase of 19%. In Greece it rose 17% from 14.000 ha in 1984 to 16.400 ha in 1985, and in Italy the area sown in 1985 was 187.187 ha, an increase of 3.8% on 1984.

Production in the Community of Ten rose 18.2% from 1.138.781 tonnes of paddy rice in 1984 to 1.346.712 tonnes in 1985. France, Greece and Italy are the only producers, with 87.5% of the Community harvest coming from Italy. French production in 1985 was 61.700 tonnes, an increase of 61%, Italian production 1.179.012 tonnes, an increase of about 17%, and Greek production 106.000 t, an increase of about 18% on the 1984 figure.

B. Internal consumption

Community consumption in 1984/85 of total rice (milled rice, including broken rice) remained stable at around 1.187.000 tonnes. Gross human consumption is on the increase, since it rose 1.7% from 987.000 tonnes in 1983/84 to 1.004.000 tonnes in 1984/85.

Industrial use remains particularly low, at around 34.000 tonnes. The amount of seed used increased slightly, reaching 33.000 tonnes (in 1983/84 it was 31.000 tonnes). The use of rice as animal feed dropped 11%, from 122.000 tonnes in 1983/84 to 110.000 tonnes in 1984/85.

Total internal consumption of broken rice amounted to 247.000 tonnes in 1984/85, animal feeding accounting for 110.000 tonnes, human consumption for 102.000 tonnes and industrial use for 34.000 tonnes.

The Community's rate of self-sufficiency in total rice (milled rice, including broken rice) was 66% in 1984/85 compared with 67.9% in 1983/84.

C. Trade

(a) Trade with non-member countries

In 1985 imports from non-member countries of total milled rice, including the quantities imported under inward processing arrangements, amounted to 0.641 million tonnes, a 39% increase on the 0.460 million tonnes imported in 1984.

Exports in 1985 amounted to 0.454 million tonnes, including the quantities exported under inward processing arrangements, a 42% increase on the 0.319 million tonnes exported in 1984.

The Community's share of world trade in 1985 was some 6% of imports and some 4.2% of exports. The main sources of both rice and broken rice remain the United States, Thailand, South America (in particular Suriname) and Australia. The main importers remain countries close to the Community such as Switzerland, Austria and the Mediterranean countries.

(b) Intra-Community trade

Intra-Community trade in total milled rice dropped 2.8% from 505.611 tonnes in 1984 to 491.481 tonnes in 1985, of which more than 50% was Italian rice delivered to the other Member States. Italian deliveries to the rest of the EEC reached 253.304 tonnes in the 1984/85 marketing year.

(c) Food aid

The provisional figure for the quantity of rice exported as food aid in 1985/86 is 128.077 tonnes (milled rice equivalent), 100.119 tonnes as national aid and 27.958 tonnes as Community aid. This is a 10.2% drop on 1984/85.

D. Prices

(a) Common prices

The following prices were adopted for the 1985/86 marketing year:

- the intervention price for paddy rice remains unchanged from 1984/85 at 314.19 ECU/t);
- the target price for husked rice (both round- and long-grain) was fixed at 548.37 ECU/t);

- the threshold price for husked rice (both long- and round-grain) was fixed at 541.63 ECU/t).

(b) Market prices

Average market prices in the main producing area (Vercelli) during 1985/86 were:

- . for round-grain rice 1% above the intervention price;
- . for long-grain rice 4% above the intervention price for the standard varieties;
- . for long-grain rice of varieties and types essentially for indigenous consumption between 14 and 18% above the intervention price.

The percentage increases for the previous marketing year were 17% and 21% for round- and long-grain rice respectively.

All the Lido-type varieties and round-grain rice make up 47% of total Italian production.

At the end of the marketing year prices rose slightly as follows:

- for round-grain rice to approximately 103% of the intervention price;
- for long-grain rice (Lido) to approximately 107% of the intervention price.

(c) World prices

During 1985/86 the very low Thai offer price continued strongly to influence the world market. At the beginning of the marketing year the price quoted for a Thai rice, cif Rotterdam, was around USD 223/t (milled), i.e. 266 ECU/t; at the end of the year the same rice could be purchased at around USD 212/t (-5%) but in ECU the reduction corresponded to about 38% (192 ECU/t) the dollar having declined in value in relation to the ECU.

The application of the new Farm Bill in the United States from April 1986 onwards led to a very sharp drop in American rice prices, which have remained almost as low as Thai prices and have sometimes fallen USD 3 - 4/t below the Bangkok quotations. In some cases, rice was exported from the United States to certain Mediterranean countries under the BICEP programme, and for other countries special long-term credit measures under PL 480 were adopted.

E. MANAGEMENT OF THE MARKET

(a) Levies and refunds

Because of the level of world market prices in dollars in 1985/86 and the decline of the dollar, import levies were higher than in 1984/85. They stayed at high levels from November/December 1985 onwards. The average levies for the last four marketing years have been as follows:

| | <u>(ECU/t)</u> | | | |
|--------------------------|----------------|----------------|----------------|----------------|
| | <u>1982/83</u> | <u>1983/84</u> | <u>1984/85</u> | <u>1985/86</u> |
| Round-grain husked rice: | 212,55 | 183,20 | 276,94 | 380,70 |
| Long-grain husked rice: | 210,59 | 213,00 | 282,90 | 386,26 |
| Round-grain milled rice: | 343,34 | 323,54 | 320,46 | 440,92 |
| Long-grain milled rice: | 442,40 | 455,34 | 538,10 | 644,32 |
| Broken rice | 64,69 | 51,28 | 61,33 | 157,65 |

The existence of a structural surplus of rice for which there are no ready outlets in the EEC meant that special export measures had to be taken, firstly to secure the traditional exports of quality products and secondly to dispose of the purely structural surplus elsewhere. The following measures were adopted to maintain traditional export flows:

- A refund of 170 ECU/t at the beginning of the marketing year and 220 ECU/t until the end of the marketing year was set for exports of long-grain husked rice to Switzerland, Austria and Liechtenstein. For long-grain milled rice, the refund rose from 212.5 to 275 ECU/t.
- Refunds were introduced on exports of milled rice in small packages to certain Mediterranean countries. At the beginning of the marketing year, they ranged between 215 and 225 ECU/t depending on the destination and then rose to 330/340 ECU/t towards the end of the marketing year following the sharp decline of the dollar and the fall in world market prices.

For the disposal of the surplus proper, a tendering procedure was used so that the quantities to be exported and the resulting expenditure could be better controlled. Hence, 140.000 tonnes of long-grain milled rice was exported between 31 October 1985 and 7 July 1986. No tender procedure was organized for round-grain rice in 1985/86. The maximum amounts granted ranged between 236 and 361 ECU/t.

(b) Intervention

No rice has been bought in since 1972/73.

(c) Monetary compensatory amounts

To date no monetary compensatory amount has been introduced for rice.

F. Budgetary expenditure

EAGGF Guarantee Section expenditure on rice amounted to 50.1 million ECU in 1985, i.e. 0.3% of total Guarantee Section expenditure. The amount of 50.1 Million ECU splits into 36.6 million ECU for refunds and 13.5 million ECU for intervention.

1986 EAGGF Guarantee Section expenditure in the rice sector is estimated at 102.5 million ECU (0.5% of total expenditure of the Guarantee Section).

3.2. THE COMMUNITY MARKET OF TWELVE - SPECIAL PROVISIONS CONCERNING SPAIN AND PORTUGAL

A. Main points

The basic data relating to rice production in the two new Member States are as follows (1985 data).

| | Spain | Portugal |
|----------------------------------------------------------------|---------|----------|
| Area under rice (ha) | 74.000 | 34.000 |
| Production of paddy rice (t) | 459.400 | 153.000 |
| Consumption, in milled rice equivalent (t) | 238.000 | 161.000 |
| Self-sufficiency (%) | 131 | 57 |
| Consumption per capita per year in milled rice equivalent (kg) | 6 | 16 |

Spain and Portugal are two major rice producing and consuming countries in the Community. Spain exports rice, Portugal, on the other hand, has a shortage. Enlargement barely affects the Community's degree of self-sufficiency.

B. Characteristics of Spanish production

With a production of paddy rice that is being maintained above 450.000 tonnes, Spain is the second largest producer of rice in the Community.

Spanish yields are high, in fact they generally exceed 60 quintals per hectare and it is not uncommon for them to exceed 90 quintals per hectare (paddy rice) on the more productive farms.

The Bahia variety is the most widely grown and accounts for about 77% of the area under rice; second comes the Balilla/Sollana variety (+/- 7%) grown in a less-favoured area (Extremadura). Lido has been recently introduced and, after the good results obtained, accounts for 3.5% of the area under rice. It has reached the same scale as Sequial, a variety similar to it in every way which has been grown in Spain for a long time. Of the long-grain varieties for which there is a small demand in Spain, the Italpatna variety is the most widely grown, accounting for about 3% of the area under rice.

Spain has a surplus of about 36.000 tonnes of milled rice for which there are no outlets on the Community market, the rice being of the round-grain Japonica type for which there is already a large surplus on the Community market.

C. The transitional period

In Portugal rice is subject to transition by stages and the mechanisms of the EEC market organization will apply fully only as from the end of the first stage of the transitional period.

In Spain rice is subject to conventional transition and the mechanisms of the EEC market organization were introduced on 1 March 1986. The main problem that has occurred since that date and that persisted until 31 August 1986 (end of the 1985/86 marketing year) was that the accession compensatory amounts, which were being calculated at a standard level with no reference to qualitative characteristics of Spanish production in 1985, did not allow trade to flow sufficiently smoothly within the Community or with non-member countries. The amounts had to be reduced to enable Spanish surplus production to be disposed of.

4. THE 1986/1987 MARKETING YEAR - SHORT- AND LONG TERM OUTLOOK

For the 1986/87 marketing year the common prices have been maintained at the same levels as for the previous year. The intervention price in Spain has been fixed at 248.88 ECU/t.

According to estimates made available in October 1986, the area given over to rice in the Community of Ten and Spain combined in 1986 was 297.400 ha (a 2.8% increase in 1985). The estimated figure for production is 1.706.000 tonnes of paddy rice (a 2.6% drop in 1985).

2. SUGAR

SUGAR

1. INTRODUCTION

The 1985/86 marketing year was the last to be covered by the system of quotas introduced in 1981. A new production system adopted by the Council in 1986 (see point 4.2) will apply for a period of five years as from the 1986/87 marketing year.

2. GENERAL SITUATION

The main characteristics of the 1985/86 marketing year (Community of Twelve) can be summed up as follows:

- The low prices recorded on the world market since 1982 fell even further in 1986, resulting in the granting of very high export refunds;
- After increasing in 1984, areas under sugarbeet decreased by roughly 2.6% in 1985 and remained almost unchanged in 1986. The yield of sugar per hectare during the 1985/86 marketing year was above the 'normal' yield and above the yield recorded during the previous marketing year; sugar production in the Community reached 13.63 million tonnes of white sugar, i.e. almost the same level as in 1984/85;
- Compared with 1984/85, total consumption of sugar in the Community fell substantially by 165 000 tonnes to 10 615 million tonnes;
- Total exports of sugar from the Community to the free world market reached 4.2 million tonnes (including almost 1.22 million tonnes of C sugar), an increase of roughly 10% compared with 1984/85.

According to initial estimates, sugar production in the Community in 1986/87 could reach 13.4 million tonnes (1.6% down on the previous year).

3. 1985/86 MARKETING YEAR

The following analysis of the 1985/86 marketing year relates to the Community of Twelve. It begins with a special section devoted to the characteristics of the sugar sector in Spain and Portugal.

3.1 THE SUGAR SECTOR IN SPAIN AND PORTUGAL

In both Spain and Portugal, the sugar sector is undergoing transition of the conventional type.

Sugar has been subject to the mechanisms of the common organization of the market since 1 March 1986 and institutional prices have been fixed in both Member States.

The key figures for the sugar sector in Spain and Portugal are as follows (1985/86 except for sugar manufacturers and processing factories, in which case 1984/85)

| Characteristics | Spain | Portugal |
|------------------------------------------------------|---------|-----------------|
| Farms growing sugarbeet | 65.000 | several hundred |
| Areas under sugarbeet (ha) | 178.000 | 1.000 |
| Yield (tonnes sugar/ha) | 4,99 | not available |
| Production (tonnes white sugar) including cane sugar | 900.000 | 6.000 |
| Total internal use (tonnes white sugar) | 950.000 | 300.000 |
| Degree of self-sufficiency (%) | 95 | 2 |
| Sugar manufacturers, including refineries: | 11 | 5 |
| Sugarbeet-processing factories | 27 | 6 |

Of the two new Member States, only Portugal has a shortfall, Spain being virtually self-sufficient. Enlargement has been reflected in the sugar sector by a fall in the production surplus to be exported from the Community. A fairly high level of intra-Community trade is to be expected, involving mainly processed products containing sugar in the case of Spain and raw sugar for supplying refineries in Portugal.

3.2. THE ENLARGED COMMUNITY MARKET

The following data cover the Community of Twelve, with the exception of those relating to trade, which only concern the Community of Ten.

A. Production

(a) Farm areas and structures

In 1985, the total area under sugarbeet was 1 888 000 hectares, a fall of 2.6% compared with 1984 (1 938 000 hectares). The greatest decreases were recorded in France (- 8.3%), Ireland (- 8.1%) and Germany (- 1.9%). Areas increased chiefly in Belgium (+ 4.2%), Italy (+ 4.7%) and Greece (+ 54.0%). In the last case, the increase was caused by the sowing of areas which had not been planted in 1984 owing to poor weather conditions.

The number of farms growing sugarbeet has fallen steadily since 1970. However, the decline has slowed down somewhat in more recent years. In 1985/86, there were estimated to be roughly 395 000 farms growing sugarbeet in the Community.

The average size of the area under sugarbeet per grower varies from one country to the next, ranging from around 1 hectare in Greece to almost 11 hectares in France. Generally speaking, acreages are large in France and the United Kingdom, medium-sized in Germany, Benelux, Denmark and Ireland and small in Italy, Greece and Portugal.

A general plan for restructuring the sugarbeet and sugar sector is currently in progress in Italy. A number of specific implementing plans already approved by the Commission under Articles 92 and 93 of the EEC Treaty have become operational and the whole plan should be completed by 1988.

(b) Structure of the sugar industry

Sugar manufacturers, including refineries, numbered 151 in the Community in 1972/73. The greatest concentration was to be found in France, Germany and Italy. In the same year the number of beet-processing factories was 291.

The figures available for 1985/86 confirm the trend towards concentration in the industry. The number of sugar manufacturers had fallen to 101 (33% less than in 1972/73) and that of processing factories in operation to 224 (23% less).

This trend has generally been accompanied by a modernization of factory installations. In 1985/86 the daily throughput for the entire Community was 1 308 000 tonnes, a figure slightly above that of the previous marketing year and 39% above the corresponding figure for 1972/73 (940 000 tonnes).

(c) Community sugar production

In 1985/86, good weather in the period leading up to the sugarbeet harvest resulted, for the second consecutive year, in a very high Community average yield of sugar per hectare (7.04 tonnes), exceeding the "average" yield for the last seven marketing years (6.80 t/ha) and even that recorded for the 1984/85 marketing year (6.84 t/ha) which itself was considered fairly "good".

Sugar production therefore reached more or less the same level as in the previous marketing year despite the reduction in areas sown (13.63 million tonnes) and can be compared with the figures of 16.06 million tonnes recorded in 1981/82 (production record), 12.25 million tonnes in 1983/84 and 13.58 million tonnes in 1984/85.

For the Community of Ten, production can be broken down by quota as follows. Including the 749 000 tonnes carried over from the previous marketing year, production of A sugar reached 9.3 million tonnes, that of B sugar 1.9 million tonnes and non-quota production 2.22 million tonnes (1.53 million tonnes in 1984/85). The quantity of C sugar carried over to the following marketing year was 1.02 million tonnes.

(d) World production and consumption

In 1985/86, world production of sugar amounted to around 97 million tonnes (raw sugar), which is a fall compared with the previous year but can still be considered good.

In the last five years, production has exceeded or approached the 100 million tonne mark despite the weakness of world prices since 1982.

World stocks at 31 August 1986 are estimated at 37 million tonnes, a fall of approximately 3 million tonnes compared with the stocks at 31 August 1985 (i.e. 40 million tonnes, an absolute record). The current level of stocks, which is still high, can be attributed to the fact that, for the four years prior to 1985/86, production outstripped consumption, which at certain times resulted in genuinely surplus supplies of around 18 million tonnes.

World sugar consumption (roughly 100 million tonnes of raw sugar) picked up somewhat in 1985/86 (+ 1.5 million tonnes). However, the rate of increase is down on previous marketing years, as the following table shows.

| Rate of increase of world consumption compared with the previous marketing year | |
|---------------------------------------------------------------------------------|----------|
| :1981/82 | + 2,53 % |
| :1982/83 | + 2,14 % |
| :1983/84 | + 2,34 % |
| :1984/85 | + 2,51 % |
| :1985/86 | + 1,51 % |

World production and consumption of sucrose substitutes (mainly isoglucose (high fructose syrups, cyclamates and aspartame) continued to rise in 1985/86, as can be clearly seen from the trend in the consumption of isoglucose in the United States.

(in millions of "short tons", dry matter)

| | |
|---------------|---------------|
| : 1978 = 1,35 | : 1982 = 3,10 |
| : 1979 = 1,67 | : 1983 = 3,60 |
| : 1980 = 2,18 | : 1984 = 4,30 |
| : 1981 = 2,67 | : 1985 = 5,20 |
| : | : 1986 = 5,40 |

B. Internal use

(a) Human consumption

The use of sugar in human foodstuffs fell steadily from 1980/81 to 1983/84, followed by a certain upturn in 1984/85. In 1985/86

it fell to a new record low of 10.62 million tonnes. Compared with 1984/85, the fall is 165 000 tonnes.

Consumption of sugar per head of population in the Community has also fallen, from 34.6 kg in 1984/85 to roughly 33.8 kg in 1985/86.

(b) Non-food uses

In 1985/86, roughly 100 000 tonnes of sugar were used by the chemical industry and small quantities in bee-keeping. At 3.88 ECU per 100 kg of white sugar used, the amount of the production refund remained unchanged compared with 1984/85. Use of sugar in the chemical industry could increase as from the next marketing year following the new measures planned by the Council (see point 4.2 below).

(c) Self-sufficiency

Community self-sufficiency in sugar reached 129% in 1985/86 as against 126% in 1984/85.

(d) Stocks

Thanks to the way in which the disposal of sugar surpluses on Community responsibility was managed, the volume of free and minimum initial stocks (1.365 million tonnes) and end-of-year stocks (1.361 million tonnes) remained virtually stable in 1985/86. These levels can be considered "normal".

(e) Isoglucose

In 1985/86 production and consumption of isoglucose in the Community amounted to roughly 183 000 tonnes (dry matter). They remained within the limits of the A and B quotas attributed.

Exports of isoglucose to non-Community countries are negligible and imports from such countries non-existent. However, major intra-Community trade flows are to be noted, particularly from France and Belgium to the Netherlands, Italy and Germany.

C. Trade (Community of Ten)

(a) between Member States

In 1985/86 as in previous years, Italy and Belgium imported the largest quantities of unprocessed sugar from other Community countries. 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.

(b) with non-member countries and as food aid

As in the past, most of the preferential sugar imported from the ACP countries went to the United Kingdom in 1985/86. Some was also imported by France (about 10% of total preferential imports).

In 1985/86 contracts were awarded by tender for almost all of the sugar exported on Community responsibility. Awards were thus made for 2 974 000 tonnes of sugar (white sugar equivalent), including 45 000 tonnes of white sugar held by the BALM (German intervention agency). In addition, 10 000 tonnes of sugar were committed under the "periodic" refund system.

Including exports of C sugar carried out on producers' responsibility, total exports of unprocessed sugar in 1985/86 should reach about 4.2 million tonnes of white sugar equivalent.

No Community sugar was allocated as food aid in 1985/86.

D. Prices

(a) Common prices

The basic price for sugarbeet remained unchanged compared with 1984/85 whereas the intervention price for white sugar rose by 1.3% (readjustment of processing margin). The other prices in the sugar sector have been aligned with the latter increase, mutatis mutandis.

(b) Prices on the internal market

Ex-refinery market prices net of tax charged by the sugar industry in 1985/86 remained, on the whole, close to or occasionally below the intervention price in most Member States.

In Italy, the United Kingdom and Ireland, prices exceeded the intervention price somewhat more markedly whereas in Greece they remained below it.

(c) World prices

Owing to the extent of available supplies (see 3.1.A(d)), world sugar prices remained at very low levels. After sinking to their lowest ever level of 2.56 cents/lb in June 1985, prices recovered somewhat to stabilize between 5 and 6 cents/lb for the remainder of the year (with the exception of March and April 1986 when they fluctuated between 7 and 8 cents/lb). It should be noted that this price level is barely enough to cover the production costs of beet or cane sugar.

The average price of white sugar for immediate delivery (spot price) at the Paris stock exchange stands at 19.88 ECU/100 kg for 1985/86, i.e. approximately the same level as in 1984/85 (19.92 ECU/100 kg).

E. Management of the market

(a) Levies and refunds

World prices having remained well below Community prices throughout 1985/86, all exports of sugar covered by the quotas qualified for export refunds.

The average refund on exports for the 1985/86 marketing year was 420.43 ECU/tonne as against an average of 347.57 ECU/tonne for the years 1981/82 to 1984/85. Average import levies amounted to 469.30 ECU/tonne of white sugar and 416.00 ECU/tonne of raw sugar in 1985/86.

(b) International Sugar Agreement

The International Sugar Agreement, which was joined by the Community in 1984 and entered into force on 1 January 1985, is purely administrative in character. Efforts to open new negotiations on an agreement encompassing economic provisions have so far been unsuccessful.

(c) Intervention

The quantities delivered into intervention were fairly low: 63 000 tonnes of white sugar in 1984/85 and 45 000 tonnes in 1985/86 (compared with roughly 4 million tonnes available for export).

F. Budgetary expenditure

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

Gross expenditure by the EAGGF Guarantee Section was 1 242 million ECU in 1982, 1 316 million ECU in 1983, 1 631 million ECU in 1984 and 1 849 million ECU in 1985 and is estimated at 1 642 million ECU for 1986.

For the years 1981/82 to 1985/86, the cost of disposing of surpluses resulting from differences between sugar production and consumption in the Community have had to be borne entirely by the producers themselves. This expenditure is covered by revenue from the basic production levy and the B levy payable on production at A and B sugar and isoglucose.

In order to cover all actual expenditure relating to the export of surpluses, the Council introduced in 1986, in addition to the aforesaid levies, an "elimination levy" to be applied for a period of five years as from 1986/87 and designed to cancel out a deficit of 400 million ECU recorded at the close of the period 1981/82 to 1985/86.

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 production and storage levies, net Community expenditure totalled 536 million ECU in 1982, 368 million ECU in 1983, 455 million ECU in 1984, 788 million ECU in 1985 and roughly 528 million ECU in 1986. However, the above net amounts are accounted for almost entirely by expenditure resulting from the need to export a quantity of Community sugar equivalent to the 1.3 million tonnes of preferential sugar imported from the ACP countries; this expenditure has fluctuated between 330 and 560 million ECU in recent years.

4. SHORT-TERM OUTLOOK FOR 1986/87

4.1 PRICES AND AID SCHEMES

For 1986/87 prices in the sugar sector have been maintained at the same level as in the previous marketing year. Only the threshold prices for white sugar and raw sugar have been increased by 0.3% owing to technical adjustments mainly connected with the transport costs taken into account.

As in previous years, aid (national or Community) has been granted or authorized for:

- Italian and Spanish sugarbeet growers (national aid);
- sugarcane growers and raw sugar producers in the French overseas departments (Réunion and Antilles) (national and Community aid);
- Italian sugar industry (national aid);
- industries refining raw sugar of Community origin (overseas departments and raw beet sugar) in France, the United Kingdom and Portugal (Community aid).

4.2 THE NEW PRODUCTION SYSTEM

The new production system for the sugar sector (1) will apply for a period of 5 years from 1986/87.

Under the new system, the principle of financing by the producers (processors and growers) of expenditure resulting from the common organization of the market, and the quota system, will be maintained for five years. Quotas will be continued, for 1986/87 and 1987/88 only, at the same level as the quotas in force in 1985/86. The ceilings on the production levies to be paid by producers will also be maintained for two years.

Furthermore, the new system introduces an elimination levy to be paid for five years by producers on their output of A and B sugar and isoglucose. The levy, which will vary according to the sugar production region concerned, is intended as a safeguard against the deficit that has existed in the past. Spain and Portugal are exempt from the levy.

Lastly, a new system of production refunds for sugar used in industry has been designed in order to expand outlets for sugar in the Community and thus reduce the quantities to be exported; the expenditure relating to the quantities used beyond the traditional quantities will be borne by the producers themselves.

4.3 SHORT-TERM OUTLOOK

A. Production and use of sugar in the Community

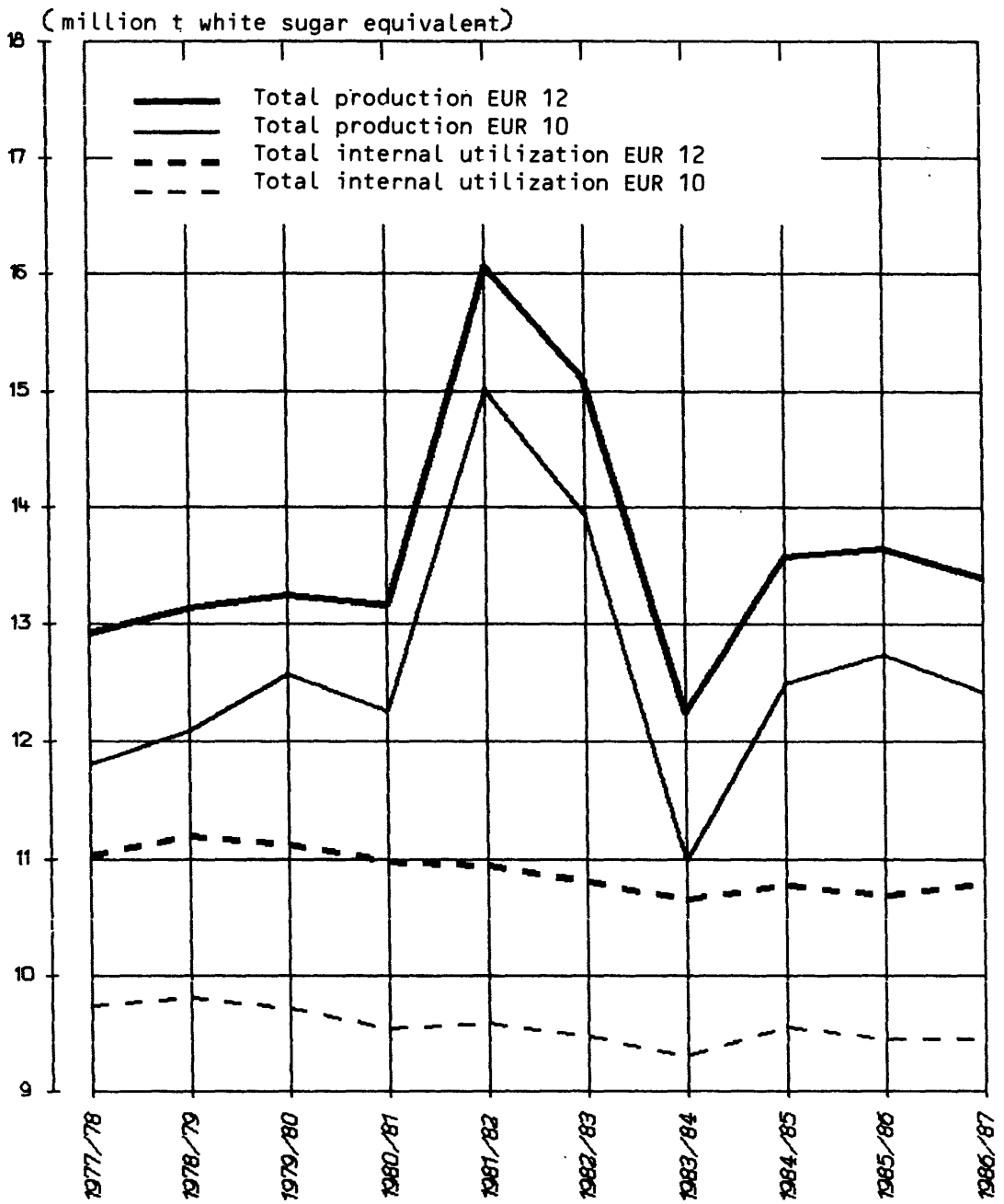
The area under sugarbeet in 1986/87 is estimated at 1 878 000 hectares (almost unchanged compared with the previous year).

Surveys carried out in sugarbeet fields up to the beginning of October 1986 and the results for the beginning of the processing year indicate a sugar yield of 6.96 tonnes per hectare. In the autumn of 1986 beet sugar production in the Community can therefore be estimated at 13.05 million tonnes, to which must be added 320 000 tonnes of cane sugar and 19 000 tonnes of sugar obtained from molasses, giving an estimated total of 13.4 million tonnes of white sugar equivalent.

Sugar consumption in the Community should reach a slightly higher level than in 1985/86 (taking into account also increased use in the chemical industry) and thus reach 10.8 million tonnes.

(1) Regulation (EEC) No 934/86 (OJ L 87, 2.4.1986).

SUGAR PRODUCTION AND UTILIZATION IN THE COMMUNITY



SOURCE : EC Commission, DG for Agriculture
1985/86: Provisional 1986/87; Forecast

If account is also taken of imports of preferential sugar, traditional external trade in sugar in the form of processed products and the amounts of C sugar carried over, the total supplies of sugar available for export - including C sugar - will, on the basis of current estimates, be in the order of 3.7 million tonnes of white sugar equivalent and therefore less than the quantities actually exported in 1985/86 (4.2 million tonnes).

B. World market outlook

According to the initial estimates, world sugar production in 1986/87 could reach 100 million tonnes. Unfortunately this constitutes an increase compared with the previous year and it is not to be ruled out that production may reach a record level.

It should be stressed that world production is increasing at the very time when sugar prices have been at a very low level and consumption is not even rising at a normal rate.

Any estimate of consumption at this stage in the year is very unreliable but it can be expected to rise above 100 million tonnes. The virtual balance between production and consumption will only allow of a modest reduction in existing stocks.

Under these circumstances, there is little reason to hope for substantial improvement in world sugar prices in the near future.

3. OILS AND FATS

- THE MARKET IN OILS AND FATS
- OLIVE OIL
- OILSEEDS

THE MARKET IN 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, Italy, Greece, Spain and Portugal 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 1984 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 - 1984 - EUR 10

| | <u>Quantity</u> ('000 t) | (%) |
|-----------------------------------|------------------------------|-----------|
| 1. Vegetable oils and fats | 4.401 | 55 |
| 2. Oils and fats of land animals | 1.828 | 23 |
| 3. Oils and fats of sea creatures | 373 | 5 |
| 4. Butter | <u>1.350</u> | <u>17</u> |
| TOTAL | 7.952 | 100 |

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 76% 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

According to FEDIOL statistics the production of vegetable oils in the Community of Ten and Twelve, not including olive oil, was 4.399.000 tonnes and 5.376.000 tonnes respectively in 1985 as compared with 3.786.000 tonnes and 4.941.000 tonnes in 1984. Of our consumption of vegetable oils 70% came from oilseeds crushed in the Community of Ten, the remainder being imported in the form of oil. Of the total quantity of seeds crushed in the Community of Ten in 1985 (16.309.000 tonnes) about 37% were of Community origin.

Table II

Production of vegetable oils (excluding olive oil) - 1985 - EUR 10

| | ('000 t) |
|-----------|----------|
| Sunflower | 726 |
| Soya | 1.718 |
| Rapeseed | 1.561 |
| Others | 394 |
| TOTAL | 4.399 |

Production of olive oil is normally between 700.000 t and 900.000 t per year in the Community of Ten, with the accession of Spain and Portugal it is now between 1 and 1,4 million tonnes. 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 - may be estimated at 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 112.000 t in 1983/84 and 106.000 t in 1984/85.

Butter production between 1981 and 1983 increased by 345.000 tonnes (18%) to 2.301.000 tonnes but after the introduction of the quota system as from April 1984 production dropped to 2.109.000 tonnes in 1984 and 2.028.000 tonnes in 1985.

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) increased from 23 kg per head in 1983 to 29 kg per head in 1984.

Table III

Consumption of vegetable oils - EUR 10 - 1983

| | (kg/head) |
|-----------|-----------|
| Sunflower | 2,1 |
| Soya | 3,9 |
| Rapeseed | 1,9 |
| Olive | 3,3 |
| Others | 1,5 |

Source: EUROSTAT

In 1984 apparent human consumption of oils and fats of land animals was 12 kg/head in 1984 as compared to 10 kg/head in 1983. Consumption of oils and fats of sea creatures decreased slightly in 1984 to 373.000 tonnes from 378.000 tonnes 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. It can be seen that during 1985/86 there has been a large decrease in world market prices for oils. This has been largely due to the relative abundance on the world market.

Table IV

Selected oil prices (average Oct/Sept) (US\$/t)

| | <u>1980/81</u> | <u>1981/82</u> | <u>1982/83</u> | <u>1983/84</u> | <u>1984/85</u> | <u>1985/86</u> |
|----------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Soya oil (Netherlands, FOB ex mill) | 540 | 463 | 463 | 722 | 625 | 386 (1) |
| Lard (cif UK) | 601 | 601 | 504 | 555 | 583 | 476 |
| Tallow (USA cif Rotterdam) | 474 | 443 | 408 | 509 | 465 | 302 |
| Fish oil (all origins cif n.w. Europe) | 427 | 363 | 349 | 391 | 299 | 256 |

Source: "Oil World".
(1) Average Oct/Aug.

OLIVE OIL

1. INTRODUCTION

According to available information, 5.3 million ha are planted with olive trees in the Community (2.2 million ha in Italy, 2.1 million ha in Spain, 0.5 million ha in Greece and 0.5 million ha in Portugal), i.e. about 66% of the total world area under olive trees and 4% of the Community's UAA. These areas change very little. The total number of cultivated and uncultivated olive trees is, according to certain estimates, about 544 million (188 million in Spain, 185 million in Italy, 117 million in Greece, 49 million in Portugal and 5 million in France).

The number of families involved in olive growing is about 1 million in Italy, 600 000 in Spain, 400 000 in Greece, 250 000 in Portugal and 40 000 in France, and most olive growing is located in the least-favoured areas of the Community.

2. GENERAL SITUATION

In a normal year, the production of olive oil in the Community of Twelve is about 1 250 000 tonnes, exceeding 80% of world production. However, because of the way olive trees bear fruit (in alternate years), production can vary very widely from one year to another.

The accession of Spain and Portugal brought a fundamental change in the situation for olive oil supplies in the Community: until 1975, Community production covered about 70% of Community needs. Subsequently, the percentage of requirements covered by home production gradually increased and when Greece joined the Community became practically self-sufficient. The average self-sufficiency rate for the present Community is 117%. For the time being, because of action taken with regard to exports in particular, this production surplus raises no major problems for the Community, provided internal consumption does not decline and the volume of the exports of the Twelve on the world market is sustained (or even a little increased) vis-à-vis the level achieved in recent marketing years.

3. THE 1985/86 MARKETING YEAR

In both Spain and Portugal, the oils and fats sector (which includes olive oil), is subject to conventional transition with special provisions. The market organization machinery started operation in the two new Member States on 1 March 1986.

The information concerning the 1985/86 marketing year given below concerns the Community of Twelve, except where the data refer to periods before the two new members joined. A special section below is devoted to the arrangement for the transitional period as regards olive oil.

A. Production

Since 1984/85, the production aid has been granted to olive oil growers who are members of an organization of producers producing at least 100 kg of olive oil, on the basis of the quantity of oil actually produced, and to other olive oil producers, on a flat-rate basis in terms of their number and production potential of the olive trees they grow.

In France, all the growers are members of producers' organizations; in Italy, about 97% of the growers are organized in this way. In Greece, the figure is about 95%.

On the basis of the aid applications submitted, production may be put, for 1984/85, at about 340 000 tonnes in Italy, 275 000 tonnes in Greece and 2 000 tonnes in France. However, it should be noted that in Italy, in particular, the quantities for which the aid is actually paid fall short of those covered by applications. For 1985/86, available information suggests that production was below average.

B. Consumption

Most olive oil is for human consumption, used directly or in preserved forms. However, small quantities are traditionally used by soap makers, cosmetics manufacturers, and as lubricants, etc.

The growers themselves consume a good deal of the product.

Since 1 April 1979, a consumption aid scheme has operated in the Community. The aid is granted for oil put up in containers of a maximum capacity of 5 litres by approved packaging establishments, and is subject to the requirement that the oil must be marketed at a price allowing for the consumption aid. However, packaging establishments have been approved in only six countries: Italy, France, United Kingdom, Greece, the Netherlands and Belgium.

The purpose of the aid is mainly to enable olive oil production to be marketed in normal conditions by offsetting part of the price difference between olive oil and the main competing vegetable oils.

From its inception (in 1978/79) until 1982/83, consumption aid applications increased on average by about 25% per year (most being submitted in Italy). Since 1983/84, the increase has been slower, being of only a few percentage points.

For 1984/85, the aid applications cover about 441 000 tonnes. For 1985/86, the forecasts, based on figures available in September 1986, are about 480 000 tonnes.

The increase in the quantities qualifying for consumption aid is accounted for partly by increased use of Community oil at the expense of olive oil imported from non-member countries, which does not qualify, and partly by the fact that in Greece the scheme was phased in from 1981 only.

As for the impact of the consumption aid on retail prices, figures for eight year's operation show that the effect has been satisfactory and that as a result, at least in the State which is the major user of olive oil, retail prices have increased much more slowly than wholesale prices.

However, for a detailed verification of the effectiveness of the consumption aid, including the impact on the consumption of olive oil of changes in price relationships with competing oils, the Commission has ordered a special study taking account of recommendations made by Parliament following a special report of the Court of Auditors on the EEC olive oil market organization.

C. Trade

(a) Intra-Community trade

Among the three main olive oil producing countries, Greece and Spain produce surpluses and are the main suppliers of the other Member States, and more especially of Italy, which is the main importer (and consumer) of this oil, followed by France and Portugal.

(b) Trade with non-member countries

In the past, the Community was the world's largest importer of olive oil. Its imports ranged between 100 000 and 200 000 tonnes. Since Greece joined, imports have been roughly halved; with the accession of Spain and Portugal, imports from non-member countries should be confined to the quantities coming from Tunisia, in view of the special measures the Council is planning to underpin traditional exports from that country.

Exports to non-member countries, on the other hand, are steadily increasing. After average exports of about 17 000 tonnes before 1981 and of 55 000 tonnes after Greece joined, exports of the Twelve to non-member countries for 1985/86 could well have totalled [130 000] tonnes.

(c) Food aid

Under the food aid arrangements approved each year by the Community, very small quantities of olive oil are provided to certain countries which are traditional consumers, and which so request.

D. Prices

(a) Common prices

The new market organization arrangement for olive oil entered into force on 1 January 1979.

For 1985/86, the prices and aid were set as follows:

| | <u>ECU/100 kg</u> | |
|-----------------------------|-------------------|------------------|
| | 1.11.85-20.5.86 | 21.5.86-31.10.86 |
| Producer target price | 322,56 | 322,56 |
| Production aid | 70,95 | 70,95 |
| Intervention price | 227,62 | 227,62 |
| Representative market price | 198,59 | 185,11 |
| Threshold price | 198,68 | 186,14 |

The consumption aid is equal to the difference between the production target price minus the production aid and the representative market price. For 1985/86, the consumption aid was 53.02 ECU/kg for the period from 01.11.1985 to 20.05.1986 and 66.50 ECU/kg for the period from 21.05.1986 to 31.10.1986.

For 1986/87, the prices set by the Council are as follows:

| | Spain | Portugal | ECU/100 kg Other Member States |
|-----------------------------|--------|----------|--------------------------------------|
| Producer target price | - | - | 322,56 |
| Production aid | 14,57 | 7,10 | 70,95 |
| Intervention price | 134,61 | 199,65 | 216,24 |
| Representative market price | - | - | 166,67 |
| Threshold price | - | - | 163,05 |
| Consumption aid | - | - | 84,94 |

(b) Trends on the Community market

In view of the volume of production and the heavy stocks at the beginning of the 1985/86 marketing year, market prices were generally fairly near the intervention prices, with some exceptions in certain producing countries for specific qualities. The only exception is Greece, where, because of the wide gap between the "green" rate and the real rate for the drachma, olive oil prices persisted throughout the marketing year at a high level, perhaps thus discounting, at least in part, the new green parity which will apply from 01.11.1986 (+ 17%).

In the absence of currency exchange measures with regard to this product, there was a heavy transfer of oil from Greece to Italy in early 1986. This entails shipment of a similar quantity to intervention in Italy, particularly of oils of poorer quality.

Because of an increase in the consumption aid approved in April 1986, oil was sold on the market at acceptable terms, despite keener competitions from other vegetable oils, prices for which declined appreciably throughout the marketing year.

E. Market management

(a) Import levies

Since June 1976, the levy has been set by tender procedure allowing not only for the world market but also for the Community market and its requirements, and for levy offers bid by the operators. Since 1985/86, there has been no particular problem with regard to levy fixing; however, following the reduction in the threshold price related to the change in the consumption aid, the levy was reduced proportionately.

In July 1986, the Council, acting unilaterally and ahead of special measures designed to facilitate the traditional disposal of Tunisian olive oil in the Community, decided to apply the special levy of 28 ECU/kg, for two months, for a quantity of 20 000 tonnes of olive oil from that country.

(b) Refunds

During the 1985/86 marketing year, a general refund was granted for exports of certain qualities of olive oil put up in packages of at least 5 kg.

To allow for developments in the trade of the Community of Twelve, and in view of the lack of world market price quotations, the Council decided that the refund would also be set by tender procedure. Accordingly, a permanent tender procedure for the refund was started in August 1986.

(c) Intervention

At the beginning of the 1985/86 marketing year, Community intervention stocks totalled 59 400 tonnes (Community of Ten). At the same time (1 November 1985), Spain held a public stock of about 254 000 tonnes and Portugal held a quantity of 11 600 tonnes. Public stocks in the twelve Member States therefore totalled about 325 000 tonnes at the beginning of the marketing year.

On 1 March 1986, the Community took over a quantity of 161 000 tonnes of Spanish national stock and all the Portuguese national stock; subsequently, Spain disposed of the rest of its national stock on the market.

According to information available in October 1986, 78 730 tonnes (of which 75 160 tonnes in Italy and 3 570 tonnes in Portugal) were bought in during the 1985/86 marketing year, and 29 968 tonnes (of which 7 100 tonnes for exports) were sold.

The intervention stock at the end of the marketing year was as follows:

| | |
|----------|----------------|
| Spain | 159 300 tonnes |
| Italy | 100 500 tonnes |
| Portugal | 12 800 tonnes |
| Greece | 300 tonnes |
| ----- | ----- |
| Total | 272 900 tonnes |

(d) Alteration of the consumption aid during the marketing year

Following a sharp decline in the prices of seed oils on the Community and world market, the Commission reduced, in May, the representative market price and the threshold price. Accordingly, the consumption aid resulting therefrom was increased by 13.48 ECU/100 kg, rising from 53.02 to 66.50 ECU/100 kg.

(e) Conclusion of a new International Olive Oil Agreement

A United Nations Conference on Olive Oil was held in Geneva at the end of June; it led to the establishment of the text of the 1986 International Agreement on Olive Oil and Table Olives.

The Agreement now negotiated retains, broadly speaking, the administrative character of the preceding agreements, with a role of advisory agency enabling the oil policies pursued by its members to be assessed on a permanent basis. However, in accordance with Council directives, two fundamental aspects were strengthened in the new agreement:

- technical cooperation on oil growing,
- propaganda fund, the operations of which benefit mainly the Member States of the Community.

The Agreement should normally enter into force on 1 January 1987 for an initial period of five years, which may be renewed for two one-year periods.

F. Budget

Expenditure on olive oil depends on intervention, aid paid to growers, the consumption aid paid to packaging plants and export refunds.

EAGGF Guarantee Section expenditure on olive oil totalled 692.2 m ECU in 1985, i.e. 3.5% of total guarantee expenditure. For 1986, foreseeable expenditure was 1 034 million ECU.

4. SPECIAL PROVISIONS CONCERNING SPAIN AND PORTUGAL

The provisions for the transitional period relating to olive oil in Spain and Portugal form part of the arrangements concerning oils and fats. In general, both Member States are subject to conventional transition, with certain special features (see in this connection the chapter on oils and fats below).

The Spanish and Portuguese intervention prices will be aligned on the Community price at a rate of one twentieth of the original discrepancy per year until the end of 1990, and then by three twentieths of the original difference per year after that date. The difference in intervention prices between the Community of Ten and the new Member States will be offset in trade by an accession compensatory amount.

With regard to the production aid, Spain was authorized to retain its national scheme until the end of 1985/86. From 1986/87 onwards, the Spanish aid will be aligned on the Community aid at a rate of 10% per year, so that the Community aid will be applicable on 1 January 1991. In Portugal, the aid will be introduced only during the first marketing year following accession and will subsequently be aligned gradually on the Community aid.

The consumption aid will be introduced in Spain and Portugal only from 1 January 1991 onwards, at a rate still to be agreed, the aim being to reach the common level by the end of the transitional period.

As for intervention measures, the Community considers as normal carryover stock, and therefore took over, 161 000 tonnes of olive oil in Spain out of a total stock of 251 000 tonnes in free circulation in that country on 1 March 1986. In Portugal, the Community took over all the public stock in free circulation on that date.

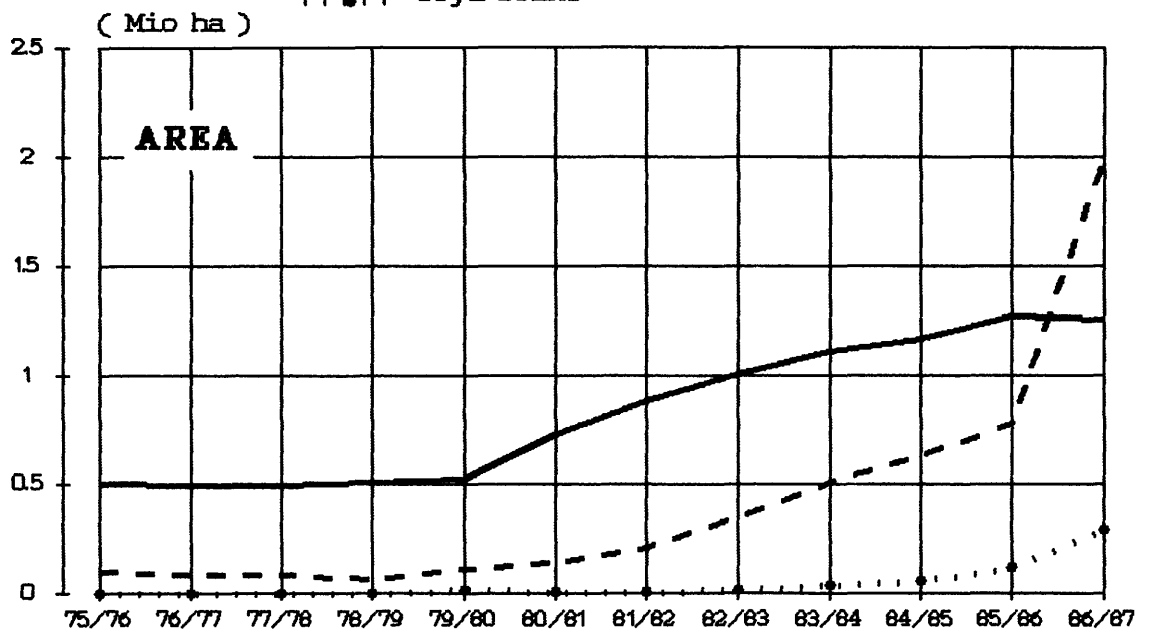
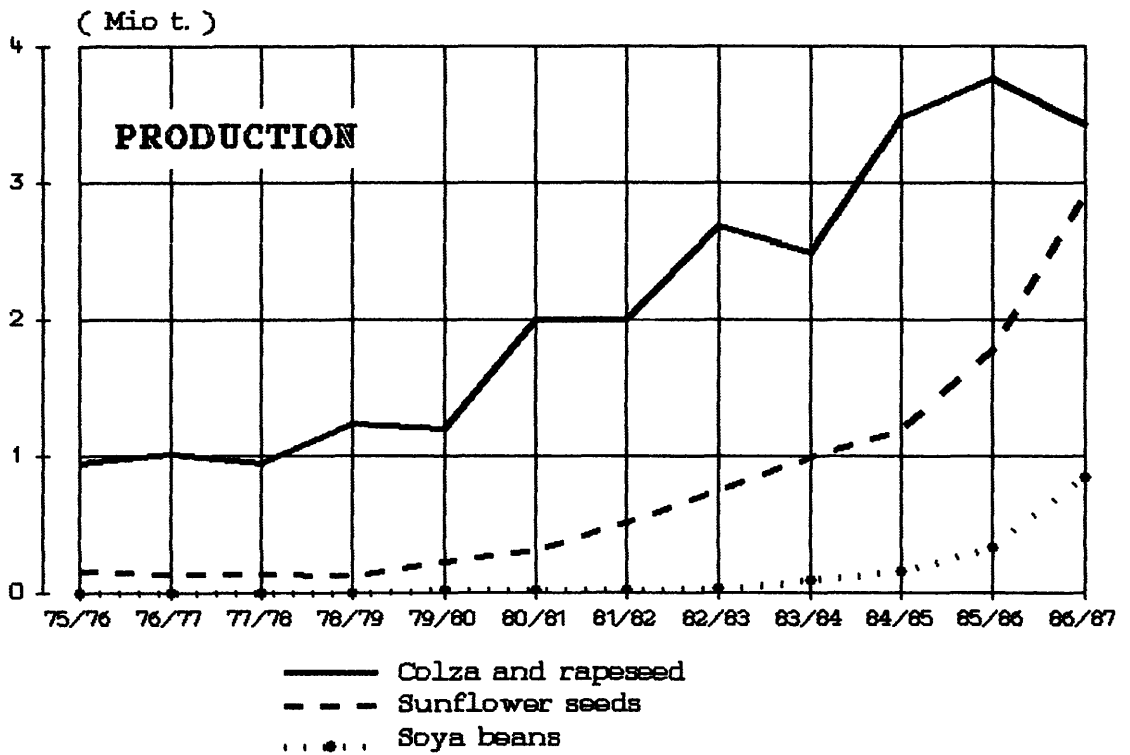
OILSEEDS

The Community meets less than half of its oil and oilcake needs. Its degree of self-sufficiency in 1985 was approximately 47% for oil (excluding olive oil) and 12% for oilcake. It imported that year over 3 million tonnes of fats and oils and over 17 million tonnes of meal (mainly in the form of soya meal). The Community has a positive policy towards the increase in Community oilseed production but with the aim that this is regulated to increase at an acceptable pace.

For colza and rapeseed and sunflowerseed this was carried out by means of the "guarantee threshold" system but this did not prove totally effective, therefore, for the 1986/87 marketing year the Council has agreed the introduction of a system of "guaranteed maximum quantities" whereby the Community guarantees the payment of the subsidy up to a given production level. If this level is exceeded within the marketing year in question the subsidy is reduced proportionately.

Also, for the 1986/87 marketing year the Council has agreed the introduction of a bonus on both the target price and the intervention price for colza and rapeseed once it has been determined that it is "double zero" colza or rapeseed. This measure has been introduced to improve the quality of rapeseed meal so that its use in animal feedingstuffs can be increased.

OILSEEDS



SOURCE: Commission of the EC, DG for agriculture.
1975/76 - 1985/86 : EUR 10; 1986/87 : EUR 12.

I. COLZA AND RAPESEED, SUNFLOWERSEED

1. THE 1985/86 MARKETING YEAR

A. Production

In 1985 the Community area under rapeseed was 1.274.400 ha for the Community of Ten and 1.282.600 ha for the Community of Twelve. In both cases there was an increase of 0,5% on 1984 figures. Area increased in all of the producing countries with the exception of Belgium, Luxembourg, the Netherlands and Spain (the first three showing a decline whilst the latter remained the same).

1985 did not produce the same excellent yields which had occurred in 1984. Instead yields showed an 8% reduction for the Community of Ten (2,435 t/ha as compared to 2,8278 t/ha in 1984). Total production was 3.746.600 tonnes for the Community of Ten and 3.756.600 t for the Community of Twelve.

World production of rapeseed was 18,68 million tonnes as compared to 16,5 million tonnes in 1984. The Community's share of world production fell slightly to 20% from 21% the previous year.

The area under sunflowerseed was 771.800 ha for the Community of Ten and 1.798.000 ha for the Community of Twelve, with Spain alone having an area of 988.200 ha. There was an increase in area of 24% for the Community of Ten and an increase of 8% for the Community of Twelve in 1985 as against 1984.

Production rose to 1.784.500 tonnes from 1.192.700 tonnes for the Community of Ten and to 2.723.500 tonnes from 2.320.700 for the Community of Twelve. There was a significant increase in the yields in 1985, up to 2,12 t/ha in the Community of Ten and up to 1,58 t/ha in the Community of Twelve (an increase of 16% and 8% respectively).

World production of sunflowerseed rose to 18,545 million tonnes in 1985 from 16,48 million tonnes in 1984. With the accession of Spain, the Community now represents 15% of the world production of sunflowerseed as compared to only 7% previously.

B. Consumption

The demand for rape and sunflowerseed 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.

(a) Oil

Consumption of rapeseed oil in 1985/86 increased by 18% (1,196 million tonnes as against 1,013 million tonnes) in the Community of Twelve on that for 1984/85. Sunflower oil consumption increased by 3% (1,269 million tonnes as against 1,233 million tonnes).

(b) Oilcake

Consumption by the Community of Twelve of rapeseed cake increased in 1985/86 from 2.265.000 tonnes to 2.385.000 tonnes (5% increase). Sunflowercake showed an increase of 13% to 2.311.000 tonnes from 2.039.000 tonnes.

C. Trade and food aid

Imports of rapeseed into the Community of Twelve rose to 351.000 tonnes in 1985/86 from 205.000 tonnes in 1984/85 whereas imports of sunflowerseed fell to 319.000 tonnes from 650.000 tonnes.

Exports of both rape and sunflowerseed remained at fairly low levels although there was a decrease from 68.000 tonnes in 1984/85 to 6.000 tonnes in 1985/86.

Trade in rapeseed within the Community consists mainly of imports into Germany, the Netherlands, Belgium and Luxembourg from France. There are also quite high exports from the UK to France and Germany. Imports in sunflowerseed followed a similar pattern to rapeseed imports.

During the 1985/86 marketing year around 7.000 tonnes of rapeseed oil and around 1.000 tonnes of sunflower oil were exported as food aid to various countries in Africa, South America and Asia.

D. Prices

(a) Common prices

For the 1985/86 marketing year the Commission proposed to the Council a reduction in the rapeseed target price of 3,6% owing to the fact that the 1984/85 guaranteed threshold of 2.410.000 tonnes has been exceeded in that marketing year. The Council did not accept the Commission's proposal and the Commission proposed a smaller reduction of 1,8%. The Council did not agree to this smaller reduction, the Commission however continued to work on the basis of its proposal for the whole of the 1985/86 marketing year in order that it could maintain the organization of the market for rapeseed. The 1985/86 rapeseed target price was therefore set at 46,41 ECU/100 kg.

The 1985/86 target price for sunflowerseed was agreed by the Council and was set at 57,35 ECU/100 kg which represented a 1,5% decrease on the previous year.

(b) Market prices

- World market price

During 1985/86 prices remained fairly low especially for oil since there was an abundance of oils on the market, particularly palm oil which tended to pressure the other oils. World production of oilseeds was also higher than in 1984/85 which further pressured prices. The dollar also became weaker against other currencies which further depressed prices.

- Community market

During the 1985/86 marketing year prices obtained by producers for both sunflowerseed and rapeseed were in the main higher than the intervention price, although a very small number of producers received the intervention price.

E. Market management

(a) Subsidy and refunds

The subsidy for rapeseed in the 1985/86 marketing year fluctuated between 14,01 ECU/100 kg at its lowest and 30,97 ECU/100 kg at its highest. The average subsidy was 25,40 ECU/100 kg. The export refund for the same period varied between 9 ECU/100 kg and 27 ECU/100 kg.

For sunflowerseed the subsidy varied between 24,76 ECU/100 kg and 41,81 ECU/100 kg. The average subsidy was 34,96 ECU/100 kg. No export refunds were fixed for this product because of the Community deficiency situation.

(b) Intervention

During the 1985/86 marketing year only 150 tonnes of rapeseed were taken into intervention in Denmark. This is considerably less than the 62.516 tonnes which were taken into intervention in 1984/85. For the 1985/86 marketing year the Commission also adopted a reduction to 1,25 ECU/100 kg for the bonus above the intervention price for "double-zero" rapeseed.

The intervention price for 1985/86 for rapeseed was 42,15 ECU/100 kg and 52,47 ECU/100 kg for sunflowerseed.

F. Budgetary expenditure

EAGGF Guarantee Section expenditure on rape and sunflowerseed amounted to 982,8 million ECU in 1985. This was 60% more than in 1984. The appropriations allocated for 1986 are 1,549 billion ECU.

2. THE 1986/87 MARKETING YEAR - SHORT TERM OUTLOOK

A. Guaranteed maximum quantity

For the 1986/87 marketing year the Council agreed a change in the mechanism for controlling the rate of increase of production of rapeseed and sunflowerseed within the Community. The Council agreed the introduction of the guarantee threshold in 1982/83 for rapeseed and in 1984/85 for sunflowerseed. This mechanism did not fully control the growth in production and one of its main features was that penalties were applied in the year following that in which the threshold had been exceeded. There was therefore a risk that the penalty would not correspond to the level of production within the marketing year in which it was applicable. For the 1986/87 marketing year the Council agreed to the Commission's proposal for a system of maximum quantities at guaranteed prices similar to that applicable for cotton. If the quantity of seed actually produced within a marketing year exceeded the maximum quantities fixed, the subsidy would be reduced proportionately. The intervention price would also be similarly reduced.

At the beginning of a marketing year an estimation of the forthcoming harvest is made and the subsidy, the export refund and the intervention price are adjusted according to the ratio between the estimated production and the maximum guaranteed quantity. The maximum quantities set by the Commission for the 1986/87 marketing year were 3,5 million tonnes for rapeseed in the Community of Ten and 10.000 tonnes for Spain and 1,7 million tonnes for sunflowerseed in the Community of Ten and 1,2 million tonnes for Spain. The estimated levels of production of rapeseed were 3,2 million tonnes for the Community of Ten, 7.000 tonnes for Spain and 0 production for Portugal. The estimated productions were below the maximum quantities, there was therefore no abatement in the subsidy levels.

The estimated production for sunflowerseed for 1986/87 for the Community of Ten was 1,93 million tonnes, 800.000 tonnes for Spain and 32.000 tonnes for Portugal. The quantity for the Community of Ten exceeded the maximum guaranteed quantity and there was therefore an abatement in the subsidy of 2,918 ECU/100 kg. There was no abatement for Spain or Portugal.

B. "Double-zero" rapeseed

In its price proposals for 1985/86 the Commission said that different prices should be used to encourage the production of low-glucosinolate "double-zero" varieties of rapeseed in order that the concentrations of rapemeal in animal feedingstuffs could be increased. In addition to price proposals for rapeseed the Council also did not take a decision on "double-zero" rapeseed and the Commission again put forward its proposal for "double-zero" rapeseed for the 1986/87 marketing year. The bonus for "double-zero" rapeseed was agreed by the Council at 1,25 ECU/100 kg, to be added to the target price. The Commission further stated its intention to only grant aid for "double-zero" rapeseed from 1991/92 onwards. This bonus was in addition to that previously introduced on the intervention price. The maximum glucosinolate level fixed for "double-zero" rapeseed was set at 20 micromoles/gramme of seed, with the level being 35 micromoles/gramme of seed for the 1986/87 and 1987/88 marketing years.

C. Prices

For the 1986/87 marketing year the Council adopted the following prices :

- (i) Target prices for rapeseed :
 - 46,41 ECU/100 kg for the Community of Ten and Portugal,
 - 40,89 ECU/100 kg for Spain;
- (ii) Intervention price for rapeseed:
 - 42,15 ECU/100 kg for the Community of Ten and Portugal,
 - 36,63 ECU/100 kg for Spain;
- (iii) Target prices for sunflowerseed :
 - 58,35 ECU/100 kg for the Community of Ten and Portugal,
 - 42,83 ECU/100 kg for Spain;
- (iv) Intervention price for sunflowerseed:
 - 53,47 ECU/100 kg for the Community of Ten and Portugal,
 - 37,95 ECU/100 kg for Spain.

These prices represent a maintenance in the prices for rapeseed but a 1 ECU increase in the prices for sunflowerseed owing to a change in the oil content for standard quality seed from 42% to 44%.

II. SOYA BEANS

The Community production of soya beans has risen dramatically in recent years, doubling or more than doubling each year. In 1984/85 production was 155.400 t for the Community of Ten and 160.100 for the Community of Twelve. The 1985/86 production was 339.300 t and 344.000 t respectively. The estimated production for 1986/87 is around 850.000 tonnes. The Community soya crop accounts for only a very small proportion of world production (100 million tonnes in 1985/86) or consumption within the Community (20 million tonnes of seed equivalent in 1985/86).

For the 1985/86 marketing year, the guide price was fixed at 57,58 ECU/100 kg and the minimum price was fixed at 50,67 ECU/100 kg; these prices represent an increase of 1% as compared to 1984/85.

Aid for soyabeans in the 1985/86 marketing year fluctuated between 32,221 ECU/100 kg and 39,842 ECU/100 kg with the average being 35,898 ECU/100 kg. The aid at the start of the 1986/87 marketing year was 39,286 ECU/100 kg.

EAGGF Guarantee Section expenditure on soya beans amounted to 115,5 million ECU in 1985, compared to 32,8 million ECU in 1984. The appropriations allocated for 1986 are 141 million ECU.

For the 1986/87 marketing year the guide price was fixed at the same level as 1985/86 - 57,58 ECU/100 kg for the Community of Ten and Portugal and 42,34 ECU/100 kg for Spain.

The minimum price was also fixed at the same level as previously; 50,67 ECU/100 kg for the Community of Ten and Portugal and at 35,43 ECU/100 kg for Spain.

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.

Flax seed is either used whole (as food or feed) or crushed, in which case the resulting oil and cakes go to the processing and feed industries respectively.

With about 65.000 ha producing 65.000 t of seed in an average year, the cultivation of flax (1) accounts for only a very low proportion of the Community UAA and of world production of flax seed (5,0 million ha and 2,5 million t in 1985 according to the FAO, against 4,8 million ha and 2,4 million t in 1984).

This crop makes only a modest contribution to meeting the Community's large requirements, since imports in 1985 amounted to 346.000 t of flax seed (327.000 t of which came from Canada), 22.000 t of oil (18.000 t from Argentina) and 438.000 t of oilcake (339.000 t from Argentina and 76.000 t from the United States).

After falling steadily for several years the cultivation of seed flax picked up to a certain extent in the Community in 1985, with the total area planted rising to 4.333 ha (7.060 t), as against 1.991 ha in 1984, 2.112 ha in 1983 and 3.147 ha in 1982. Production is currently limited to the United Kingdom (3.130 ha), Italy (720 ha) and France (325 ha), plus a few hectares in Denmark and the Federal Republic of Germany. The average yield in 1985 was 1.629 kg/ha, compared with 1.534 kg/ha the previous year. In the case of fibre flax both the total area and the yield rose in 1985 (75.375 ha and 929 kg/ha, as against 64.450 ha and 872 kg/ha in 1984) and the production of seed as a by-product of the fibre flax crop totalled 70.000 t, compared with 56.200 t in 1984. At present neither Portugal nor Spain is a flax seed producer.

Community aid for flax seed consists of a subsidy equivalent to the difference between the guide price and the world market price. Flax seed and cakes enter the Community without restriction or duty, but for imports of flax seed oil duty is payable at a rate of 5 or 8%.

(1) Fibre flax and seed flax.

For the 1985/86 marketing year, the guide price was fixed at 55,41 ECU/100 kg compared with 54,86 ECU/100 kg for 1984/85 (+ 1%). The average world market price having been 25.939 ECU/100 kg, the aid paid was 29,471 ECU/100 kg compared with 16,633 ECU/100 kg for 1984/85 (world price 38,227 ECU).

EAGGF Guarantee Section expenditure on flax seed and fibre flax was 9,4 million ECU for 1985. EAGGF Guarantee Section expenditure on flax seed and fibre flax is estimated at 21,0 million ECU for 1986 (0,1% of total expenditure of the Guarantee Section).

The 1986/87 guide price is unchanged, at 55,41 ECU/100 kg (it has been set at 46,81 ECU in the case of Spain). Although the possibility of flax being grown in Spain cannot be ruled out, the development of the flax seed crop in the Community generally is being hampered, mainly by the fact that yields in most of the Community's production areas tend to be lower than those of other oilseeds.

IV. THE MARKET OF THE COMMUNITY OF TWELVE - SPECIAL ARRANGEMENTS FOR PORTUGAL AND SPAIN

1. INTRODUCTION

In a Joint Declaration on oils and fats annexed to the Act of Accession, the Member States stated that, after enlargement, they would, on a proposal from the Commission, begin discussions on the adjustment of the "acquis communautaire" to the new realities of a twelve-nation Community.

The transitional arrangements adopted for oils and fats reflect this undertaking. They are the fruit of a compromise between the desire to continue applying pre-accession national arrangements until the Community legislation has been appropriately adjusted and the need to modify national arrangements wherever possible to bring them more into line with Community requirements.

2. THE TRANSITIONAL PERIOD - PRINCIPLE

The Act of Accession of Spain and Portugal provides for a ten-year transitional period for oils and fats, especially oilseeds.

This sector differs from the other sectors subject to conventional transition in that, during the first five "standstill" years, the increase in prices and quantities of vegetable oils other than olive oil marketed inside Spain and Portugal is to be very moderate. The objective is to maintain olive oil consumption and thus to allow of the disposal of existing Community surpluses, and to give the Twelve time to make the necessary adjustments to the Community legislation.

3. THE TRANSITIONAL PERIOD - IMPLEMENTATION

3.1 Prices

For sunflower seeds and soya beans, Spanish prices at the time of accession were in the order of 60% of the common prices. The Act of Accession provides for annual alignments equivalent to one-tenth of the original difference.

For Portugal, where consumption of oilseeds very much exceeds production, prices were aligned on Community prices at the time of accession.

The system of guaranteed maximum quantities adopted by the Council in May 1986 is applicable in both Spain and Portugal.

3.2 Aids

The principle underlying the "standstill" system is that the price ratios for oils in Spain and Portugal should not be changed in the first five years. Accordingly the Commission decided, in conformity with the Act of Accession, that no aid should be granted for oilseed crushing while the target prices in Spain and Portugal remained unchanged. However, if these target prices rise towards the level of the common price, it has been provided that, in order to allow Spanish and Portuguese operators to remain in business, the price increase should be offset by an equivalent amount of aid, so that margins are safeguarded.

At the end of the five-year period, the common system will be applied and the oilseed crushing aid will offset the difference between the common target price and the world market price.

3.3 Trade

Two main steps have been taken:

- the system of accession compensatory amounts does not apply to trade in oilseeds. It was thought preferable to apply a system of aid adjustment to ensure that seed produced in one State and processed in another is on an equal competitive footing with seed produced in the processing State and with seed imported from non-member countries;
- for trade within the Community, intra-Community customs duties on oilseeds and oilcake will be phased out over a ten-year period; for trade with non-member countries, tariffs will be gradually aligned on the Common Customs Tariff over ten years, except in the case of vegetable oils other than olive oil, for which duties will remain unchanged for the first five years.

Parallel to this, it has been decided to apply quantitative restrictions on imports into Portugal from non-member countries. And trade in oilcake between Portugal and the other Member States is to be subject to the Supplementary Trade Mechanism (STM) until 31 December 1995.

3.4 Transitional measures concerning intervention

Because of the structure of production in Spain and Portugal, immediate application of some of the intervention rules now in force in the Community of Ten - especially the rules on the minimum size of oilseed lots for intervention should be aligned gradually on the levels applied in the rest of the Community.

3.5 The "standstill" arrangement

This arrangement constitutes the first phase of the transitional period; the purpose is to maintain olive oil consumption by applying various restrictions on the quantities and prices of the competing products in order to promote the disposal of Community olive oil production - already in surplus - and to give the Twelve time to make the necessary adjustments to the "acquis communautaire".

During this five-year period, Spain and Portugal - and more especially Spain - are to maintain certain pre-existing commercial arrangements designed specifically to protect olive oil against competitive oils.

These consist primarily in quantitative restrictions on consumption and imports. However, the state monopolies concerned with external and domestic trade have been replaced by a more transparent, non-discriminatory system of restrictions to be managed by the Community without national intervention.

At the start of each marketing year a supply balance is drawn up and used as a basis for determining the quantity of vegetable oils other than olive oil that can be placed on the market in Spain and Portugal. Account must be taken of consumption and production levels during a reference period and of the foreseeable trend of domestic demand.

If the quantity fixed for domestic consumption exceeds domestic production, the excess represents the maximum quantity that may be imported into the two new Member States for disposal on the domestic market. If domestic production exceeds the level calculated for domestic consumption, the surplus must be exported and the level of imports for sale on the domestic market is fixed at zero.

In applying for an import licence, operators must indicate whether the product to be imported is intended for sale on the domestic market or for processing and subsequent re-export.

In the case of products to be imported for sale on the home market, import licences are granted only within the limits of the quantities fixed on the basis of the supply balance as acceptable for domestic sale. In the case of imports of seed or oil for processing and re-export of an equivalent quantity of oil, i.e. imports not intended for domestic sale, operators may import as much as they wish, irrespective of the limits otherwise applicable to imports. This is the "compensated" imports mechanism.

Special measures have been adopted for soya in Spain and sunflower in both new Member States to facilitate disposal if the oil is intended for export.

The standstill arrangement is not confined to quantitative restrictions. The Act of Accession provides explicitly for the control of prices for oils competing with olive oil. In this connection, after discussions in the Council, the Commission decided to apply a levy on the price of such oils in order to maintain pre-accession price ratios and to safeguard the desired levels of olive oil consumption in the two new Member States.

The standstill arrangement applies until 31 December 1990. The Commission is required, before October 1987, to propose concrete measures to the Council for the adjustment of the "acquis communautaire" in the oils and fats sector.

4. FRUIT AND VEGETABLES, LIVE PLANTS AND FLORICULTURAL PRODUCTS

- FRESH FRUIT AND VEGETABLES
- PRODUCTS PROCESSED FROM FRUIT AND VEGETABLES
- LIVE PLANTS AND FLORICULTURAL PRODUCTS

FRESH FRUIT AND VEGETABLES

1. INTRODUCTION

In the Community of Ten, production of fresh fruit and vegetables represented 12% of final agricultural production. The importance and tasks of the fresh fruit and vegetable sector in the enlarged Community are bound to increase as a result of the accession of Spain and Portugal, where fruit and vegetables occupy an essential place in the agricultural economy.

2. GENERAL SITUATION

During the 1985/86 marketing year fresh fruit production in the Community of Ten fell by 5% compared with the previous year, with the exception of citrus fruit production, which rose by 9%. Total production of fresh vegetables rose slightly (+ 1%), although tomato production was down 6% on 1984.

For 1985/86 the institutional prices (basic price and buying-in price) were reduced by 1,5% for peaches and apricots and by 3% for citrus fruit and tomatoes, while the prices of other products remained stable or rose slightly (+ 1%).

Market prices were satisfactory, despite fluctuations according to product, market or period of the marketing year.

Reference prices were raised by around 5%, except for citrus fruit, where the increases were greater because of the gradual reduction in the "penetration premium".

Some countervailing charges were applied but, generally speaking, the prices of imported products were at reasonable levels.

The situation as regards intervention, which was much better for apples than in 1984/85, was unfortunately worse, especially in Italy, for peaches, mandarins and tomatoes.

Trade in vegetables, both within the Community and with non-member countries, was much the same in 1985 as in the previous year. The same applies to exports of fresh fruit. Imports of fresh fruit into the Community fell slightly, however, while intra-Community trade in fresh fruit increased by around 10%.

The production estimates for 1986/87 suggest that the trend will vary depending on the product : down for tomatoes and apricots, up for apples and nectarines, stable for peaches and pears.

As regards institutional prices, the most important thing to bear in mind is the fact that the Council has reduced the ratio between the buying-in price and the basic price for a number of products. This means that average withdrawal prices are well down on 1985/86, especially for tomatoes, peaches and apricots.

It should also be borne in mind that, in accordance with the Act of Accession, the new Member States will not be applying all the mechanisms of the market organization in fruit and vegetables until the start of the second stage of the transitional period.

3. THE 1985/86 MARKETING YEAR

Both in Spain and Portugal, the fresh fruit and vegetable sector is the subject of transition by stages. Until the end of the first stage, therefore, the integrated market, i.e. the market to which the EEC market organization applies, is the Community of Ten, and the analysis of the 1985/86 marketing year relates only to this market.

3.1. THE INTEGRATED MARKET

A. Production

(a) fresh vegetables

Production of vegetables harvested for sale was 31,6 million t in 1985, slightly up on 1984 (+ 1%).

Production was up in all Member States except Italy and Greece. Italian production of fresh vegetables, which accounted for 40% of the Community total, was down by around 5,3% while for Greece (with 13% of EEC output) the drop was only 1%. Community production of tomatoes in 1985 was 9,9 million t, down 6% on 1984, with a bigger fall in Italy (9,6%) than in Greece (4,6%). French production, however, was up 6,7% at 887.000 t.

(b) fresh fruit

At 20,5 million t, Community production of fresh fruit harvested for sale was down 5% in 1985 compared with 1984. The fall in production of dessert apples, dessert pears and peaches was partly offset by the rise in output of some products, such as table grapes and citrus fruit.

The situation by product was as follows :

- In the case of dessert apples (31% of Community fruit production in 1985) harvested production in 1985 was 15% down on 1984. The drop occurred in all Member States.
- In the case of dessert pears (9% of Community fruit production in 1985) the 1985 harvest was down by around 18% on 1984. However, in some Member States (Belgium, the United Kingdom, Denmark and Greece) production was slightly up.
- In the case of peaches (10% of Community fruit production in 1985) production in the Community as a whole in 1985 was down 9,2% on 1984. Output rose in France but fell in Germany, Italy and Greece.
- In the case of table grapes (8,2% of Community fruit production in 1985) the 1985 harvest was up 1,4% on 1984. Output increased in all producer Member States with the exception of Belgium.
- In the case of citrus fruit (19,6% of Community fruit production in 1985) production rose in Italy and France by 17% and 15% respectively compared with 1984 but fell in Greece by 12,2%. In the Community as a whole, production was up 9,2% compared with 1984.

B. Internal consumption

Internal consumption of fruit in the Community of Ten in 1984/85 was 21,1 million t (1), a rise of 9,8% compared with 1983/84. For citrus fruit the figure was 8,0 million t, down 19,2% on the previous year.

Internal consumption of vegetables, at 34,3 million t, showed a rise of 4,3% compared with the previous year.

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

(a) human consumption

Human consumption was the principal use made of fresh and processed fruit, and accounted for 84% of all internal consumption.

In 1984/85 per capita consumption of all fruit was 92 kg for the Community of Ten, an increase of 4,5% compared with the previous year. However, consumption of citrus fruit declined (27,5 kg instead of 29 kg) while consumption of other fruit rose (64,5 kg instead of 59 kg).

Human consumption of vegetables was 88% of all internal consumption while per capita consumption was 110 kg in 1984/85, which more or less corresponds to the figures for the previous year.

(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 Community of Ten's self-sufficiency rate was around 100% for vegetables in 1984/85. The figure for non-citrus fruit was 82,8% and for citrus fruit 45%. The figures for the 1983/84 marketing year were 98%, 83% and 47%.

C. Trade

(a) trade with non-member countries

- fruit

In 1985 a total of 4,4 million t of fresh fruit was imported into the Community, 6,4% less than in the previous year. Citrus fruit accounted for 61% of fruit imports, with 2,7 million t (oranges 1,4 million t, lemons 0,2 million t, grapefruit 0,32 million t, clementines 0,51 million t).

Imports of apples, which occupied second place, amounted to 0,48 million t.

Exports to non-member countries were just a little over 1,1 million t, including 0,19 million t of apples, 0,19 million t of lemons, 0,10 million t of peaches and 0,2 million t of oranges.

- vegetables

Imports of fresh vegetables from non-member countries amounted to 1,57 million t while exports reached 0,37 million t.

(b) intra-Community trade

- fruit

Although the volume of intra-Community trade was less than what the Community imported from non-member countries, it still amounted to 3,3 million t (10% up on 1984).

Apples were the main product traded (1,1 million t), followed by peaches (0,4 million t) and oranges (0,3 million t).

- vegetables

In the case of vegetables, on the other hand, intra-Community trade involved 2,9 million t, about twice the quantity imported from non-member countries. Tomatoes were the main product traded within the Community (0,6 million t).

D. Prices

(a) common prices

Basic prices and buying-in prices were fixed for the 1985/86 marketing year in such a way that the resulting average withdrawal prices at which producer groups buy back their members' unsold produce were 1% higher than in the 1984/85

marketing year for cauliflowers and aubergines, remained stationary for pears, table grapes and apples and fell by 1.5% for peaches and apricots and by 3% for tomatoes, lemons, mandarins and sweet oranges.

In the case of Greece, basic prices and buying-in prices for 1985/86 were fixed by the Council to continue the gradual adjustment required by the Act of Accession. Common prices were applied in Greece for all products taken into intervention except tomatoes and peaches.

Reference prices, which determine the minimum level of entry prices for a number of products imported from non-member countries, were increased in real terms by 4.8% on average between 1984/85 and 1985/86 for cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries, plums, aubergines and courgettes. For broad-leaved endives, artichokes, lettuces and apricots the increase in real terms in 1985 was 5% on average.

The amendment of the "acquis communautaire" applied to citrus fruit enabled the reference prices in 1985/86 to be increased by 17% for lemons, 16% for clementines and about 7% for oranges and mandarins.

(b) market prices

Fruit and vegetable prices fluctuate frequently 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)

Average prices for the 1985/86 harvest were 14,9% up on the average prices recorded in 1984/85, mainly because production was down. Prices rose in all Member States except Ireland. The United Kingdom and Luxembourg do not have meaningful quotations for this product.

The monthly analysis made throughout 1985/86 shows that in all Community countries except Ireland apple prices were well 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 1985/86 were up in almost all Community countries. The average increase over the previous year was 8.4% with peaks of 28.4% in France and 33.9% in Italy. Ireland and Luxembourg do not have meaningful quotations for this product.

The monthly analysis showed that there was a measure of price stability. Prices remained well above the basic price. At the start of the marketing year, however, prices for the early varieties Guyot and Williams lay between the basic and the buying-in price on some representative markets.

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

In 1985, prices were 6.2% lower than in 1984 in Greece and 8.4% lower in France but 7.4% higher in Italy. The seasonal pattern was normal, however, and the monthly averages were above the basic price except in August when they fell to 8% below it overall.

- Table grapes (various, quality class I)

Grape prices on producer markets remained fairly stable compared with the previous year in Italy and France. French prices were well above the basic price, whereas Italian prices fell below it, particularly in August (- 25%).

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

Prices in Greece in 1985/86 were 16.8% up on the previous marketing year, while Italy saw a fall of 18% and prices fell back below the basic price.

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

The annual average price for mandarins in Italy was down on 1984/85 by 14.4%, while in Greece prices stayed at the previous year's level. Prices followed a normal pattern, being around the basic price in both Greece and Italy, but with more pronounced fluctuations in Italy.

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

The annual average price for lemons in 1985/86 was 33% higher in Italy than in the previous year while remaining stable in Greece. Throughout the first part of the marketing year prices stayed very high in Italy, where the monthly averages reached levels of over 20 ECU/100 kg above the basic price. In the second part of the marketing year prices were around the basic price level on average.

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

Compared with the previous marketing year, annual average prices in 1985/86 were down 39% in Greece and 18% in Italy, but up 23% in the United Kingdom and 20% in the Netherlands. They varied quite markedly from one Member State to another, ranging from 57 ECU/100 kg in Belgium and the Netherlands to 25 ECU/100 kg in Italy, the basic price being around 21 ECU/100 kg.

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

In 1985/86 market prices fell in all the Community countries, although Community production remained fairly stable. Overall the drop was 9.5%. The monthly analysis, however, shows that daily prices were generally above the basic price in all the Member States except Italy, where they were

5,8 ECU/100 kg below it. This must be seen in relation to the measures taken in respect of processing aid for tomatoes (see the section entitled "Products processed from fruit and vegetables").

(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.

E. Market management

(a) refunds

Export refunds were fixed during the 1985/86 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, table grapes, walnuts in shell, shelled almonds, shelled and unshelled hazelnuts, peaches, dessert apples and tomatoes.

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.

(b) countervailing charges on imports

During the 1985/86 marketing year, charges were imposed on imports of the following products from the countries specified:

- Cucumbers from Spain and Poland
- Tomatoes from Romania, Spain, Poland, Morocco, Bulgaria, Turkey, Albania and Portugal
- Apples from Spain, Poland, Portugal and Romania
- Pears from Spain and Yugoslavia
- Peaches from Spain
- Some varieties of plums from Yugoslavia, Spain and Poland
- Courgettes from Spain
- Cherries from Bulgaria, Hungary, Turkey and Romania
- Clementines from Morocco and Tunisia
- Broad-leaved endives from Spain
- Apricots from Spain
- Table grapes from Jordan.

(c) protective measures

No measures to restrict imports into the Community were taken during the 1985/86 marketing year.

(d) apples from the southern hemisphere

Estimated exports from southern hemisphere countries, estimated Community production and the price trend for Community apples were such that it was necessary to ask suppliers in the southern hemisphere to be cautious in planning their exports to the Community between March and August 1986.

(e) intervention

- fruit

In 1985/86 intervention in respect of apples and pears involved 2,1% and 1,4% respectively of production harvested in the Community. The situation was a great improvement on the previous year, especially for apples.

In the case of apricots market withdrawals totalled 11.970 t, mainly in Greece (11.941 t). Thus, while representing only 2,8% of Community production, they accounted for 9,3% of production harvested in Greece.

Withdrawals of peaches increased in the three main producer countries and accounted in Greece, Italy and France respectively for 28,9%, 14,2% and 11,5% of harvested production.

The quantities of table grapes withdrawn from the market were negligible.

Provisional figures of withdrawals of citrus fruit in Italy are 75 .000 t for oranges, 2.800 t for lemons and 160.000 t for mandarins, i.e. respectively 4%, 0,4% and 78% of Italian production of the fruit in question. This represents an improvement on the previous year for lemons but a worsening of the situation for oranges and especially for mandarins. There are expected to have been no withdrawals of citrus fruit in 1985/86 in Greece.

- vegetables

Provisional data for 1985/86 show that withdrawals represented a fairly low percentage of production harvested in the Community in the case of cauliflowers (0,9%) and aubergines (0,3%).

In the case of tomatoes, however, withdrawals represented 8,2% of total production harvested in the EEC. Intervention in France is expected to total 58.000 t or 6,6% of harvested production compared with 0,9% the previous year. In Italy it should total around 750.000 t or 12,6% of production compared with only 0,06% in 1984/85.

- (f) 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 1985/86 :

- 15,38 ECU per 100 kg net for oranges of the Moro, Tarocco, Ovale calabrese, Belladonna, Navel and Valencia late varieties;
- 13,20 ECU per 100 kg net for oranges of the Sanguinello variety;
- 8,69 ECU per 100 kg net for oranges of the Sanguigno and Biondo comune varieties;
- 12,95 ECU per 100 kg net for mandarins;
- 1,61 ECU per 100 kg net for clementines;
- 3,93 ECU per 100 kg net for lemons.

From this marketing year, Greece receives the same premiums as the other Member States.

The financial compensation was kept at the same levels as in the previous marketing year, except in the case of clementines and lemons. For these products the penetration premium is gradually disappearing under the amended "acquis communautaire".

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 1985/86 at the levels shown in the table below:

| Type of product | Minimum price (ECU per 100 kg net) | Financial compensation (ECU per 100 kg net) |
|---------------------------------------------------------------|------------------------------------|---------------------------------------------|
| <u>Oranges of the following variety:</u> | | |
| <u>Biondo comune</u> | | |
| class I) | | |
| class II) | 11,56 | 6,75 |
| class III) | | |
| <u>Class III or mixed oranges of the following varieties:</u> | | |
| Moro and Tarocco | 17,95 | 13,14 |
| Sanguinello | 16,66 | 11,85 |
| Sanguigno | 14,08 | 9,27 |

From this marketing year, the minimum prices and the financial compensation apply in full in Greece. The minimum prices were reduced by around 3% compared with 1984/85 and the financial compensation by between 4 and 5% depending on the product.

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 1985/86 in the Community of Ten was fixed at 20,60 ECU per 100 kg net and the financial compensation payable to processors at 12,25 ECU per 100 kg net. Compared with 1984/85, this represented increases of 16% in the minimum price and 13% in the financial compensation.

F. Budgetary expenditure

EAGGF Guarantee Section expenditure on fresh fruit and vegetables amounted to 401,9 million ECU in 1985, i.e. 2,1% of total EAGGF Guarantee Section expenditure. It can be broken down into 63 million ECU for refunds, 213,4 million ECU for intervention, 25,5 million ECU for penetration premiums for citrus fruit and 100 million ECU for financial compensation to assist the processing of citrus fruit. In 1986 EAGGF Guarantee Section expenditure on fresh fruit and vegetables is estimated at 441,0 million ECU (2,1% of total expenditure of the Guarantee Section).

3.2. THE ENLARGED COMMUNITY MARKET - SPECIAL PROVISIONS CONCERNING SPAIN AND PORTUGAL

Spain is a major producer of fruit and vegetables. It produces 13% of the apples, 20% of the pears, 18% of the peaches, 22% of the table grapes and 44% of the citrus fruit produced by the Community of Twelve. Where vegetables are concerned, the percentage is 20% for tomatoes and 40% for onions. Portugal's share is much smaller; Portugal accounts for 2,5% of Community fruit production and 5,5% of Community vegetable production.

The organization of the market in fresh fruit and vegetables in Spain and Portugal at the time of accession was such that a special two-stage transition procedure extending over ten years in all was adopted for applying the EEC market organization in those two Member States. The first stage, which lasts for four years in the case of Spain and for five years (which can be reduced to three) in the case of Portugal, is devoted to carrying out the necessary restructuring and to introducing the basic mechanisms of the EEC market organization. The internal market organization in force in the period prior to accession is retained, with some modifications. Spain and Portugal are also adjusting their trade arrangements in accordance with the Act of Accession. There are quantitative restrictions on

on imports of some sensitive products. The Community of Ten for its part is dismantling the customs duties it applies to imports from the new Member States but the measures at the frontiers, such as the application of reference prices, remain in force with some modifications.

The second stage will run until the end of the transitional period and will comprise the same elements as the "normal" transition applied in other sectors (alignment of prices and aids, etc.).

For the first stage of the transitional period the Commission, in liaison with the Spanish and Portuguese authorities, has drawn up specific action programmes which are now being implemented. One of the projects under way is the introduction of compulsory standards for the fruit and vegetables covered by Community rules. Spain has adopted legal provisions with a view to the recognition of producers' organizations within the meaning of Community rules and has already begun the process of applying for Commission recognition of a number of groups, as provided for in the Act of Accession.

Since August 1986 Spain has been communicating regularly to the Commission the prices recorded on Spanish markets for products covered by Regulation (EEC) No 1035/72. The Act of Accession provides for Spain and Portugal to apply a prices and aids discipline. The new Member States intend to fix institutional prices soon for the products for which prices are fixed annually in the Community of Ten, and thus to participate gradually in the Community system. Spain and Portugal already qualify under the Community aid scheme for the processing of oranges and lemons, on the terms laid down in the Act of Accession ("normal" transitional period and aids restricted to specific periods in Spain during the first four marketing years after accession).

4. THE 1986/87 MARKETING YEAR - SHORT-TERM OUTLOOK

4.1. PRICES AND AIDS

A. Prices

For 1986/87 the Council has decided to keep basic prices at the same level as in the previous year, except for cauliflowers and aubergines, where there has been an increase of 1%. However, since the Council has reduced the ratio between the buying-in price and the basic price for a number of products, compared with the 1985/86 marketing year average withdrawal prices are down 7,5% for tomatoes and peaches, 4% for apricots and 2,5% for lemons, mandarins and sweet oranges.

The withdrawal prices for pears, table grapes and apples are unchanged. For cauliflowers and aubergines they are up 1%.

Except in the case of lemons and clementines, the maximum increase in reference prices was 3%; prices remained the same for oranges and mandarins. The increases for lemons and clementines were 7% and 6% respectively, in view of the degressive rate adopted for the "marketing premium" for these fruits.

Pursuant to the 1979 Act of Accession, Community offer prices were fixed for 1986/87 for peaches and tomatoes originating in Greece. This procedure is to be followed throughout the transition period, i.e. 7 years for peaches and tomatoes.

The Council has also fixed the amounts of the penetration premiums to assist the marketing of Community produce:

- 15,38 ECU per 100 kilograms net for oranges of the Moro, Tarocco, Ovale calabrese, Belladonna, Navel and Valencia late varieties
- 13,20 ECU per 100 kilograms net for oranges of the Sanguinello variety
- 8,69 ECU per 100 kilograms net for oranges of the Sanguigno and Biondo comune varieties
- 12,95 ECU per 100 kilograms net for mandarins
- 1,97 ECU per 100 kilograms net for lemons

B. Aids

The aids for the processing of oranges (Regulation (EEC) No 2601/69) and lemons (Regulation (EEC) No 1035/77) have been fixed as follows for 1986/87 :

Oranges

| Product | ECU/100 kg net | | | | | |
|------------------------------------------------------------------|----------------|----------|------------|------------------------|----------|------------|
| | Minimum price | | | Financial compensation | | |
| | Spain | Portugal | Other M.S. | Spain | Portugal | Other M.S. |
| - Oranges of Biondo comune variety class I) | | | | | | |
| class II) | 9,73 | 6,98 | 11,32 | 4,92 | 2,17 | 6,51 |
| class III) | | | | | | |
| - Class III or mixed oranges of the following varieties Moro and | | | | | | |
| Tarocco | 15,07 | 10,81 | 17,53 | 10,26 | 6,00 | 12,72 |
| Sanguinello | 13,99 | 10,04 | 16,28 | 9,18 | 5,23 | 11,47 |
| Sanguigno | 11,83 | 8,50 | 13,78 | 7,02 | 3,69 | 8,97 |

Lemons

ECU/100 kg net

| | Spain | Portugal | Other Member States |
|----------------------------|-------|----------|---------------------|
| :- Minimum price | 11,21 | 11,76 | 20,03 |
| :- Financial compensation: | 2,86 | 3,41 | 11,68 |

From this marketing year, therefore, Spain and Portugal qualify for aid under the two abovementioned schemes ("normal" transition). In the case of Spain, for the first four marketing years the aid is restricted to specific quantities fixed in the Act of Accession.

4.2. OUTLOOK FOR 1986/87

The latest estimates available concerning production in 1986 reveal trends which vary depending on the product. Tomato production is expected to be around 10% down on the previous year both in the Community of Ten and in the Community of Twelve. Production of peaches and pears should be about the same as in 1985. Apricot production is down while nectarine production continues to rise. Apple production is expected to be about 10% up on 1985, but without reaching the record level attained in 1984.

It is difficult to identify a precise trend in producer prices at this stage of the marketing year. It should be noted, however, that fairly low prices were recorded for dessert apples in some Member States, in particular the Netherlands, at the start of the marketing year. Because of this, and because production was forecast to rise, the Commission authorized preventive withdrawals of apples.

Countervailing charges have been imposed more frequently than in 1985/86 on products imported from non-member countries, and this is true for all products subject to reference prices.

Lastly, mention should be made of the difficulties encountered by the Community orange proessing industry as the result of imports of Brazilian juice at prices which have fallen sharply since the beginning of 1986.

This matter is at present being studied with the Member States concerned.

5. CONCLUSION

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. Apple production in the Community is a typical example of this.

PROCESSED FRUIT AND VEGETABLES

1. INTRODUCTION

Over the last ten years both production and trade in the processed fruit and vegetables sector have expanded considerably.

The aid system set up for certain products in 1977 was modified in March 1984 by the Council, with the introduction of a system of guarantee thresholds. As a result of increased production of processed tomato products, it was decided to limit aid to the threshold quantities.

2. GENERAL SITUATION

In 1985, production of processed fruit and vegetables receiving production aid was approximately 21% below the 1984 figure.

Minimum prices and production aid for processed fruit and vegetables went down partly as a result of the basic and buying-in prices fixed by the Council and partly on account of the overall trend of Community production in the last few years.

The continuing upward trend of production, particularly of processed tomato products, caused the Council in 1985 to further restrict Community aid to certain quantities. In 1986, production of processed tomato products should remain stable at around the levels fixed.

3. 1985/86 MARKETING YEAR

The common organization of the market in processed fruit and vegetable products will not apply in Spain and Portugal until the 1986/87 marketing year. Thus the following analysis concerns only the Community of Ten.

A. Production

In the Community of Ten, Italy is by far the largest producer of processed fruit and vegetable products and since 1982 its lead has increased, particularly in products receiving aid for processing; in the case of peaches and processed tomato products, Italy accounted for 60.1% and 69.5% of the fresh peaches and tomatoes used by the Community processing industry in 1985/86. In second place, Greece accounted for 33.8% of peaches and 23.5% of tomatoes used by the processing industry.

Italy and France are the main producers of pears in syrup (accounting for 65.2% and 29.4% respectively of Community production). Germany alone accounts for 65.6% of processed morello cherries produced in the Community.

Greece produces nearly all the Community's dried grapes and dried figs. Processed pineapple products are produced almost entirely in the French overseas departments (Martinique).

Community production of fruit and vegetables receiving aid for processing is shown in the table on the following page (Table 1).

Production of processed tomato products fell by 24.6% between 1984 and 1985. Only tomato concentrate dropped less sharply (18.4%).

In the case of fruit in syrup, only peaches showed an increase in production between 1984 and 1985; production of other fruit in syrup for which Community aid is limited to certain quantities decreased over the same period by between 8.2% in the case of morello cherries and 13.0% in the case of Williams pears.

TABLE 1: PROCESSED FRUIT AND VEGETABLE PRODUCTS

| PROCESSED PRODUCTS | Community of Ten | | | % Change 1985/86 1984/85 | Community of Twelve 1985/86 |
|------------------------------|--------------------------------|------------|------------|-----------------------------------|-----------------------------------|
| | 1983/84 | 1984/85 | 1985/86 | | |
| | (tonnes of fresh product used) | | | | |
| 1) <u>Tomatoes</u> | | | | | |
| Tomato concentrate | 3.487.005 | 4.900.468 | 3.999.508 | - 18,4 | 5.207.760 |
| Whole peeled tomatoes | 1.622.812 | 1.799.955 | 1.091.486 | - 39,4 | 1.245.878 |
| Other tomato products | 452.397 | 737.247 | 517.294 | - 29,9 | 622.203 |
| Total tomatoes | 5.562.214 | 7.437.670 | 5.608.288 | - 24,6 | 7.075.841 |
| 2) <u>Fruit in syrup</u> | | | | | |
| Peaches in syrup | 325.568 | 371.755 | 489.959 | 31,7 | 556.644 |
| William pears in syrup | 103.003 | 87.842 | 76.449 | - 13,0 | 115.453 |
| Bigarreau cherries in syrup | 26.477 | 21.666 | 17.702 | - 18,3 | 22.955 |
| Morello cherries in syrup | 63.837 | 50.940 | 46.769 | - 8,2 | 46.769 |
| Total fruit in syrup | 518.885 | 532.203 | 630.879 | 18,5 | 741.821 |
| 3) <u>Dried fruit</u> | | | | | |
| Prunes | 26.650 | 44.438 | 27.152 | - 38,9 | (3) 33.000 |
| Dried grapes | 174.766 | 146.000 | 158.000 | 8,2 | (3) 165.000 |
| of which: | | | | | |
| sultanas | 102.783 | 78.000 | 90.000 | 15,3 | 93.000 |
| currants | 71.983 | 68.000 | 68.000 | 0,0 | 69.000 |
| moscatel grapes | - | - | - | - | 3.500 |
| Dried figs | (1) 25.500 | (1) 28.000 | (2) 12.941 | - | (3) 22.900 |
| Total dried fruit | 226.916 | 218.438 | 198.093 | - 9,4 | (3) 221.400 |
| 4) <u>Pineapples</u> | 20.000 | 24.039 | 26.820 | 11,5 | (3) 27.000 |
| Total products receiving aid | 6.328.015 | 8.212.350 | 6.464.080 | X | X |

Source : Directorate-General for Agriculture, Commission of the European Communities.

- (1) Total production.
- (2) Production receiving aid.
- (3) Estimate.

(VIPA2SM-234)

Dried fruit production in 1985 fell overall by 9.4% but increased in the case of dried grapes. Production of sultanas and currants, for which guarantee thresholds were fixed, increased by 15.3% between 1984 and 1985. This can be accounted for by the fact that the basic product is grown specially for processing and therefore production of the processed product is determined by the fresh fruit harvest, which fluctuates in the short term according to the weather.

Production of processed pineapple products rose by 11.5% between 1984 and 1985.

B. Trade

Figures on trade are given in Table 2 on the following page. Generally speaking, intra-Community trade in processed fruit and vegetables increased by about 8% per year between 1983 and 1985.

Intra-Community trade in tomato concentrate and peeled tomatoes taken together increased by 9.9% between 1983 and 1984 and by 1.1% between 1984 and 1985, whereas Community exports of these products to non-member countries fell by 3.6% between 1983 and 1984 but rose by 15.1% between 1984 and 1985.

Between 1984 and 1985 there was an increase in intra-Community trade in peaches in syrup (+ 5%), currants (+4.9%), prunes (+37.7%), cherries in syrup (+6.3%) and pineapples in syrup (+2.4%). Over the same period, there was a fall of about 11% in intra-Community trade in pears in syrup.

Imports from non-member countries are generally stable. The main imported products in 1985 were dried grapes other than currants (41% from Turkey and 15% from the United States), prunes (79% from the United States), processed pineapples (20% each from Kenya and Thailand), pears and peaches in syrup (50% and 87% respectively from South Africa). With 40% of Community imports, China was the main supplier of mushrooms preserved in brine.

(VIPAZSM-234)

TABLE 2: PROCESSED FRUIT AND VEGETABLE PRODUCTS - Trade

('000 t)

| PRODUCTS | 1983 | | | | 1984 | | | | 1985 | | | |
|-------------------------------------------------------------------------------|---------|---------|-------|------|---------|---------|-------|------|---------|---------|-------|------|
| | INTRA | | EXTRA | | INTRA | | EXTRA | | INTRA | | EXTRA | |
| | IMP. | EXP. | IMP. | EXP. | IMP. | EXP. | IMP. | EXP. | IMP. | EXP. | IMP. | EXP. |
| Vegetables (whether or not cooked) preserved by freezing (07.02) | 496,2 | 73,5 | 48,4 | | 598,6 | 111,0 | 51,8 | | 823,4 | 149,4 | 64,5 | |
| Vegetables preserved in brine (07.03) | 18,8 | 20,7 | 5,1 | | 20,2 | 24,1 | 5,0 | | 21,2 | 27,9 | 5,5 | |
| Dried vegetables (07.04) | 16,3 | 33,3 | 4,8 | | 17,6 | 37,1 | 5,0 | | 19,5 | 36,6 | 5,4 | |
| Sub-total | 531,3 | 127,5 | 58,4 | | 636,4 | 172,2 | 61,8 | | 864,1 | 213,9 | 75,4 | |
| Fruit (whether or not cooked) preserved by freezing (08.10) | 71,7 | 130,7 | 3,5 | | 78,9 | 150,3 | 4,9 | | 88,8 | 149,6 | 5,2 | |
| Fruit provisionally preserved (08.11) | 22,4 | 33,5 | 9,3 | | 22,1 | 38,9 | 8,8 | | 19,2 | 31,6 | 11,2 | |
| (Dried fruit (08.12) and peel of citrus fruit (08.13) | 21,9 | 56,8 | 9,6 | | 23,0 | 56,4 | 9,7 | | 24,7 | 53,1 | 6,7 | |
| Sub-total | 116,- | 221,0 | 22,3 | | 124,0 | 245,7 | 23,4 | | 132,7 | 234,3 | 23,1 | |
| Vegetables prepared or preserved: | 60,4 | 51,6 | 32,8 | | 64,5 | 69,6 | 34,4 | | 68,0 | 66,3 | 36,6 | |
| - 20.01 | 1.325,1 | 307,2 | 453,6 | | 1.378,2 | 294,0 | 461,5 | | 1.377,7 | 288,5 | 537,3 | |
| Fruit prepared or preserved | 0,3 | 0,4 | 0,4 | | 0,5 | 0,2 | 0,1 | | 0,3 | 0,1 | 0,2 | |
| - 20.03 | 24,5 | 2,1 | 3,- | | 25,7 | 2,1 | 4,- | | 24,4 | 2,3 | 4,2 | |
| - 20.04 | 89,1 | 9,5 | 28,2 | | 94,2 | 9,9 | 32,3 | | 91,2 | 9,2 | 34,6 | |
| - 20.05 | 496,1 | 564,8 | 35,1 | | 519,3 | 569,2 | 65,- | | 545,8 | 547,2 | 91,6 | |
| - 20.06 | | | | | | | | | | | | |
| Fruit juices | 623,9 | 536,2 | 119,4 | | 661,- | 539,3 | 131,- | | 671,5 | 504,3 | 149,3 | |
| - 20.07 | 2.619,4 | 1.471,6 | 672,6 | | 2.743,4 | 1.484,2 | 728,3 | | 2.778,9 | 1.417,9 | 853,8 | |
| Sub-total | | | | | | | | | | | | |
| TOTAL Processed fruit and vegetables (other than dried grapes and dried figs) | 3.266,7 | 1.820,1 | 753,3 | | 3.503,8 | 1.902,1 | 813,5 | | 3.775,7 | 1.866,1 | 952,3 | |

Source : EUROSTAT - NIMEXE

(VIPAS2SM-234)

| TABLE 3 | | Market balance - processed tomatoes - processed peaches | | | | | | EUR 10 | |
|---------|-------------------------------|------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| | | '000 t | | | % VAT | | | | |
| | | 1982/83 | 1983/84 | 1984/85 | 1983/84 | 1983/84 | 1983/84 | 1984/85 | 1983/84 |
| | | | | | | | | | |
| | | 2 | 3 | 4 | 5 | 6 | | | |
| 00 | | | | | | | | | |
| 01 | Market balance | | | | | | | | |
| 02 | - processed tomatoes | | | | | | | | |
| 03 | - processed peaches | | | | | | | | |
| 04 | | | | | | | | | |
| 05 | | | | | | | | | |
| 06 | | | | | | | | | |
| 07 | | 1982/83 | 1983/84 | 1984/85 | 1983/84 | 1983/84 | 1983/84 | 1984/85 | 1983/84 |
| 08 | | | | | | | | | |
| 09 | | | | | | | | | |
| 10 | 1 | 2 | 3 | 4 | 5 | 6 | | | |
| 11 | | | | | | | | | |
| 12 | Processed tomatoes | | | | | | | | |
| 13 | | | | | | | | | |
| 14 | | | | | | | | | |
| 15 | Sales by commercial producers | 4.498 | 5.809 | 7.460 | 5.809 | 133,4 | | 28,4 | |
| 16 | Imports | 1.271 | 1.594 | 1.716 | 1.594 | - 7,5 | | 7,7 | |
| 17 | Exports | 2.594 | 3.776 | 3.403 | 3.776 | x | | - 9,9 | |
| 18 | Intra-EC trade | 1.118 | 1.351 | 1.467 | 1.351 | x | | 8,6 | |
| 19 | Change in stocks | - 230 | - 620 | - 300 | - 620 | x | | x | |
| 20 | Internal use | 3.406 | 4.252 | 5.073 | 4.252 | 39,3 | | 19,3 | |
| 21 | of which: | | | | | | | | |
| 22 | - animal feed | 0 | 0 | 0 | 0 | x | | x | |
| 23 | - losses (market) | 0 | 0 | 0 | 0 | x | | x | |
| 24 | - human consumption (1) | 3.406 | 4.252 | 5.073 | 4.252 | 39,3 | | 19,3 | |
| 25 | Human consumption (kg/head) | 12,5 | 15,6 | 18,6 | 15,6 | 35,7 | | 19,2 | |
| 26 | Degree of self-supply | 132,1 | 136,6 | 147,1 | 136,6 | x | | 7,7 | |
| 27 | | | | | | | | | |
| 28 | | | | | | | | | |
| 29 | | | | | | | | | |
| 30 | Processed peaches | | | | | | | | |
| 31 | | | | | | | | | |
| 32 | Sales by commercial producers | 318 | 440 | 432 | 440 | 221,2 | | - 1,8 | |
| 33 | Imports | 201 | 197 | 158 | 197 | - 11,3 | | - 19,8 | |
| 34 | Exports | 140 | 180 | 185 | 180 | x | | 2,8 | |
| 35 | Intra-EC trade | 135 | 124 | 131 | 124 | x | | 5,6 | |
| 36 | Change in stocks | 0 | 0 | 0 | 0 | x | | x | |
| 37 | Internal use | 378 | 455 | 404 | 455 | 33,0 | | - 11,2 | |
| 38 | of which: | | | | | | | | |
| 39 | - animal feed | 0 | 0 | 0 | 0 | x | | x | |
| 40 | - losses (market) | 0 | 0 | 0 | 0 | x | | x | |
| 41 | - human consumption (1) | 378 | 455 | 404 | 455 | 33,0 | | - 11,2 | |
| 42 | Human consumption (kg/head) | 1,4 | 1,7 | 1,5 | 1,7 | 30,8 | | - 11,8 | |
| 43 | Degree of self-supply | 84,1 | 96,7 | 106,9 | 96,7 | x | | 10,5 | |
| 44 | | | | | | | | | |
| 45 | | | | | | | | | |
| 46 | | | | | | | | | |

47 Source : Eurostat.
48 (1) According to market balance.
49

C. Consumption and self-sufficiency

The Community of Ten is more than self-sufficient in processed tomato products, as it attained a rate of 147% in 1984/85. The rate for processed peaches was 107%. The corresponding figures for 1983/84 were 136.6% and 96.7% respectively.

Per capita consumption of processed tomatoes has shown a steady increase over the past few years.

D. Prices

(a) Basic data

The common organization of the internal market in processed fruit and vegetable products is based on payment of a minimum price to producers and aid for processing.

Limits on the quantities eligible for aid were laid down when the aid system was introduced for bigarreau and morello cherries and Williams pears.

As early as 1982, the Council introduced guarantee thresholds for tomato concentrate and whole peeled tomatoes but did not specify what steps should be taken if they were exceeded. In 1984, guarantee thresholds were fixed at the following levels:

- 2 987 850 tonnes for tomato concentrate;
- 1 307 150 tonnes for whole peeled tomatoes;
- 405 000 tonnes for other processed tomato products;

(in weight of fresh tomatoes utilized)

and for dried grapes:

- 65 000 tonnes for currants (70 000 tonnes from 1986/87);
- 93 000 tonnes for sultanas.

(VIPA2SM-234)

On the same occasion it was decided that if the thresholds for tomato products were exceeded the level of aid for the subsequent marketing year would be reduced automatically in proportion to the amounts by which the threshold quantities had been exceeded. If the thresholds for dried grapes were exceeded, the minimum price for the subsequent marketing year would be reduced. In both cases, overruns were to be calculated on the basis of average production in the three marketing years preceding the year for which the aid or the minimum price was to be fixed.

As there has been a spectacular increase in the production of processed tomato products in recent marketing years, far in excess of the guarantee thresholds, the Council decided in 1985 that for a limited period of three marketing years, aid would be granted solely in respect of the threshold quantities which would be shared between the producer Member States and categories of processed product.

(b) Aid levels and minimum prices (1)

The aid for 1985/86 were fixed at lower levels than those for the previous year.

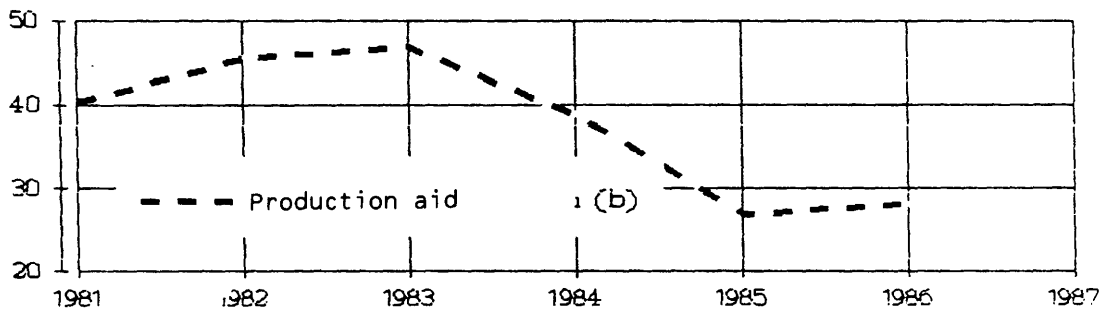
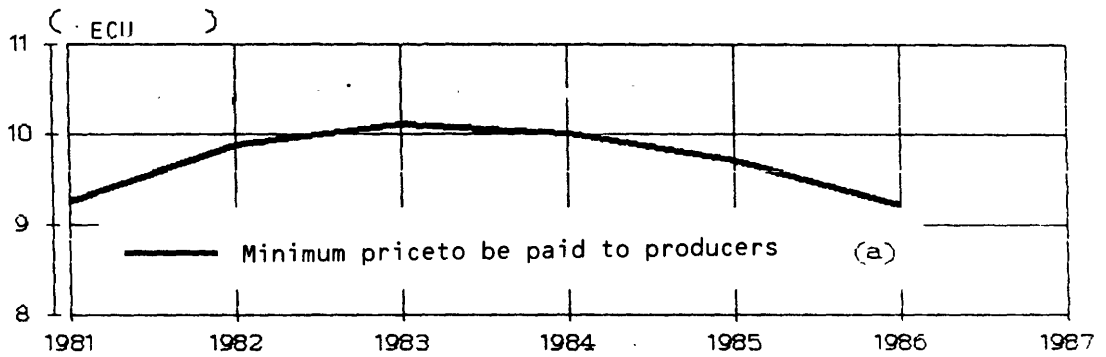
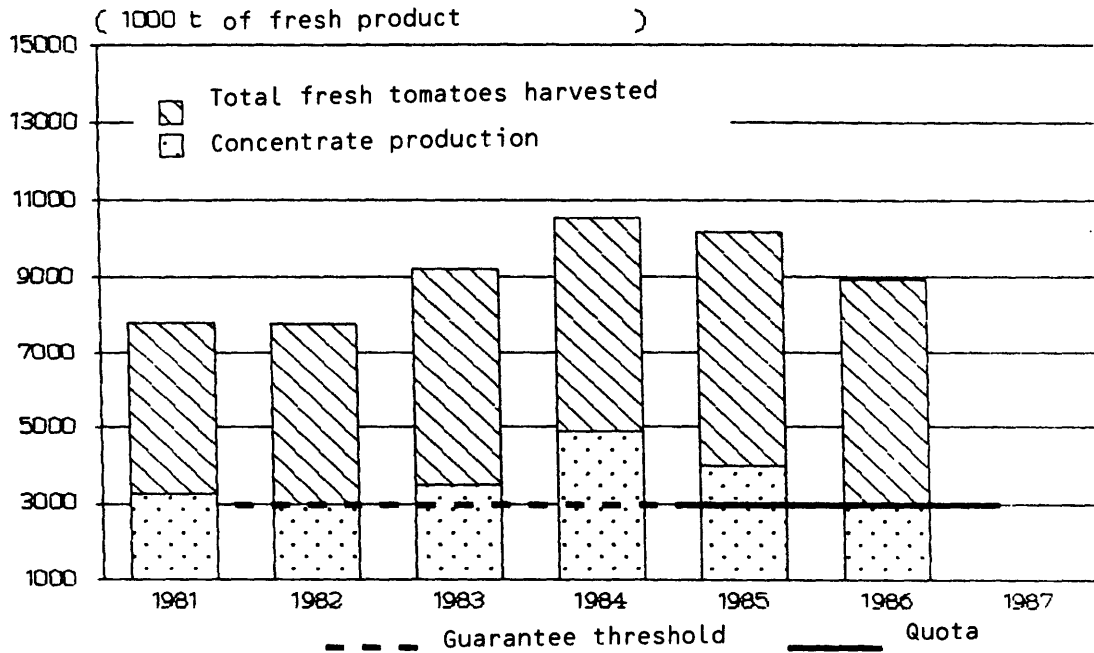
Aid for tomato products was down by between 30.7% (concentrates) and 44% (tomato juice), largely as a result of the application of the rules concerning quantities in excess of the guarantee threshold. Aid was increased only in the case of processed cherries. For the aid levels and minimum prices for Greek products, account was also taken of the rate of alignment laid down in the Act of Accession.

Aid for sultanas and dried figs was down by 12.7% and 11.3% respectively, on account of the trend in world prices. Storage aid for products delivered for storage during the last two months of the marketing year was paid only if the products were suitable for storage and complied with the quality standards.

(1) See Tables 4 and 5 in the section entitled "1986/87 marketing year".

TOMATO CONCENTRATE PRODUCTION

EUR 10



SOURCE: EUROSTAT and EC Commission, DG for Agriculture.

(a) Per 100 kg of fresh product

(b) Per 100 kg of finished product; from 1981 to 1983: inc. immediate packings, from 1984 to 1986 : net.

(VIPA2SM-234)

The minimum price for tomato products was reduced by 3%. For fruit in syrup, the price was kept at the 1984 level for cherries but prices for peaches and pears were reduced by about 1.5%.

The minimum price for dried fruit was maintained at the 1983/84 level, but the price for currants was reduced by 3% for 1985/86 in compliance with the rules on production in excess of the guarantee threshold.

E. Management of the market

(a) Minimum import price for dried grapes

In 1982 a protective clause was introduced to ensure a minimum Community import price for sultanas in view of the market difficulties caused by low-price imports. If prices fall below the minimum level, a countervailing charge, varying according to the price recorded, is levied at the Community frontiers along with any customs duties payable.

In 1985/86 the minimum import price was 1 232 ECU/tonne.

(b) Protective measures

In 1985 and 1986, protective measures were applied to imports of certain processed morello cherries following the marked deterioration of the Community market caused by massive imports at very low prices from non-member countries.

(c) Export refunds

Tomato concentrate (heading ex 20.02 C) was added to the list of products eligible for export refunds for the period from December 1985 to February 1986. This measure was introduced for a limited time to promote disposal of the large stocks of concentrate held by processors.

In March 1986, in accordance with the rules laid down in the Act of Accession of Spain and Portugal, the system of refunds was extended to the new Member States, taking account, where necessary, of the prices of the products concerned in the two countries.

F. Budgetary expenditure

EAGGF Guarantee Section expenditure for processed food and vegetables amounted to 828.8 million ECU in 1985, or 4.5% of all Guarantee Section expenditure. 528.6 million ECU was paid as aid for tomato products, 281.2 million ECU as aid for fruit (1) and 7.5 million ECU for pineapples. In 1986, expenditure is estimated at 485.6 million ECU, or 4.3% of EAGGF Guarantee Section expenditure.

4. 1986/87 MARKETING YEAR - OUTLOOK IN THE SHORT TERM

4.1 PRICES AND AIDS (see Tables 4 and 5)

Aids fixed for 1986/87 are down by between 5% and 25% on 1985/86 for the Community of Nine and for Greece. Aid has increased only in the case of tomato concentrate, cherreis, pears and pineapples in syrup, the percentage increases ranging from 1.9% (cherries) to 8.05% (pears) and 22.4% in the case of pineapples, for which there has been a sharp drop in world prices.

(1) Including dried grapes and dried figs.

TABLE 4 : PROCESSED FRUIT AND VEGETABLE PRODUCTS
Aid

| PRODUCT | ECU/100 kg net | | | | | | | | | | Percentage change 1986/87 1985/86 |
|------------------------------------------------------------------|----------------|--------|-------|--------|--------|--------|--------|----------|---------|---------|--------------------------------------------|
| | 84/85 | | 85/86 | | 86/87 | | | | | | |
| | EUR 9 | Greece | EUR 9 | Greece | EUR 9 | Greece | Spain | Portugal | EUR 9 | Greece | |
| Tomato concentrate | 30,98 | 30,87 | 27,- | 23,88 | 28,258 | 25,981 | 15,731 | 18,428 | 4,66 | 8,80 | |
| "San Marzano" whole peeled and whole peeled frozen tomatoes - | 15,21 | 9,16 | 12,41 | 8,31 | 11,746 | 8,733 | 3,917 | - | - 5,35 | 5,09 | |
| "Roma" whole peeled and whole peeled frozen tomatoes - | 11,21 | 6,68 | 9,08 | 6,32 | 8,642 | 6,808 | 4,119 | 2,361 | - 15,06 | - 5,55 | |
| Peeled and frozen tomatoes, not whole | 7,06 | 4,21 | 4,79 | 3,32 | 3,892 | 3,066 | 2,471 | 1,417 | - 4,82 | 7,72 | |
| Tomato juice (7- 8%) (8-10%) (10-12%) | 10,58 | 8,38 | 6,85 | 6,05 | 6,300 | 5,793 | 4,068 | 4,766 | - 8,03 | - 4,25 | |
| Tomato juice (CCT heading (3,5-5% (5-7%) | 12,69 | 10,05 | 8,22 | 7,26 | 7,560 | 6,951 | 4,882 | 5,719 | - 8,03 | - 4,26 | |
| Tomato Flakes | 15,51 | 12,29 | 10,04 | 8,88 | 9,240 | 8,496 | 5,967 | 6,990 | - 7,97 | - 4,32 | |
| Peaches in syrup | 6,35 | 6,35 | 3,56 | 3,56 | 3,276 | 3,276 | 2,116 | 2,478 | - 7,98 | - 7,98 | |
| Prunes | 9,77 | 9,77 | 5,48 | 5,48 | 5,040 | 5,040 | 3,255 | 3,813 | - 8,03 | - 8,03 | |
| William pears in syrup | 136,10 | 107,78 | 88,08 | 77,93 | 81,064 | 74,532 | 52,346 | 61,321 | - 7,97 | - 4,36 | |
| Cherries: Bigarreau (1) Morello | 22,23 | 13,18 | 19,50 | 12,46 | 14,625 | 9,482 | 10,553 | 14,625 | - 25,1 | - 23,90 | |
| Other | 59,36 | 59,36 | 52,11 | 52,11 | 51,938 | 51,938 | 21,940 | - | - 0,31 | - 0,31 | |
| Sultanas | 18,51 | 17,92 | 17,14 | 17,14 | 18,520 | 18,520 | 3,549 | 2,872 | + 8,05 | + 8,05 | |
| Dried figs, quality C | 14,20 | 13,- | 16,27 | 16,27 | 16,585 | 16,585 | 1,987 | 16,585 | 1,94 | 1,94 | |
| Pineapples | 14,20 | 13,- | 16,27 | 16,27 | 16,585 | 16,585 | - | - | - 21,29 | - 21,29 | |
| | 75,55 | 75,55 | 66,03 | 66,03 | 51,972 | 51,972 | 32,505 | 32,505 | - 8,33 | - 8,33 | |
| | 39,95 | 39,95 | 35,46 | 35,46 | 62,505 | 62,505 | 62,505 | 62,505 | 22,39 | 22,39 | |

(1) Stoned.

TABLE 5 : PROCESSED FRUIT AND VEGETABLE PRODUCTS

Minimum prices

| PRODUCT | Minimum price in ECU/100 kg fresh product | | | | | | | | | | Percentage change 1986/87 1985/86 | |
|-------------------------------------------------------------|-------------------------------------------|---------|--------|--------|---------|---------|---------|--------|----------|----------|-----------------------------------|--------|
| | 84/85 | | 85/86 | | 86/87 | | Greece | | Portugal | | | Greece |
| | EUR 9 | Greece | EUR 9 | Greece | EUR 9 | Greece | EUR 9 | Greece | Spain | Portugal | EUR 9 | Greece |
| Tomato concentrate | 10,0238 | 8,3052 | 9,72 | 8,61 | 9,234 | 8,707 | 5,814 | 5,358 | 5,814 | - 5, | 1,13 | |
| "San Marzano" whole peeled and whole peeled frozen tomatoes | 16,7597 | 14,3540 | 16,26 | 14,70 | 15,447 | 14,706 | - | 7,939 | - | - 5, | 0,40 | |
| "Roma" whole peeled and whole peeled frozen tomatoes | 12,7630 | 10,7035 | 12,38 | 11,05 | 11,761 | 11,129 | 7,413 | 6,175 | 6,175 | - 5, | 0,71 | |
| Peeled frozen tomatoes, not whole | 10,5520 | 8,8518 | 10,24 | 9,14 | 9,472 | 8,963 | 6,935 | 5,729 | 5,729 | - 7,5 | - 1,94 | |
| Tomato juice (CCT heading No 20.07) | 10,0238 | 8,3052 | 9,72 | 8,61 | 9,234 | 8,707 | 5,814 | 5,358 | 5,814 | - 5, | 1,13 | |
| Jus de tomates (7 - 8% (CCT heading (8 - 10% No 20.02) | 10,0238 | 8,3052 | 9,72 | 8,61 | 9,234 | 8,707 | 5,814 | 5,358 | 5,814 | - 5, | 1,13 | |
| Tomato flakes | 12,7630 | 10,7035 | 12,38 | 11,05 | 11,761 | 11,129 | 7,413 | 6,175 | 6,175 | - 5, | 0,71 | |
| Peaches in syrup | 35,2935 | 29,9795 | 34,76 | 31,27 | 31,284 | 29,714 | 26,725 | 31,284 | 31,284 | - 10, | - 4,98 | |
| Prunes | 172,19 | 172,19 | 172,19 | 172,19 | 167,024 | 133,609 | 133,609 | 17,097 | 16,438 | - 3,0 | - 5,0 | |
| William pears in syrup | 33,8453 | 33,8453 | 33,34 | 33,34 | 31,673 | 17,097 | 17,097 | 16,438 | 16,438 | - 3,0 | - 5,0 | |
| Cherries: Bigarreau (1) Morello Other | 58,341 | 58,341 | 58,341 | 58,341 | 58,341 | 58,341 | 40,810 | 58,341 | 58,341 | 0,0 | 0,0 | |
| Sultanas | 133,17 | 133,17 | 133,17 | 133,17 | 133,170 | 133,170 | - | - | - | 0,0 | 0,0 | |
| Dried figs, quality C | 67,65 | 67,65 | 67,65 | 67,65 | 67,650 | 67,650 | 67,650 | 67,650 | 67,650 | 0,0 | 0,0 | |
| Pineapple | - | 31,64 | 31,64 | 31,64 | 31,640 | 31,640 | 31,640 | 31,640 | 31,640 | 0,0 | 0,0 | |

(1) Stoned.

(VIPA2SM-234)

Minimum prices were maintained for pineapples, cherries, figs and dried grapes but they were reduced by between 3% and 10% for other products.

Aids and minimum prices were fixed for Spain and Portugal in accordance with the rules laid down in the Act of Accession.

4.2 THE COMMUNITY MARKET OF TWELVE - SPECIAL PROVISIONS FOR SPAIN AND PORTUGAL

The Act of Accession of Spain and Portugal makes provision for a "classical" transition for the sector.

From the 1986/87 marketing year, the new Member States are eligible for Community aid as provided for by Regulation (EEC) No 426/86 where such products are produced in those countries. The aids are calculated on the basis of the costs of the raw material which the Spanish and Portuguese processors must pay, as compared with the costs paid by processors in the Community of Nine.

Payment of the minimum price to producers is a prerequisite for processors to be eligible for aid processing in respect of quantities covered by contracts between producers and processors.

The difference between the minimum prices in the new Member States and in the Community of Nine determines the level of aid applicable. The minimum prices in the new Member States are to be gradually aligned on the Community minimum price in the course of the transitional period.

For the first four years, the Act of Accession limits the quantities eligible for Community aid in Spain and Portugal to the following:

| 1) <u>Tomato products</u> | <u>Spain</u> | <u>Portugal</u> |
|-----------------------------|--------------|---------------------------------------------------|
| Concentrate | 370 000 t | 685 000) tonnes |
| Peeled tomatoes | 209 000 t | 9 600) of raw |
| Other products | 88 000 t | 137) material |
| 2) <u>Products in syrup</u> | | |
| Peaches | 80 000 t | (no limit finished product fixed) (net weight) |

The quantities fixed for Williams pears and bigarreau cherries for the Community or Ten have been increased to take account of the quantities produced in Spain and Portugal.

4.3 OUTLOOK IN THE SHORT TERM

The outlook for the disposal of supplies of processed fruit and vegetable products in the Community of Twelve is not unfavourable. The introduction of guarantee thresholds and production quotas for most products eligible for aid has enabled supply to be related to outlets. However, the overall impact of enlargement on certain products can only be assessed once several years' experience has been gained.

5. CONCLUSION

The aid and minimum price system in force in the processed fruit and vegetable products sector can operate satisfactorily provided that operators comply with the ceilings laid down for Community production.

LIVE PLANTS AND FLORICULTURAL PRODUCTS

1. INTRODUCTION

One of the features of this sector is the great variety of products, which are all covered by Regulation (EEC) No 234/68 : 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. Cut flowers and, to a lesser extent, live plants must be regarded as the sensitive products.

2. GENERAL SITUATION

On the market in cut flowers Community products, in particular carnations and roses, have to compete with imports from non-member countries. The enlargement of the Community to include Spain and Portugal has brought about a change in the situation. Spanish production intended for the principal importing Member States, such as Germany and the United Kingdom, is increasing. Cut flowers from the Canary Islands benefit from the same reduction in customs duties as products from the Spanish mainland.

The act of Accession provides for transitional arrangements of the usual type. Specific measures in the form of the supplementary trade mechanism (STM) are to be applied to exports of rose bushes, ornamental plants, cut flowers and asparagus fern from the other Member States to Portugal. Since the ceiling laid down for ornamental plants in 1986 was already reached in June, the issue of STM licences was suspended until the end of October and the ceiling was raised.

3. 1985

A. Production

The statistics do not give a complete picture of production of the various products covered by the EEC market organization. As regards the value of production, the Commission's staff does not yet have sufficiently detailed figures but it is estimated that the overall production of this sector represents 3 - 4% of the value of final production in agriculture in the Community.

B. Consumption

Consumption varies considerably from one Member State to another, depending on per capita income and consumer habits. Consumption per head of population is highest in Germany, the Netherlands and Denmark and lowest in France, Greece, the United Kingdom and Ireland.

C. Trade

a. Intra-Community trade

Intra-Community trade (EUR 10) rose by 10,5 % (1984 : 11,2%)
1984 1.804 million ECU
1985 1.994 million ECU

b. Trade with non-member countries

Imports from non-member countries in 1985 increased by 6,2 % (1984 : 11,4%) and exports to non-member countries by 15,1 % (1984 : 19,6%).

Imports from non-member countries : 1984 323 million ECU
1985 343 million ECU

Exports to non-member countries : 1984 610 million ECU
1985 702 million ECU

Thus exports exceeded imports by 359 million ECU, as against only 287 million ECU in 1984.

D. Prices

It should be noted that the prices recorded on the main Community markets show major fluctuations during the season because of short-term fluctuations in supply and demand; they may also vary considerably from one market to another at any given period.

4. 1986 - SHORT-TERM OUTLOOK

In the framework of negotiations with the Mediterranean countries the Council has agreed to grant a tariff quota for cut flowers from Israel and the other Mediterranean countries so that these products can have access to Community markets on similar terms to those which existed prior to accession. The conditions for applying these quotas had still not been adopted in autumn 1986.

5. CONCLUSION

It is to be supposed that the accession of Spain and Portugal will modify the Community's trade flows and result in an increase in export surpluses.

5. WINE

W I N E

1. INTRODUCTION

The wine market is divided into two distinct sectors: the market in "quality wine", which is autonomous on principle, and the market in "table wine". The latter is characterized by a large, permanent surplus of production over consumption. Even though the increase in production caused by the replacement of old vine varieties by new, higher-yielding varieties is tailing off and the area under vines is shrinking, the gap between production and consumption has still not stabilized. The imbalance is now due mainly to the continuing fall in consumption. Consumer tastes have changed and the demand for table wine keeps falling in the main producer countries. The increase in wine consumption in the non-producing countries, stimulated by the harmonization of indirect taxes on alcoholic beverages, has not helped sufficiently to bridge the gap.

The data used in this chapter come mainly from the supply balance for wine. When this report was drafted the forward estimate for 1986/87 had not yet been drawn up. The analysis which follows therefore relates only to 1984/85, for which the final data are now available, and to the 1985/86 wine year which has just ended. The information presented refers only to the Community of Ten. A special section at the end of the chapter is devoted to the wine market in Spain and Portugal and to the arrangements for the transitional period in the wine sector.

2. GENERAL SITUATION

The year 1985/86 saw the introduction of the structural and market management measures advocated by the European Council in Dublin in December 1984 as a means of restoring balance to the table wine market: reduction of production potential by means of aids for grubbing, freeze on guide prices for all types of table wine, toughening of the rules on distillation and effective and balanced application of the "compulsory distillation" scheme, and a reduction in the price paid for wines delivered for compulsory distillation as to discourage the production of additional surpluses. These measures have already produced results and the market has been recovering slowly but steadily.

The sector was seriously affected in the space of eleven months by two frauds (diethylene glycol and methanol detected in certain wines) which showed that some operators did not hesitate to put consumers' lives at risk. The Commission immediately set in motion all the procedures for collaboration and information existing in each Member State in order to identify the distribution networks and withdraw all suspect products from the market. The speed with which it acted doubtless limited the dramatic consequences of these scandals.

In addition, measures were adopted to provide better information for consumers by making it compulsory to state the alcoholic strength on wines, and provision was made for the introduction of a vineyard register. Such a register should make it possible to form a reliable assessment of actual Community wine-growing potential, which is essential for the bodies responsible for managing it, and will provide the control authorities with a tool which will enable them to perform their role more effectively.

Lastly, in order to solve the particularly disturbing problem created by the accumulation of Community stocks of wine alcohol, arrangements were laid down for the sale of this alcohol. Sales will be on the basis of minimum prices fixed so as not to disturb the market in alcohol and spirituous beverages and will take place in two stages. The first stage will consist of sales for human consumption and the second of sales, at much lower prices, to the fuel sector.

First estimates of the 1986/87 harvest suggest that production will be 10% up on the previous year at around 155 million hl, including about 107 million hl of table wine.

3. 1984/85 WINE YEAR

A. Production

Production in the Community of Ten was nearly 148 million hl in 1984/85, compared with 168 million hl in 1983/84 and 172 million hl in 1982/83.

In the three years this represented 46,4% (in 1984/85), 49,5% (in 1983/84) and 46,9% (in 1982/83) 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.

B. Utilization, self-sufficiency and stocks

Total internal utilization accounted for 152 million hl, which was 14 million hl less than in the previous year.

a) Human consumption

In 1984/85 direct human consumption was 112,4 million hl, which confirms the downward trend observed over the past few years.

b) Processing

The quantities processed amounted to 39,3 million hl against 46,2 million hl the previous year.

The quantities distilled under Community intervention measures in the course of the year fell sharply (30,1 million hl against 37,2 million hl in 1983/84) owing to the reduction in quantities coming forward.

c) Self-sufficiency

According to the supply balance sheet the degree of self-sufficiency of the Community of Ten in 1984/85 for all internal utilizations was 96,9% (101,3% in 1983/84). In this calculation total domestic utilization includes the quantities distilled under the various intervention measures.

If the quantities distilled under the various intervention measures (about 30 million hl) are excluded, the degree of self-sufficiency becomes 120,8% compared with 130,0% in 1983/84 and 129,2% in 1982/83.

d) Stocks

At the end of 1984/85 stocks in the Community amounted to 99,0 million hl, up on the previous year (88,9 million hl).

C. Trade

In 1984/85 imports remained fairly stable compared with the previous year: 5,0 million hl, against 5,2 and 5,1 respectively in 1983/84 and 1982/83. Exports, however, were up: 11,0 million hl in 1984/85 against 7,8 million hl in 1983/84 and 8,6 million hl in 1982/83.

D. Prices

a) Institutional prices

For 1984/85 the guide prices for all types of table wine were 1% down on the previous year.

b) Average prices for the wine year

- Red wine of type R I

Prices were stable in France (about 73% of the guide price) and firmed progressively throughout the year in Italy (about 83% of the guide price).

The few Greek quotations taken into account were at 57% (Patras) and 72% (Heraklion) of the guide price.

- Red wine of type R II

The only French quotation, for Bastia, was very low throughout the year (67% of the guide price). The Italian quotations available rose slightly and stabilized at about 72% of the guide price.

- White wine of type A I

Quotations were rather irregular throughout the year. Starting fairly low, they strengthened and stabilized in June at 97% of the guide price in France, 78% in Italy and 75% in Greece.

- German wine

Quotations for white wine of type A II recovered strongly from the very low levels of the previous two years. In August they were at 120% of the guide price. In the case of white wines of type A III, quotations remained lower, at around 90% of the guide price.

Quotations for red wine remained well above the guide price (180%).

E. Market management

a) Countervailing charges

Countervailing charges have remained unchanged since 1981/82 except for red, rosé and white wine put up in containers holding 2 litres or less, for which the charge was reduced to 0 ECU/% vol of actual alcohol/hl.

b) Export refunds

The level of export refunds for wine remained unchanged at 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 psr were kept at 17,25 ECU per hl.

c) Intervention

All the measures provided for in Community rules were implemented in the course of the year (preventive distillation, distillation of wine made from dual-purpose grapes, distillation of the by-products of winemaking, "garantie de bonne fin" distillation for the holders of long-term storage contracts, compulsory and support distillation, long-term storage).

Around 30 million hl of wine were distilled under Community intervention measures compared with 37 million hl in 1983/84.

The monthly average quantity of wine which was the subject of long-term storage contracts was 14,1 million hl (12,7 million hl in 1983/84) with a maximum of 17,4 million hl (17,2 million hl in 1983/84).

d) Aids

As in previous years, the following aids were granted:

- aid for the restorage of table wine stored during 1983/84,
- aid for products used in the production of grape juice,
- aid for enrichment,
- aid for British and Irish wines and for home-made wines.

4. 1985/86 WINE YEAR (Community of Ten)

A. Production

Production in 1985/86 was 140,3 million hl, down 7,4 million hl on the previous year.

B. Utilization, self-sufficiency and stocks

Total internal utilization accounted for 147 million hl, a decrease of 5,4 million hl.

a) Human consumption

In 1985/86 direct human consumption was 114,4 million hl compared with 112,4 million hl the previous year, although this does not reverse the downward trend which has been apparent for several years.

b) Processing

The quantities processed amounted to 31,8 million hl compared with 39,3 million hl in the previous marketing year.

The quantities which were the subject of contracts under Community distillation measures decreased appreciably (22,2 million hl as against 30,1 million hl in 1984/85) owing to the reduction in quantities coming forward.

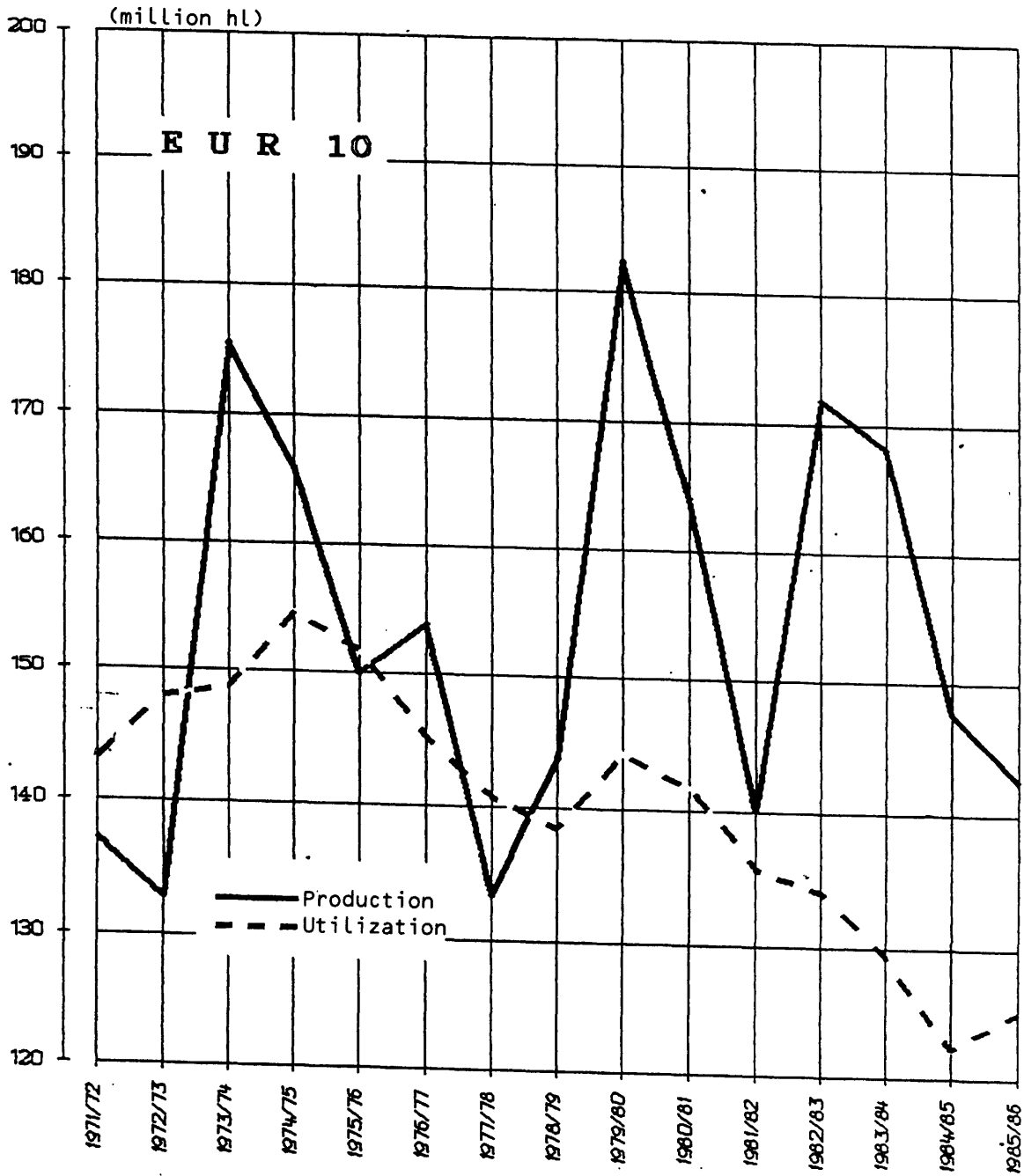
c) Self-sufficiency

The degree of self-sufficiency of the Community of Ten in 1985/86 for all internal utilizations was 95,4%. If the quantities distilled under the various intervention measures are ~~ex~~cluded the degree of self-sufficiency becomes 113,2%.

d) Stocks

At the start of 1985/86 stocks with producers and the trade in the Community of Ten amounted to 99 million hl (compared with 109,8 million hl at the beginning of 1984/85, because of the reevaluation of Italian stocks). A quantity of around 88 million hl is expected at the end of the marketing year.

PRODUCTION AND INTERNAL UTILIZATION OF WINE



NB. The figure for internal utilization does not take into account the quantities distilled under intervention measures.

The figure for 1985/86 is provisional.

C. Trade

The trend is for imports to drop slightly (4,5 million hl in 1985/86 against 5,0 million hl in 1984/85) while exports show a bigger drop (8,4 million hl against 11,0 million hl).

D. Pricesa) Institutional prices

The guide prices for all types of table wine were set at the same level as for the previous year.

| Table wine | Guide price in ECU |
|------------|--------------------|
| Type R I | 3,42/% vol/hl |
| Type R II | 3,42/% vol/hl |
| Type R III | 53,30/hl |
| Type A I | 3,17/% vol/hl |
| Type A II | 71,02/hl |
| Type A III | 81,11/hl |

b) Average prices for the wine year

Table wine quotations, generally speaking, recovered slowly but steadily, mainly as a result of the intervention measures.

According to the data available, average prices for the wine year are estimated as follows in relation to the guide prices:

For red wine of type R I: 78% in France and 89% in Italy;

For red wine of type R II: 72% in France and 78% in Italy;

For white wine of type A I: 92% in France, 83% in Italy and 95% in Greece;

For German wine, type R III stayed well above the guide price (around 216%) while type A III was at 86%. Type A II, after peaking at around 117% dropped sharply and stood at 65% in August.

The few Greek quotations show that on average red wine of type R I was at 89% of the guide price and white wine at 95%.

Monetary compensatory amounts in the wine sector were abolished at the start of the 1985/86 wine year (on 1 September 1985) but immediately reintroduced for Greece on 2 September 1985. MCAs for Greece have continued to rise, especially following the devaluation of the drachma in October 1985. MCAs were also introduced for Italy from 18 November 1985 to 9 February 1986. On 9 April 1986, as a result of the devaluation of the French franc, MCAs were reintroduced in France and Italy and increased in Greece.

The representative rates used in the wine sector held steady throughout 1985/86, except for the rates applied to liqueur wines, which follow the rates used for recording world market data.

E. Market management

a) Countervailing charges

Countervailing charges remained unchanged compared with the previous year. These charges in any case play only a minor part since they do not apply to 18 non-Community countries which have undertaken to observe the reference price and are the Community's principal suppliers.

b) Export refunds

Export refunds remained unchanged: 1,55 ECU per % vol and per hectolitre for all destinations, and 17,25 ECU per hectolitre in the case of liqueur wines other than quality wines psr.

The quantities qualifying for refunds fell again in 1985 (0,80 million hl against about 1,10 million hl in 1984).

c) Intervention

As in the previous marketing year, all the instruments of intervention were employed:

- Compulsory distillation, which was carried out for the first time in the form advocated at the European Council in Dublin, was intended to remove from the market a total of 7,5 million hl of wine broken down as follows: France 3,85 million hl, Italy 3,35 million hl, Greece 0,3 million hl. The breakdown was made by reference to these countries' table wine production in 1985/86.

- Because of the results expected from this distillation operation, support distillation was restricted to 2 million hl.

- The quantities of table wine withdrawn from the market by means of other forms of distillation may be put at the following, on the basis of data currently available:
 - . distillation of the by-products of winemaking: 47 800 hl;
 - . distillation of wine made from grapes of dual-purpose varieties: 2 906 000 hl, including 1 304 000 hl in France, 1 578 000 hl in Italy and 24 000 hl in Greece;
 - . preventive distillation:
Contracts were concluded for 7 401 000 hl, including 3 589 000 hl in France, 3 522 000 hl in Italy and 290 000 hl in Greece. Part of these quantities, however, may be delivered for compulsory distillation;
 - . "garantie de bonne fin" distillation: 7 566 166 hl, including 3 725 873 hl in France (out of 4 106 000 hl committed), 3 590 571 hl in Italy and 231 000 hl in Greece;
 - . 15 million hl were the subject of long-term private storage contracts.

- As in previous marketing years, aids were granted for:
 - . the restorage of table wine stored during 1984/85,
 - . the use of wine-sector products to enrich wine and in the manufacture of grape juice and British, Irish and home-made wines.

F. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on wine amounted to 998 million ECU in 1985, or 5,0% of all expenditure by the EAGGF Guarantee Section.

The figure of 998 million ECU for 1985 can be broken down into 35 million ECU on refunds and 963 million ECU on intervention. 1986 EAGGF Guarantee Section expenditure on wine is estimated at 1 087 million ECU (4,9% of total expenditure of the Guarantee Section).

5. THE ENLARGED COMMUNITY MARKET - SPECIAL PROVISIONS CONCERNING SPAIN AND PORTUGAL

5.1. PRODUCTION AND UTILIZATION OF WINE IN SPAIN AND PORTUGAL

In the 1985/86 wine year Spanish wine production amounted to 31 million hl, total internal utilization to 25,7 million hl and start-of-year stocks to 17,6 million hl. Imports are negligible, while exports remain stable (6 million hl in 1985 against 5,4 in 1982, 6,5 in 1983 and 6,4 in 1984).

In the same year production in Portugal amounted to 9,744 million hl while all internal utilizations totalled 8,377 million hl. Start-of-year stocks were 5,333 million hl. Imports are negligible, and exports amounted to 1,450 million hl.

5.2. THE TRANSITIONAL PERIOD IN THE WINE SECTOR

For wine there is a period of conventional transition in Spain and a period of transition by stages in Portugal. The market organization does not apply fully in Portugal until the end of the first stage of the transitional period, whereas Community rules entered into force in Spain on 1 March 1986. Since that date, therefore, the integrated market, i.e. the market to which the EEC market organization applies, has been composed of the Community of Ten and Spain; the market management measures, however, with the exception of refunds, do not apply in Spain until the start of the 1986/87 wine year.

A. The transitional period in Spain

a) From 1 March 1986

Specific guide prices, valid from 1 March 1986, were fixed for all types of table wine in Spain. From the same date, specific export refunds were fixed for Spanish wine-sector products, at a level which takes into account not only the prices of such products on Spanish markets and in international trade but also the need not to disturb trade: the refund is 0,50 ECU/% vol/hl for white wine and 0,70 ECU/% vol/hl for red wine.

Up to 31 August 1986 there had been no intervention.

As regards trade with non-member countries, Spain has applied the Common Customs Tariff from 1 March 1986 and has gradually taken over the Community's preferential agreements. In trade with the Community of Ten the reference price mechanisms and tariff quotas have been abolished; customs duties have started to be abolished on both sides; regulatory amounts and the supplementary trade mechanism (STM) have started to be applied.

Lastly, the structural measures apply in their entirety.

b) From 1 September 1986

From the start of the 1986/87 wine year all the instruments of the EEC market organization apply in Spain. Institutional prices in Spain are being aligned on the common prices over seven years. Lastly, the price percentages for "garantie de bonne fin" distillation, support distillation and compulsory distillation are being aligned over five years.

B. The transitional period in Portugal

During the first stage of the transitional period the internal market organization in force before accession is to be retained but it must be adjusted as provided for in the Act of Accession so that the EEC market organization can be applied at the end of the first stage. During this stage there can be no intervention and exports to the Community of Ten must observe the reference price.

On the other hand, tariff quotas for liqueur wines have been abolished with effect from 1 March 1986 and customs duties in intra-Community trade began to be dismantled from the same date.

Lastly, Community measures to improve the wine-growing structure are being implemented.

During the second stage Portugal will apply the EEC market organization; institutional prices will be fixed and then gradually harmonized with those in the rest of the Community; regulatory amounts will apply in intra-Community trade; lastly, certain varieties of vine will have to be eliminated.

6. CONCLUSION

Given the trend in the relationship between production and normal utilization, which has been accentuated by the effects of the diethylene glycol and methanol scandals on table wine consumption, and the impact of relations with the USA and the fall in the dollar on exports, there is a risk that surpluses will remain high and that the balance which has been eluding us for years will not be achieved.

In addition, the 1986/87 harvest seems likely to be average to good in terms of quantity (up 10%), a fact which does not suggest the likelihood of a market improvement and indeed risks accentuating the difficulties, particularly if it is borne in mind that even for 1985/86, which had a relatively poor harvest, intervention was on a large scale.

This is why it is more than ever necessary for the instruments set up by the Council to continue to be implemented effectively, in particular the definitive cessation of planting and the limitation of replanting rights, as well as full application of the Dublin guidelines making compulsory distillation the basic means of restoring market balance.

6. FIBRE PLANTS AND SILKWORMS

- COTTON
- FIBRE FLAX AND HEMP
- SILKWORMS

COTTON

1. INTRODUCTION

In the Community, cotton is a minor crop in respect of acreages and in respect of the number of farmers. None the less, for the regions in Greece and Spain where it is concentrated, it is a vital economic and social asset.

In view of the importance of the crop in Greece, Protocol No 4 annexed to the Treaty of Accession of Greece explicitly acknowledged the agricultural character of cotton and, although it is not an Annex-II product, an aid scheme was set up.

The share of the Community of Ten in world production is less than 1%. For the Community of Twelve, the percentage is a little higher, as it includes Spanish production. Despite this increase, the present Community has a heavy deficit, the self-sufficiency rate being only about 15%.

2. GENERAL SITUATION

There are two main features of the general situation.

In the first place, areas under cotton have steadily increased since the aid scheme was started. With the aid arrangement in force before accession, the areas under cotton had not been maintained in Greece: they had declined from 183 000 ha in 1977 to 141 000 ha in 1980. In 1981, the first year in which the Community aid scheme was operated, the area under the crop reached 126 000 ha. Since 1982, it has steadily risen, to reach 168 000 ha in 1983, 192 000 ha in 1984, 209 000 ha in 1985 and 210 000 ha in 1986, the highest figure since 1963 (231 000 ha). The figure of 200 000 ha had also been exceeded in 1961 and 1962.

Secondly, the decline in world prices for cotton fibre, which started in the summer of 1984, continued throughout the 1985/86 marketing year.

The combination of the two factors entailed a marked increase in EAGGF expenditure on cotton.

3. THE MARKETING YEAR 1985/86

In Spain and Portugal, cotton is subject to the conventional transition arrangements. The EEC market organization mechanisms have applied in both countries since 1 March 1986. However, as a tideover measure, the aid scheme operated in Spain before accession was maintained until 31 August 1986. The information below will distinguish between the Community market of the ten countries and the present Community market.

3.1. THE COMMUNITY MARKET OF TEN

A. Production

In 1985, Greece, the only producer Member State in the ten-country Community, sowed 209 000 ha of cotton, yielding production of 527 000 t of unginned cotton, 170 000 t of ginned cotton and 282 000 t of cotton seed, compared with 192 000 ha (+ 9%), 452 000 t, 147 000 t and 243 000 t respectively in 1984.

According to FAO figures, world production of cotton fibre came to 17 million t, compared with 18,2 million t (- 6,6%) in 1984. China, the United States, the USSR, India, Pakistan, Brazil, Turkey and Egypt are the leading producers; alone they total 14 million t, i.e. 83% of world production. The decline is due to the slump in world prices. Despite the reduction, world production is still well above that for 1983 (14,3 million t) and average production for 1979-81 (14,4 million t).

At 170 000 t, the Community's share came to 1% of world production.

B. Trade

Since, for technical and economic reasons, it is difficult to transport unginned cotton over long distances, there is no world trade in the product in this form.

As the Community has spinning capacity far exceeding its output of fibre, there are heavy imports. In 1985, the Community of Ten imported 813 000 t of cotton fibre (raw cotton plus linters), compared with 858 000 t in 1984. The United States (182 000 t), Turkey (45 000 t), Egypt and the Soviet Union (39 000 t), Syria, Israel and the Sudan were the main suppliers (50% of total deliveries). Community exports of cotton fibre reached 58 000 t in 1985 (compared with 34 000 t in 1984), 37 000 t of which were delivered by Greece.

Intra-Community trade is very limited (38 000 t) and supplies from Greece to the other Member States reached only 1 900 t.

C. Consumption

In 1985, apparent consumption of cotton fibre in the Community of Ten came to 900 000 t, 16% of which was covered by Community production. For 1984, the corresponding figures were 950 000 t and 14%.

D. Prices and aid

a) world prices

For the purposes of calculating the aid, a notional world market price for unginmed cotton is worked out on the basis of the value of the products obtained from ginning, minus ginning costs.

The world price for unginmed cotton, which had persisted at very high levels since the beginning of the 1983/84 marketing year, began to ease down in June 1984, following the forecast of a satisfactory world crop. Since then, the downward movement has continued because of ample supplies of cotton on the world market, despite a steady increase in consumption (by about 2% per year). Thus, by the end of 1985/86 (31 August 1986), the Community price of unginmed cotton had fallen to 18,0 ECU/100 kg, compared with 40,2 ECU at the end of the preceding marketing year (-55%) and 61,6 ECU at the end of the 1983/84 marketing year.

The price of cotton fibre on the world market, which had been running at 74,25 cts/lb (211 ECU/100 kg) at the end of 1983/84 and at 55,80 cts/lb (147 ECU/100 kg) at the end of 1984/85, continued falling throughout the 1985/86 marketing year to reach by the end of that marketing year the very low level of 41,00 cts/lb (81 ECU/100 kg).

b) Community aid

The aid scheme supports unginning Community cotton in an amount matching the difference between a norm 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 growers.

For the 1985/86 marketing year, the Council set the norm price at 96,02 ECU/100 kg, the minimum price at 91,23 ECU/100 kg and the quantity of unginning cotton attracting the full aid at 567 000 tonnes. The corresponding figures were 94,14 ECU/100 kg, 89,44 ECU/100 kg and 500 000 tonnes for 1984/85. The prices were thus increased by 2%.

During 1985/86, the Commission, given changes in the world market situation, reviewed the aid for unginning cotton 25 times. On 1 September 1985, the aid was 55,833 ECU/100 kg, but because of the steady decline in cotton prices throughout the marketing year, it had risen to 77,979 ECU/100 kg by 31 August 1986. Thus, for the 1985/86 marketing year as a whole, the average aid during the ginning period was 63,19 ECU, compared with 31,94 ECU for 1984/85 and 24,78 ECU for 1983/84.

E. Budgetary expenditure

EAGGF Guarantee Section expenditure on cotton came to 355 million ECU in 1985/86, compared with 154 million ECU in 1984/85, 106 million ECU in 1983/84 and 125 million ECU in 1982/83.

3.2. THE COMMUNITY MARKET OF TWELVE - SPECIAL PROVISIONS FOR SPAIN AND PORTUGAL

Although there is a major cotton industry in Portugal, cotton is not grown in that country. Spain, on the other hand, is a producer country.

In 1985, the Community of Twelve had 100 000 cotton producers (75 000 in Greece and 25 000 in Spain). The areas under cotton totalled 269 000 ha, of which 209 000 ha in Greece, 60 000 ha in Spain and about 100 ha in Italy. Community production for the twelve countries was 756 000 tonnes of unginmed cotton, of which 562 000 tonnes from Greece and 194 000 from Spain. The rate of self-sufficiency of the twelve-country Community was nearly 15% for the 1985/86 marketing year.

Cotton is subject to conventional transition in Spain and Portugal. The EEC market organization mechanisms have applied in both countries since 1 March 1986, including the common prices. However, as a tideover measure, the aid scheme operated in Spain before accession was retained until 31 August 1986.

As for the quantity of unginmed cotton attracting the full aid, Protocol No 14 to the Act of Accession increased the maximum quantity by 185 000 tonnes (from 567 000 tonnes to 752 000 tonnes), to allow for Spanish production.

4. THE 1986/87 MARKETING YEAR - SHORT-TERM OUTLOOK

4.1. PRICES AND AID

For 1986/87, the Council has set the norm price and the minimum price at the same level as that for the preceding marketing year (96,02 and 91,23 ECU/100 kg). These prices will apply to Spain and Portugal as well.

The quantity of unginmed cotton eligible for the full aid has been set at 752 000 tonnes, i.e. the maximum possible.

Protocol No 4 to the Act of Accession of Greece to the Communities required the Council to review before 1 August 1986, on the basis of a Commission report, the operation of the aid scheme for cotton set up by the Protocol. Should the results of this review show a need for adjustments, the Council was to decide in respect of these.

4.2. SHORT-TERM OUTLOOK

In 1986, areas under cotton in the Community totalled about 290 700 ha, of which 210 000 ha in Greece, 80 600 ha in Spain and about 100 ha in Italy. Community production is estimated at 819 000 t of unginning cotton, of which 567 600 t is grown in Greece and 251 400 t in Spain.

As foreseeable (819 000 t) exceeds the quantity eligible for the full aid (752 000 t), the Commission has decided to set at 88% the percentage of aid to be paid to the ginning undertakings before the determination of actual production. This will be fixed after the marketing year in order to determine any balance of aid still to be paid.

The disposal of Community production should not raise problems, given the low rate of self-sufficiency in the Community and the nature of the Community aid scheme.

The steady decline of cotton prices on the world market, because of ample supplies, seems to have come to an end. In the short term, any marked recovery in prices is unlikely; in the longer term, they should rise again to some extent, were it only because present levels are too low in terms of production costs.

5. CONCLUSION

Beginning with the accession of Greece, followed by an increase in areas sown and then the accession of Spain, there has been a major increase in Community production of natural fibres in general, and cotton fibre in particular. However, the Community's level of self-sufficiency remains very low (about 15%). It is unlikely to increase sharply in coming years, as a major extension of cotton growing would require a very marked increase in irrigated land in very hot areas, of which there are few in the Community.

The decline in world market prices and an increase in Community production entailed a sharp increase in EAGGF Guarantee expenditure on cotton: this reached 355 million ECU in 1985/86. Given the probable trend of world market prices and foreseeable production in Greece and Spain, expenditure for 1986/87 may be estimated at about 450 million ECU.

FIBRE FLAX AND HEMP

1. INTRODUCTION

The area under fibre flax and hemp is less than 1% of the Community UAA, but these crops are of considerable importance for the regions in which they are concentrated. Also, fibre flax is processed into yarn and fabrics in almost all the Member States. About 30 non-member countries buy fibre flax from the Community.

For the last ten years, the Community area under fibre flax has averaged 60 000 ha. The Community accounts for only 4% of the total world area under this crop (1,5 million ha) but for about 15% of world production of fibre flax (700 000 t) because yields are well above the world average. The quality of Community fibre is also well above that of flax grown elsewhere in the world (USSR, Eastern Europe, China, Egypt).

Hemp is grown to all intents and purposes only in small areas in France and Spain. It is used solely by the paper-making industry, but attempts are being made to recover certain outlets in the textile industry.

2. GENERAL SITUATION

The Community areas under fibre flax, which had declined to less than 50 000 ha in 1981, showed a recovery in 1982 which continued until 1985. The recovery was accounted for by a marked improvement in the overall situation in this sector over several years, notably because of the boom in the use of flax in the garment industry. However, growers overreacted to buoyant demand with a resulting disequilibrium, probably temporary, on the market for flax and hemp fibre bundles. Sluggish sales led farmers to reduce areas sown in 1986.

3. THE 1985/86 MARKETING YEAR

The details below concern the 1985 crop and its uses, referring thus only to the Community of Ten.

A. Production

In 1985, about 75 700 ha of fibre flax were sown, comparing with 64 800 ha in 1984 and 53 000 ha in 1983. The relative shares of the growing Member States have changed little (78% for France, 14% for Belgium and 6% for the Netherlands), although some other Member States (United Kingdom, Denmark, Germany) have attempted to start growing this crop. Dew retting continues to replace water retting. This trend is a serious threat not only to the growers and scutchers concerned, but also as regards future supplies of good quality certified seed.

Weather conditions have tended to be unfavourable, yielding a mixed crop in terms both of quality and quantity. On average, the straw yield was a little higher than in the preceding year (8,5 t/ha, compared with 8,0 t in 1984) but the fibre density was lower (1 640 kg/ha, compared with 1 680 kg in 1984). As a result, Community production increased, to 650 000 t of straw and 123 800 t of fibre, compared with 521 000 t and 108 800 t respectively for 1984.

The contraction in areas under paper hemp in 1979, following steady progress in previous years, continued until 1984. Having fallen below 5 000 ha, these areas increased to about 6 500 ha in 1985, with, in general, average yields.

B. 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 confined to Belgian imports from France and the Netherlands. In 1985, retting and scutching concerns in Belgium bought 65 000 t (60 000 t in 1984) of flax straw in France and the Netherlands, topping up the Belgian crop. The rise compared with previous marketing years is explained by the fact that the increase in the supply of Belgian-produced straw was insufficient to meet the growing needs of Belgian retting and scutching firms.

After a sharp increase in 1984, imports of fibre flax fell back in 1985 to their previous level (18 600 t, compared with 34 500 t in 1984, 19 500 t in 1983 and 11 400 t in 1982). Quantities exported (36 800 t) fell short of the 1984 (40 700 t) but are still well above the already high figure for 1983 (30 800 t) and 1982.

The Community needs more low- and medium-quality fibre than it produces, and the deficit is imported from Eastern Europe, Egypt and China, where this fibre 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 declined sharply in 1985 (3 200 t, compared with 7 300 t in 1984). China, Egypt and especially the countries of Eastern Europe are the suppliers. Exports were only about 1 500 t compared with 3 400 t in 1984.

C. Consumption and stocks

Community consumption of fibre flax seems to have declined slightly during the 1985/86 marketing year: it is estimated at 121 000 t, compared with 124 500 t for 1984/85 (- 3%). The success of flax in the garment industry failed to offset completely declining demand elsewhere.

Stocks of flax fibres held by scutching firms, dealers and spinning undertakings, estimated by the trade at what was already an excessively high level of 53 000 t at the beginning of the 1985/86 marketing year (compared with 38 000 t at the beginning of 1984/85), built up further during the year.

The situation of over-supply, due more to an increase in fibre deliveries than to flagging consumption, forced prices down sharply. Accordingly, the Commission, taking the view that this was a temporary market disequilibrium, authorized operators holding Community flax and hemp fibre bundles to conclude storage contracts for the temporary withdrawal of a certain quantity of fibre from the market.

D. Prices and aid

The prices of flax straw, which had risen sharply in the preceding four marketing years, lost ground in 1985/86 to ease down to the 1981/82 level by the end of the marketing year. The revenue of most growers was substantially reduced. Average selling prices for flax fibre, which had been increasing since October 1981, ceased to rise in the summer of 1985. Thereafter, they declined sharply down to the summer 1982 level by June 1986. The downward movement had ended in May 1986, partly because of withdrawal measures adopted by the Commission and partly because of the sharp reduction in flax areas sown and the relatively pessimistic predictions with regard to yields and the quality of the new crop.

The contract price for hemp straw agreed between users and producers, which had been adjusted regularly in earlier marketing years, rose from FF 655/t in 1984/85 to FF 720,50/t in 1985/86 (+ 10%). The decline in hemp prices stopped towards the end of the year, but there are serious problems hampering the marketing of hemp seed. Because of Chinese offers at low prices, French growers obtained only FF 210/100 kg in 1985, compared with FF 385 in 1984.

The aid for fibre flax was set at 355,09 ECU/ha for 1985/86, compared with 351,57 ECU/ha for 1984/85 (+ 1%). Of this amount, 22,85 ECU goes to financing schemes to encourage the use of flax fibre.

For hemp the aid for 1985/86 was 322,48 ECU/ha compared with 319,29 ECU/ha for 1984/85 (+ 1%).

E. Budgetary expenditure

EAGGF Guarantee expenditure for fibre flax and hemp in 1985 totalled 27,2 million ECU.

EAGGF Guarantee expenditure for fibre flax and hemp in 1986 are estimated at 32,0 million ECU (0,1% of total expenditure of the Guarantee Section).

4. THE 1986/87 MARKETING YEAR - SHORT-TERM OUTLOOK

4.1. PRICES AND AID - COMMUNITY MEASURES

The flat-rate aid per hectare was maintained at 355,08 ECU/ha for flax and 319,29 ECU/ha for hemp, the aid for Spain and Portugal being one seventh of these amounts.

The amount intended to contribute to the financing of schemes to promote the use of fibre flax was increased from 22,85 to 24,41 ECU/ha (8% of the aid, compared with 6,5%).

The contract price for straw hemp was reduced to FF 700/t, 3,5% below the figure for the preceding marketing year.

The Council agreed to maintain during the marketing years 1982/83 to 1986/87 the measures started to promote the use of fibre flax, i.e. information measures on the one hand and efforts to find new outlets on the other. This is entirely financed from part of the flat rate paid for fibre flax.

4.2. OUTLOOK

Community areas under fibre flax have declined markedly, falling from 75 000 ha to about 60 000 ha in 1986 (- 21%).

In France, in 1986, 5 500 ha of hemp were sown, compared with 6 500 in 1985, but this reduction is amply offset by an area of 1 420 ha in Spain. Thus, Community areas under hemp total 6 920 ha in 1986, compared with 6 500 in 1985.

Yields of straw flax and the new crop are very varied, but generally below average. Dew retting has admittedly not been carried out in ideal conditions, and the quality of the fibre is likely to be very variable. A recovery on the market may be expected as foreseeable supplies of Community fibre flax are well down on the preceding marketing year.

As for hemp, it is very likely that the market situation for fibre will improve under the impact of the expected recovery in the prices of short fibre flax, despite fibre hemp available from non-member countries. On the other hand, forecasts with regard to seed prices are less optimistic.

The very satisfactory situation with regard to the marketing of straw and fibre from the 1984 crop was an incentive to growers and scutchers to further step up areas under flax in 1985. The fear expressed in the preceding report that the equilibrium on the fibre flax market achieved since 1982 and the shortage in 1985 were due to a decline in supply in preceding years rather than an increase in demand - despite the success of flax in the garment industry - has proved well-founded. The contraction in areas in 1986 and the disappointing yields from this crop suggest that the equilibrium, lost during the 1985/86 marketing year, has been restored and will persist throughout 1986/87 and even beyond. However, trends in past marketing years show that the future of this industry will be assured in the long term only in so far as flax goes on winning a growing share of the range of textile products offered to the consumer. For this purpose, flax must not only maintain and increase the outlet it has found in the garment industry but also recover some of the other outlets lost.

6. CONCLUSIONS

Flax and hemp growing, being very sensitive to weather conditions, has remained a high risk enterprise, despite steadily developed mechanization. Private storage of fibre has, on three occasions, served to support the market through temporary market disequilibria. However, in the longer term, maintenance of the equilibrium of the sector, and perhaps its development, can be ensured only through an increase in outlets. Action to promote the use of flax can make an important contribution to this.

As for hemp, the lack of diversified outlets (it is only used for paper making), and the difficulties in marketing seed, are curtailing its expansion.

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. There is no production in Spain or Portugal.

According to the FAO, world production of raw silk (including waste) in 1985 was 65 000 t compared with 63 000 t in 1984 and 65 000 in 1983. Silkworm rearing is virtually an Asian monopoly (60 000 t): China (40 000 t) and Japan (10 000 t) account together for more than 75% of world production.

Community production, which had been steadily declining in recent years due to the fact that the rise in costs has not been adequately offset on the market, staged a recovery in 1984, but this did not continue in 1985.

In this latter year, 6 500 boxes (4 100 in Italy and 2 200 in Greece) were used, compared with 6 700 in 1984 (- 3%) and 11 100 in 1980. Cocoon production was 161 t, compared with 162 t in 1984, and 308 t in 1980. The situation improved in Italy, but in Greece, where this activity had staged a fairly substantial recovery in 1984, production declined a little.

For the 1985/86 marketing year, the aid was set at 108.67 ECU per box (107.59 ECU for 1984/85), which represents an increase of 1%. For the 1986/87 marketing year, the aid remained unchanged. For Spain and Portugal, where the silkworm sector is subject to conventional transition, the aid is 15.52 ECU, one seventh of the aid for the other Member States.

EAGGF guarantee spending on silkworms was 0.7 million ECU in 1985.

7. SPECIALIZED CROPS

- TOBACCO

- HOPS

- SEEDS

TOBACCO

1. INTRODUCTION

Tobacco-growing plays a unique role in Community agriculture as it is the only source of income for very labour-intensive holdings situated in the least-favoured areas of Greece, Italy, Spain and Portugal. A total of more than 220.000 holdings are involved in growing tobacco.

Tobacco-growing has also become particularly important in France, Belgium and Germany because of the vital supporting role it plays on small mixed farms where the main activity is cereal or milk production or stockfarming. Tobacco, which is often grown on less than 10% of the farm's area, may provide up to 60% of the farmer's gross margin.

2. THE SITUATION GENERALLY

World production of leaf tobacco in 1985 was estimated at 6,8 million tonnes, 4,9% up on 1984. This increase is chiefly due to the growth in output achieved by China, the world's leading producer, whose production rose by about 28% to 2,3 million tonnes. In the USA, the world's second largest producer, production fell by about 12% to 687.000 tonnes.

The production of leaf tobacco in the Community of Ten rose by 3,2% to 360.000 tonnes.

Harvest forecasts for 1986 are for a world production of 6,5 million tonnes (down 3% on 1985), including 2,1 million tonnes in China (down 9%), 603.000 tonnes in the USA (down 12%) and 360.000 tonnes in the Community of Ten (unchanged). Production in the Community of Twelve is expected to total 406.000 tonnes.

In 1985, world cigarette production, which absorbs more than 85% of world tobacco production, rose by 3,7% (1,5% if the figures for China are not included) to reach 4,873 million units.

3. THE 1985 HARVEST (Community of Ten)

A. Production

Community production of leaf tobacco in 1985 was 359.895 tonnes, an increase of 3,2% on the previous year.

The tobacco-growing area increased by 6,3% to 197.985 hectares. The last three years' figures for the area under cultivation and for production are set out, both by types of tobacco and by Member State, in the tables below.

Tobacco-growing area and tobacco production
in the Community producer countries in 1983-85

| | AREA (ha) | | | PRODUCTION (t) | | |
|-----------------|-----------|---------|---------|----------------|---------|---------|
| | 1983 | 1984 | 1985 | 1983 | 1984 | 1985 |
| Fed.Rep.Germany | 2.984 | 3.042 | 2.988 | 6.809 | 7.230 | 8.113 |
| France | 14.256 | 14.414 | 14.797 | 36.216 | 34.907 | 35.393 |
| Belgium | 523 | 527 | 543 | 2.078 | 2.054 | 2.097 |
| Italy | 71.433 | 75.528 | 80.977 | 156.064 | 161.332 | 165.825 |
| Greece | 92.714 | 92.713 | 98.680 | 111.591 | 143.311 | 148.467 |
| EUR-10 | 181.907 | 186.224 | 197.985 | 312.758 | 348.834 | 359.895 |

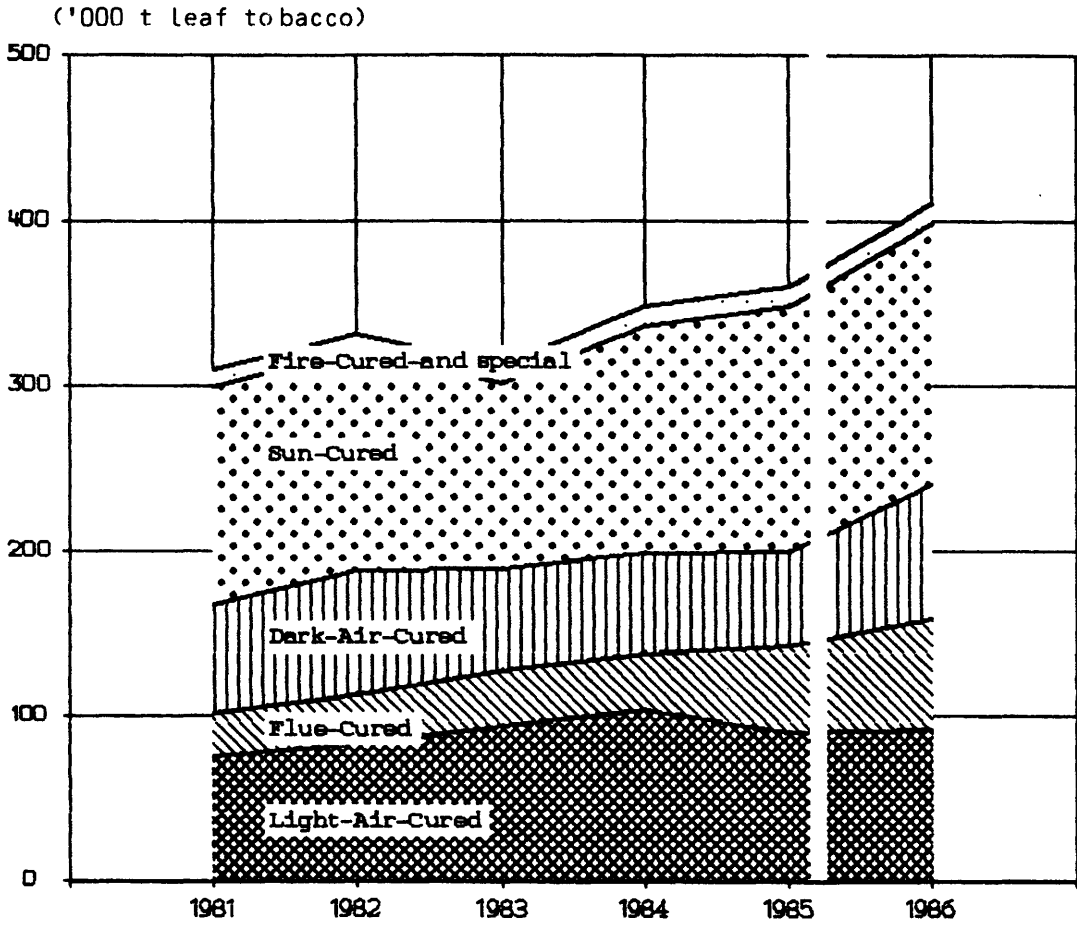
Area used for the cultivation of the various types of tobacco grown
in the Community and actual quantities produced in 1983-85

| TYPE | AREA (ha) | | | PRODUCTION (t) | | |
|-----------------|-----------|---------|---------|----------------|---------|---------|
| | 1983 | 1984 | 1985 | 1983 | 1984 | 1985 |
| Light air cured | 31.638 | 32.692 | 30.784 | 94.553 | 103.877 | 90.851 |
| Flue cured | 14.890 | 17.785 | 22.559 | 33.194 | 34.144 | 51.798 |
| Dark air cured | 26.986 | 27.409 | 28.400 | 62.078 | 60.942 | 57.173 |
| Sun cured | 102.509 | 101.714 | 109.660 | 112.241 | 137.459 | 148.026 |
| Fire cured | 5.837 | 6.620 | 6.582 | 10.663 | 12.399 | 12.047 |
| Special tobacco | 47 | 5 | - | 49 | 13 | - |
| Total EUR-10 | 181.907 | 186.225 | 197.985 | 312.758 | 348.834 | 359.895 |

Percentage change in the tobacco-growing area and in the
production of the various types of tobacco grown in the Community

| TYPE | AREA (%) | | | PRODUCTION (%) | | |
|-----------------|----------|---------|---------|----------------|---------|---------|
| | 1983/82 | 1984/83 | 1985/84 | 1983/82 | 1984/83 | 1985/84 |
| Light air cured | + 24,4 | + 3,3 | - 5,8 | + 14,0 | + 9,9 | - 12,5 |
| Flue cured | + 17,9 | + 19,4 | + 26,8 | + 9,8 | + 2,8 | + 51,7 |
| Dark air cured | - 7,9 | + 1,6 | + 3,6 | - 17,7 | - 1,8 | - 6,2 |
| Sun cured | - 1,7 | - 0,8 | + 7,8 | - 15,4 | + 22,5 | + 7,7 |
| Fire cured | + 16,3 | + 13,4 | - 0,5 | + 4,2 | + 16,3 | - 2,9 |
| Special tobacco | - 9,6 | - 89,4 | - | - 50,0 | - 277,- | - |
| Total EUR-10 | + 2,9 | + 2,4 | + 6,3 | - 6,0 | + 11,5 | + 3,2 |

TOBACCO PRODUCTION BY GROUP OF VARIETIES



SOURCE: Commission of the European Communities,
DG for Agriculture.

The rise in leaf tobacco production has slowed down since the beginning of the present decade: with the exception of the sharp rise recorded in 1984 following the bad weather in Greece a year earlier, total production in the Community of Ten is now increasing by only 3,2% annually, compared with about 7% in the early 1980s.

The area under tobacco increased by 6,3% in 1985, however, compared with an average of only 2,5% in previous years.

The overall yield fell by an average of 2,7% in 1985 (to about 1.820 kg/ha), as a result of lower figures for dark air-cured tobaccos.

As regards the types of tobacco produced in the Community in 1985, the main facts can be summarized as follows :

- the production of flue-cured tobacco was 52% up;
- the production of sun-cured tobacco was 7,7% up;
- the production of light air-cured tobacco was 12,5% down;
- the production of dark-air cured tobacco was 6,2% down;
- the production of fire-cured tobacco was 2,9% down; and
- virtually no special tobacco was produced.

These statistics reveal the effect of the Commission's policy of switching production to the more sought-after varieties: flue-cured tobacco, which accounted for 8,4% of total production in 1981, increased its share to 14,4% in 1985, while that of dark air-cured tobacco fell from 21,2% to 15,9% over the same period.

On the other hand, after rising fairly sharply, the production of light air-cured varieties is now declining because of marketing problems (particularly in the case of Burley), whereas the production share of sun-cured tobacco, which had fallen at first, is now increasing thanks to export outlets.

B. Community use

The industry used an estimated 601.000 tonnes of baled raw tobacco in 1985, i.e. 4,3% more than in 1984.

In 1985, cigarette production (a commonly-used indicator) rose by 1,8% in the Community of Ten, reaching 561.000 million units, the same level as in 1981. It fell in only two Member States: Italy (down 2% to 79.000 million units) and the United Kingdom (down 5% to 124.000 million units). The figures for the other Member States are as follows:

| | | | |
|------------------------|---|----------|--------------------------|
| - Fed. Rep. of Germany | : | up 2,2% | to 165.600 million units |
| - France | : | up 10,9% | to 67.400 million units |
| - Netherlands | : | up 12,5% | to 50.800 million units |
| - Belgium/Luxembourg | : | up 2,6% | to 28.400 million units |
| - Greece | : | up 3,6% | to 28.000 million units |
| - Denmark | : | up 3,6% | to 11.900 million units |
| - Ireland | : | up 6,1% | to 7.700 million units |

C. Tobacco consumption

Calculated as production plus imports minus exports, apparent consumption of cigarettes in the Community of Ten rose by 3,7% in 1985, to a total of 519.300 million units.

Cigarette consumption decreased in only three Member States: the United Kingdom (down 1,8% to 96.900 million), BLEU (down 9,1% to 16.500 million) and Ireland (down 2,1% to 6.400 million).

Consumption increased in the other Member States, as follows :

| | | | |
|------------------------|---|----------|--------------------------|
| - Fed. Rep. of Germany | : | up 0,4% | to 123.200 million units |
| - France | : | up 11,8% | to 106.400 million units |
| - Italy | : | up 6,7% | to 112.800 million units |
| - Netherlands | : | up 11,8% | to 19.600 million units |
| - Greece | : | up 4,9% | to 28.700 million units |
| - Denmark | : | up 0,7% | to 8.800 million units |

The Community of Ten's self-sufficiency in cigarettes fell from 110% in 1984 to 108% in 1985, internal consumption having risen faster than production.

D. Trade

World exports of baled raw tobacco totalled 1.390.300 tonnes in 1985, 2% more than in 1984. The Community exported a total of 220.484 tonnes, 7,5% less than in 1984. Intra-Community exports totalled 90.065 tonnes, 5,7% less than in 1984.

The Community exported 130.423 tonnes to non-member countries, 8,7% less than in 1984, thus accounting for 9,2% of total world exports in 1985.

In 1985 the Member States imported 435.698 tonnes from non-Community countries, 2,9% more than in 1984, accounting for more than 30% of total world imports in 1985.

The Community imported 95.833 tonnes from ACP countries (the imports in question were exempt from customs duties) in 1985, 30% more than in 1984, and 197.666 tonnes from countries benefiting from the GSP, 1% more than in 1984 (the preferential tariff arrangements were subject to a limit of 61.200 tonnes in the case of flue-cured Virginia tobacco and 2.550 tonnes in the case of other types of tobacco).

Virginia-type tobacco made up some 55% of total imports in 1985, as against 62% in 1984. Intra-Community trade in cigarettes increased by 9,8% to 124.911 tonnes, while cigarette trade with non-member countries decreased by 6%, to 39.097 tonnes.

E. Prices

(a) Common prices

Decisions taken by the Council led to reductions of up to 2,5% in the norm and intervention prices for Community tobacco harvested in 1985.

(b) World prices

The prices of tobacco imports into the Community moved as follows.

The average price of flue-cured Virginia tobacco (stripped or otherwise), a variety which accounts for about 55% of Community imports, fell from US \$ 3,69/kg in 1983 to US \$ 3,44/kg in 1984 but rose to US \$ 3,87/kg in 1985. Changes in the exchange rate have, however, meant a steady rise in the price expressed in ECU, from 4,14 ECU/kg in 1983 to 4,36 ECU/kg in 1984 and 5,07 ECU/kg in 1985.

The average price of light air-cured Burley tobacco (stripped or otherwise), a variety which accounts for about 12% of Community imports, increased from US \$ 4,40/kg in 1983 to US \$ 4,79/kg in 1984 and US \$ 4,91/kg in 1985. The price in ECU rose from 4,94 ECU/kg in 1983 to 6,07 ECU/kg in 1984 and 6,44 ECU/kg in 1985. The above figures are weighted averages: prices for stripped and unstripped tobacco moved differently, in some cases in opposite directions. In 1984, for example, prices for unstripped Burley fell by nearly 23% while stripped Burley prices rose by 14% (in dollar terms).

Average import prices for oriental sun-cured tobacco, which accounts for 8% of Community imports, fell from US \$ 2,90/kg in 1983 to US \$ 2,85/kg in 1984 and rose again to US \$ 2,93/kg in 1985. Although virtually stationary when expressed in dollars, prices nevertheless increased when expressed in ECU, from 3,26 ECU/kg in 1983 to 3,61 ECU/kg in 1984 and 3,84 ECU/kg in 1985.

F. Market management

In order to bring production more into line with demand and to discourage sales into intervention, the ratio of intervention price to norm price was set permanently at 85%.

Refunds were fixed in 1985 for tobacco from the 1984 harvest and the period of validity of the refunds for tobacco harvested in 1981, 1982 and 1983 was extended. Also in 1985, the Commission sold by tender 14.805 tonnes of tobacco from the 1982 harvest which was held in intervention. One of the conditions of the sale was that the tobacco should be exported, without a refund, outside the Community.

The tobacco from the 1983 harvest having been successfully sold by tender, there was no intervention stocks left at the beginning of 1986. Sales into intervention of tobacco from the 1984 harvest totalled 11.630 tonnes, i.e. only 3,3% of the Community's entire production.

G. Budgetary expenditure

EAGGF guarantee expenditure on tobacco was 863 million ECU in 1985, i.e. 4,2% of the Fund's total guarantee expenditure that year. 1986 EAGGF Guarantee Section expenditure on tobacco is estimated at 792 million ECU (3,5% of total expenditure of the Guarantee Section).

THE 1986 HARVEST (Community of Twelve)

A. Arrangements concerning Portugal and Spain

The market organization for raw tobacco entered into force in the new Member States on 1 March 1986, without a transitional period.

The cost of disposing of the 86.685 tonnes of tobacco held in Spain before accession is to be borne by the Spanish authorities. The stocks in question, which may be disposed of in instalments, must either be exported to non-member countries or be destroyed.

B. Changes in the EEC market organization

In 1986, with a view to ensuring better control of production trends, the Council adopted a Commission proposal defining the recognized production areas for each of the varieties grown in the Community.

C. The 1986 harvest

Production estimates for the various types of tobacco are given in the following table (see next page).

CONCLUSION

There is, on the whole, a shortage of raw tobacco in the Community. However, although the Community is only 50% self-sufficient in terms of value, it has to export some 42% of its production and import 72% of its requirements each year because the increasing consumption of "American blend" cigarettes in the Community has resulted in a mismatch between Community-produced tobacco varieties and qualities and the requirements of the Community manufacturing industry.

Production estimates for the 1986 tobacco harvest, by type of tobacco and by Member State

EUR-12

| TYPE | ESTIMATED PRODUCTION 1986 ('000 tonnes) | | | | | | | |
|---------------------|-----------------------------------------|-------|--------|-------|--------|-------------------|----------|---------|
| | EUR-12 | ITALY | GREECE | SPAIN | FRANCE | FED. REP. GERMANY | PORTUGAL | BELGIUM |
| Light air cured | 92,9 | 54,1 | 20,3 | 10,9 | 4,3 | 2,6 | 0,7 | - |
| Flue cured | 60,6 | 36,0 | 1,1 | 11,9 | 7,6 | 0,9 | 2,8 | - |
| Dark air cured | 82,3 | 32,2 | - | 20,1 | 24,0 | 4,0 | - | 2,0 |
| Sun cured | 158,4 | 28,8 | 129,6 | - | - | - | - | - |
| Fire cured | 12,0 | 12,0 | - | - | - | - | - | - |
| Special tobacco | 0,04 | 0 | 0 | 0,04 | - | - | - | - |
| TOTAL ('000 tonnes) | 406,2 | 163,1 | 151,0 | 43,0 | 35,9 | 7,5 | 3,5 | 2,0 |

In spite of the achievements of recent years as regards varietal conversion, the market prospects for Community-grown tobacco are still somewhat uncertain.

Product quality has deteriorated, the dollar has been falling against the ECU (making Community-grown tobacco less competitive on world markets, where prices are fixed in dollars) and world production has exceeded demand. For these reasons, Community-produced tobaccos which have traditionally been in great demand (such as the light air-cured type) might prove difficult to market, especially since the United States has adopted a policy of selling off stocks at low prices and the Community has increased the tariff preferences granted to certain non-member countries (under the GSP).

It should be noted, however, that Community production of raw tobacco, particularly of the light air-cured types, is already being adjusted.

The latest available information suggests, moreover, that the production and consumption of cigarettes is increasing slightly in the Community, in spite of the anti-smoking lobby.

An improvement in the quality of the product might, therefore, enable Community-produced tobacco to satisfy a demand which, unlike previous years, seems to be growing or at least re-establishing itself at pre-1981 levels.

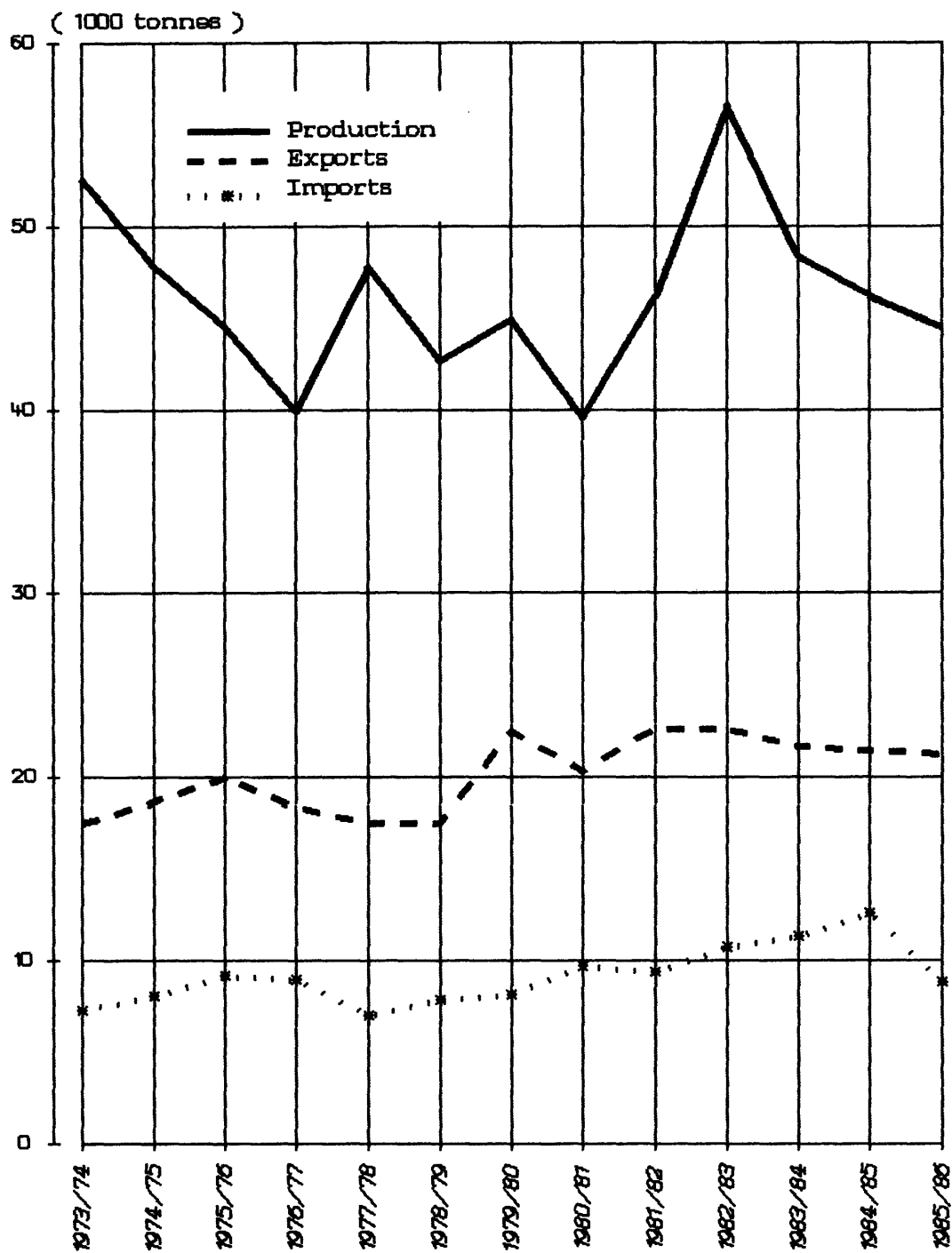
HOPS

Community production (Community of Ten) in 1985 was 44.573 tonnes or 36% of estimated world production, from an area of 25.748 ha or 30% of the total estimated world area of some 85.500 ha. The area in production in the Community was thus 500 ha less than in 1984; world area was reduced by nearly 2.200 ha. The average yield in the Community, 1,73 t/ha, was below both that of the previous year and also the 1978-84 average of 1,78 t/ha. The average alpha acid content of the Community crop in 1985 was 5,70% which by historical comparisons was slightly low as well as being a substantial decline from the exceptional alpha acid content of the 1984 harvest, viz. 6,84%; alpha acid is the principal bittering substance contained in hops. Total estimated Community and world production of alpha acid in 1985 were 2.543 tonnes and 7.136 tonnes respectively compared with 3.162 tonnes and 8.386 tonnes in 1984. These figures illustrate the extent to which alpha acid contents can vary from year to year and so exert a major effect on the annual balance between supply and demand. Much of the difficulty in marketing the 1985 crop can be traced back to the effect of high alpha acid contents in 1984; the Commission estimates that world stocks expressed in terms of alpha acid rose from the already high level of 5.200 tonnes on 1 September 1984 to 6.100 tonnes (+17%) a year later. The 1985 harvest was broadly in line with annual brewing requirements and, when allowance is made for depreciation, a slight reduction in stocks may be expected to have taken place by the eve of the 1986 harvest. However there will still be some 10 months brewing supplies in stock throughout the world.

The outlook for beer production has not substantially altered over the past two years. After having grown consistently in the 1970s at annual rates of 2% to 4%, and having grown at lower rates in 1981 and 1982, world beer output has changed little since 1983. Production continues to grow in the Far East, notably in China. There has also been some revival of output in parts of Central and South America, particularly Mexico and Brazil. In general there remains considerable potential demand in developing countries but the expansion of output to meet it is often very sensitive to balance of payments and debt problems. However such growth as there has been in these sectors of the market has been outweighed by the stagnation of production in the developed economies, especially in the USA, the EEC, the USSR and Japan.

During the campaign September 1985 to August 1986 Community net exports amounted to 12.412 tonnes compared with 8.940 tonnes in the previous campaign, 10.370 tonnes in 1983/84, 11.889 tonnes in 1982/83 and 13.236 tonnes in 1981/82. In recent years there has been a steady growth in imports into the Community. Exports remain of primary importance to Community producers and gross exports have held up well in the face of the depressed world market since 1982. The extent of this depression is shown clearly by the average price on spot markets in the Community which, at 92 ECU/50 kg, remained low for the fourth season running. Although this represents an increase on the

HOP PRODUCTION, EXPORTS AND IMPORTS EUR - 10



SOURCE : Commission of the EC, DG for agriculture.

corresponding figure for the 1984 harvest, namely 70 ECU/50 kg, it should be remembered that the average spot price in 1981 was 226 ECU/50 kg. Prices in 1985 were rather better for aromatic hops than for bitter hops; the former showed some signs of recovery whereas for the latter it was in many cases extremely difficult to find an outlet. However four fifths of the harvest were sold under forward contracts many of which were struck before the downturn in the market. The average contract price in 1985 was 173 ECU/50 kg. This provided a considerable degree of protection for growers' incomes.

The level of producer income aid for the 1985 harvest was fixed at 350 ECU/ha for 'aromatic' and 'other' varieties and at 275 ECU/ha for 'bitter' varieties, resulting in total expenditure of 8,0 million ECU. The annual income aid will be granted in respect of Spanish and Portuguese hop production as from the 1986 harvest and in its entirety. The provision for the granting of aids for the establishment of recognized producer groups has been extended for Spain and Portugal for a period of five years from the date of accession.

The adjustment of supply to demand will continue in 1986/87. A further reduction of some 2.650 ha has been reported by the major producing countries throughout the world, including a cut-back in the area in production in the twelve Community countries of 1.180 ha. Whilst there is the possibility of the 1986 harvest being the first since 1980 to fall short of annual brewing requirements, although this will obviously depend on yields, nevertheless a significant reduction of stocks will be necessary before prices revive.

SEEDS

1. INTRODUCTION

The seeds sector, which includes only a limited number of species, must be considered in terms of both production and strategic value. In 1985 fodder seed produced 12 401 000 ha crop of green fodder in the Community, while permanent grasslands covered an area of around 46 million ha. The total quantity of hybrid maize seed available (about 1,5 million quintals) is sufficient to put approximately 6 million ha under maize and forage maize. It should also be stressed that indigenous varieties, particularly of legumes, are generally more persistent (long-lives) than imported varieties.

It should also be borne in mind that:

- seed production calls for the use of advanced technology and tends to be labour-intensive, both on the farm and at seed-sorting and seed-packing stations;
- seeds can provide an alternative to grain production;
- there is a very close link between seed production and genetic research.

The EEC market organization 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 |
| - hybrid sorghum for sowing | CCT 10.07 C I |
| - oilseeds and oleaginous fruit, for sowing | CCT 12.01 A |
| - seeds, fruit and pores, of a kind used for sowing | CCT 12.03 |

2. THE SITUATION GENERALLY

In 1985 production of fodder seed in the Community was nearly 3 million quintals (about 1 million quintals of grass seed and 2 million quintals of leguminous vegetable seed). The situation on the supply side was accordingly favourable, and prices fairly low, in particular in the case of grass seed; legume seed prices were higher, however, given the low level of stocks.

The production of hybrid maize seed was also satisfactory in 1985/86, with production estimated at 1 500 000 quintals (EUR-10); imports were 16% up on the previous marketing year. The Community's production of rice for sowing was 538 649 quintals in 1985; Community production and demand are evenly matched.

Among the measures adopted in 1985/86, hybrid sorghum for sowing and three species of legume seeds were included in the market organization and the subsidies applicable in Portugal and Spain were fixed for the first time.

If, as expected, the 1986 seed harvest falls below last year's level, it is likely that imports, intra-Community trade and prices will all rise in 1986/87.

3. 1985/86

The EEC market organization has been applicable in Portugal and Spain since 1 March 1986. The present marketing-year review covers the Community of Ten, with a special section on seed production in Portugal and Spain.

3.1 THE COMMUNITY OF TEN

A. 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 legume seed.

In 1985 the Community's production of fodder seed was about 3 million quintals (2,8 million quintals in 1984). The areas approved for control were:

(Graminae) 100 374 ha in 1985 as compared with 107 495 ha in 1984
(Laguminosae) 129 963 ha in 1985 as compared with 97 739 ha in 1984.

The production of rice for sowing was 538 649 quintals (1985). 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 1,5 million quintals (1985). Production is thus on the increase, as compared with its 1984 level.

B. Supply situation

Community supplies of fodder seed continue to be satisfactory. With some 3 million quintals available to meet an estimated demand of some 2 200 000 quintals, the Community is able to cover its requirements for most of the species grown. The situation should remain more or less the same for the marketing year ahead. Trade with non-member countries is continuing, however, in particular in the case of certain species which are in short supply in the Community (*Phleum pratense*, *Trifolium repens*, *Vicia sativa*, etc.).

C. Trade

The Community imports about 600 000 quintals and exports about 200 000 quintals of fodder seed each year. Intra-Community trade totals about 600 000 quintals.

In the case of hybrid maize the situation is still unclear. Imports rose between 1979/80 and 1982/83, but fell to 287 290 quintals during the 1983/84 marketing year, compared with 386 987 quintals in 1982/83. During 1985/86, however, they rose again to 462 547 quintals (Community of Twelve). The situation still needs to be closely monitored.

Intra-Community trade totals about 150 000 quintals.

The trade in rice for sowing chiefly involves the export of fairly small quantities from Italy to France (about 12 000 quintals).

3.2 THE COMMUNITY OF TWELVE - SPECIAL PROVISIONS FOR PORTUGAL AND SPAIN

Spain's fodder seed production is 25-30 000 quintals, i.e. about 1% of total output in the Community of Ten, while its production of rice for sowing (about 8 000 quintals) corresponds to 2% of the total EUR-10 figure. The output of hybrid maize for sowing is higher: 100-120 000 quintals (7 - 8% of the EUR-10 total).

In Portugal, hardly any fodder seed is grown and the quantities of hybrid maize for sowing (about 6 000 quintals, i.e. 0,4% of the EUR-10 total) and rice for sowing (about 12 000 quintals, i.e. 3% of the corresponding EUR-10 figure) are fairly small.

The situation in the Community of Twelve is therefore unlikely to change substantially, apart from an increase in intra-Community trade.

The seeds sector is subject to conventional transition in the case of Portugal and Spain; no special rules are applicable during the transitional period. The system of Community subsidies came into effect in Portugal and Spain: from 1 March 1986 for certain species and from the beginning of the 1986/87 marketing year in other cases.

4. 1986/87 - SHORT-TERM OUTLOOK

4.1 Common prices

For 1986/87 the reference prices for hybrid maize have been fixed as follows:

| | | |
|----------------------------------------|---|----------------|
| I. Double hybrids and topcross hybrids | : | 90 ECU/100 kg |
| II. Three-cross hybrids | : | 110 ECU/100 kg |
| III. Single hybrids | : | 240 ECU/100 kg |

In the case of hybrid sorghum the reference price has been set as follows:

| | | |
|------------------------------|---|----------------|
| I. Single hybrids for sowing | : | 150 ECU/100 kg |
|------------------------------|---|----------------|

In October 1986 the countervailing charges on hybrid maize imports ranged from 6,9 to 36,9 ECU/100 kg, depending on the country of origin and the type of hybrid concerned.

4.2 Outlook

The area declared for control by the Member States totalled 290 810 ha in 1986, i.e. 13,4% more than in 1985 (256 441 ha).

Production, in particular that of fodder seed, is expected to fall below last year's level, however, as a result of the dry weather in July and at the beginning of August. Imports from non-member countries, in particular into the countries worst affected by the drought, are therefore likely to increase. The figures for intra-Community trade are expected to be unchanged (500 - 600 000 quintals).

Wholesale trade prices are either up or unchanged. Prices were as follows in Denmark, the Community's main fodder-seed market:

| | ECU/100 kg | |
|------------------------------------|-----------------------|-----------------------|
| | <u>September 1985</u> | <u>September 1986</u> |
| Lolium perenne L. (late varieties) | 109 | 114 |
| Lolium multiflorum L. | 89 | 82 |
| Festuca pratensis L. | 95 | 93 |
| Festuca rubra L. | 101 | 117 |
| Poa pratensis | 250 | 245 |

Storms in northern Italy also appear to have had an adverse effect on the production of rice for sowing.

CONCLUSION

The 1986 seed harvest is expected to be lower than in 1985, in particular in the case of fodder seed and rice for sowing.

Imports, intra-Community trade and fodder-seed prices are likely to increase during the current marketing year. Rice for sowing is produced almost exclusively in Italy and is not imported into the Community.

8. ANIMAL FEED

- THE MARKET IN ANIMAL FEED

- DRIED FODDER, PEAS AND FIELD BEANS, SWEET LUPINS

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THE ANIMAL FEED MARKET

1. SUPPLY AND CONSUMPTION OF RAW MATERIALS FOR ANIMAL FEED PRODUCTS IN 1985

The role of animal feed products under the Common Agricultural Policy and their influence on this policy are of growing importance. In all the developed countries, human consumption of cereals is marking time. It is therefore probable that the production surplus, in particular that of wheat, will be accounted for mainly by the animal feed sector, because:

- exports are hampered by mounting difficulties (payments problems for the developing countries, ambitious export programmes in the other exporting countries);
- the production of importing countries, like the USSR and China, is increasing;
- progress in biochemistry means increasing yields throughout the world;
- carryover stocks are heavy and costly to finance.

More than half the raw materials used for livestock production are non-commercial products like green fodder. There is very little in the way of figures or basic statistics on the commercial value of these supplies.

Marketable animal feed (compound feed) breaks down as follows: 51% cereals, 26% proteins, 23% substitutes and other products. According to the EEC definition, only 11% of these supplies are grain substitutes, only half of which is imported.

As for imports into the European Community between 1975 and 1985, the main developments were as follows:

- (a) imports of cereals fell from 24 to 8 million tonnes, a reduction of 69% (mainly for maize);
- (b) imports of protein products rose from 13 to 22 million tonnes, an increase of 72%;
- (c) imports of substitutes rose from 7.8 to 16.6 million tonnes, an increase of 113%.

2. THE MAIN ANIMAL FEEDS

Animal feed breaks down into the following three main types:

- cereals, mainly coarse grains and feed wheat;
- protein-rich products: soyacake, rape, field beans, peas, lupins, etc.;
- grain substitutes: mainly manioc and corn gluten feed.

A. Cereals

The Community cereals crop declined in the 1986/87 marketing year, but disposal problems persisted since:

- (a) carryover stocks had never been so high (about 17 million tonnes);
- (b) additional use for animal feed seems unlikely;
- (c) export outlets are declining for the reasons mentioned above.

Research and study with a view to finding new outlets for cereals (e.g. ethanol) are still in the early stages, and the reverse oil shock has robbed them of some of their urgency.

B. Protein crops

Since 1974, Community production of protein crops - mainly rape, peas and field beans - has steadily increased, although the Community's imports have increased faster than production.

Imports of protein products rose from 13 to 22 million tonnes between 1975 and 1985, an increase of 72%.

Community production has developed as follows:

| | <u>1974</u> | <u>1985</u> |
|---------------|-------------|-------------|
| | (tonnes) | |
| (a) Rape | 500.000 | 3.600.000 |
| (b) Peas | 220.000 | 1.700.000 |
| Field beans | | 500.000 |
| (c) Sunflower | 700.000 | 1.700.000 |
| (d) Other | | 1.000.000 |

Table No 1

IMPORTS OF SUBSTITUTES FROM NON-MEMBER COUNTRIES

(1.000 t)

| Products | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|------------------------------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| 07.06 (Manioc) | 2.073 | 2.222 | 2.984 | 3.801 | 5.976 | 5.375 | 4.866 | 6.677 | 8.101 | 4.504 | 5.257 | 6.336 |
| 07.06.90 Sweet potatoes | 177 | 115 | 55 | 9 | 6 | 81 | 324 | 88 | 55 | 142 | 101 | 351 |
| 23.02.01 Maize, rice, bran | 233 | 267 | 417 | 280 | 145 | 205 | 233 | 279 | 222 | 265 | 190 | 80 |
| 23.02.09 Maize, rice, bran | | | | 15 | 6 | 3 | 5 | 5 | 6 | 7 | 4 | 3 |
| 23.02.21 Bran, other | 976 | 1.237 | 1.839 | 1.903 | 1.798 | 1.806 | 1.707 | 1.704 | 1.733 | 1.679 | 1.002 | 887 |
| 23.02.29 Bran, other | | | | 4 | 6 | 0,1 | 5 | 6 | 2 | 7 | 1 | 3 |
| 23.03.81 Beet pulp | | | | | | | 190 | 284 | 390 | 529 | 417 | 488 |
| 23.03.15 Maize gluten feed | 700 | 930 | 1.147 | 1.486 | 1.685 | 2.021 | 2.596 | 2.837 | 2.842 | 3.566 | 3.734 | 3.542 |
| 23.03.90 Brewers' grains | 64 | 57 | 94 | 116 | 161 | 204 | 290 | 365 | 377 | 498 | 416 | 436 |
| 23.04.06 Maize germ cake 3% fat | | 465 | 564 | 709 | 790 | 869 | 856 | 790 | 735 | 735 | 609 | 530 |
| 23.04.08 Maize germ cake 8% fat | | 60 | 65 | 108 | 181 | 167 | 202 | 242 | 328 | 567 | 427 | 428 |
| 23.06.20 Grape must | 13 | 10 | 19 | 17 | 7 | 9 | 38 | 57 | 35 | 42 | 38 | 8 |
| 23.06.50 Citrus peels | 327 | 480 | 646 | 968 | 1.000 | 1.205 | 1.571 | 1.351 | 1.265 | 1.430 | 1.322 | 1.467 |
| 23.06.90 Other fruit waste | 21 | 56 | 136 | 164 | 117 | 177 | 156 | 103 | 130 | 157 | 95 | 106 |
| TOTAL (excl. manioc) | 2.511 | 3.677 | 4.982 | 5.779 | 5.902 | 6.747 | 8.173 | 8.111 | 8.120 | 9.624 | 8.356 | 8.329 |
| TOTAL (incl. manioc) | 4.584 | 5.899 | 7.966 | 9.580 | 11.878 | 12.122 | 13.039 | 14.788 | 16.221 | 14.128 | 13.613 | 14.665 |

In 1985, Community production of protein-bearing feed came to about 8.5 millions tonnes, i.e. much more than ten years before. The future expansion of production of rape and dry pulses could well, however, slow down :

- (a) for budgetary reasons,
- (b) for quality reasons: in the case of rape, for example, there is demand only for 00 quality varieties sown in winter.

C. Substitutes

In 1984, the use of cheap wheat in the preparation of compound feed at a price competitive with that of imported manioc and soya curbed for the first time the steady growth of imports of these items since 1974. Subsequently, until May 1986, the situation was again reversed in favour of the traditional soya-manioc mix, mainly owing to the relatively low prices of manioc and soya-based products. Table 1 shows changes in imports of grain substitutes.

3. SITUATION OF THE COMPOUND FEED INDUSTRY

After steady growth in production, from 22.4 million tonnes in 1962 to 83.2 millions tonnes in 1983, the industry has since suffered a reduction of about 1 million tonnes per year. Production of compound feed came to 80.1 million tonnes in 1985 (see tables 2 and 3).

Table No 2

PRODUCTION OF COMPOUND FEED

COMPARISON 1984-1985

| Feed for: | Poultry | | | Pigs | | | Cattle | | | Other | | | Total | | |
|-----------|---------|--------|--------|--------|--------|--------|--------|--------|-------|-------|---------|--------|--------|--------|------|
| | (2) | % ART: | (2) | (2) | % ART: | (2) | (2) | % ART: | (2) | (2) | % ART: | (2) | (2) | % ART: | (2) |
| | 1985 | 85/84: | 1984 | 1985 | 85/84: | 1984 | 1985 | 85/84: | 1984 | 1985 | 85/84: | 1984 | 1985 | 85/84: | 1984 |
| BRD | 3.351 | -3,7 | 6.192 | 5.829 | -5,9 | 7.109 | 7.110 | = | 567 | 502 | 11,5 | 17.219 | 16.669 | -3,2 | |
| F | 5.525 | +0,8 | 4.440 | 4.284 | -3,0 | 3.683 | 3.377 | (-8,3) | 1.320 | 1.587 | (-3,5) | 14.968 | 14.820 | -1,0 | |
| I (1) | 3.887 | = | 2.565 | 2.350 | -8,4 | 3.659 | 3.850 | +5,2 | 750 | 570 | (-24,0) | 10.861 | 10.650 | -2,0 | |
| NL (3) | 3.212 | +4,4 | 6.579 | 6.886 | +4,7 | 6.000 | 5.720 | -4,7 | 249 | 258 | +3,6 | 16.040 | 16.217 | +1,1 | |
| B | 986 | -1,0 | 2.524 | 2.524 | +0,7 | 1.376 | 1.382 | +0,5 | 129 | 130 | = | 5.015 | 5.030 | +0,3 | |
| UK | 3.330 | -3,0 | 2.099 | 2.144 | +2,1 | 4.803 | 4.549 | -5,3 | 512 | 533 | +4,1 | 10.744 | 10.457 | -2,7 | |
| IRL | 277 | +6,1 | 441 | 443 | +0,4 | 1.151 | 1.186 | +3,0 | 68 | 40 | -41,2 | 1.937 | 1.963 | +1,3 | |
| DK | 520 | +0,4 | 1.826 | 1.955 | +7,1 | 1.753 | 1.720 | -1,8 | 116 | 129 | +11,2 | 4.215 | 4.326 | +2,6 | |
| EUR-10: | 21.088 | -0,2 | 26.666 | 26.433 | -0,9 | 29.534 | 28.894 | -2,2 | 3.711 | 3.749 | -7,1 | 80.999 | 80.132 | -1,1 | |

(1) Italia : 1984: corrected data - definitive.

(2) 1985: provisional estimates.

(3) Nederland : marketing year 1.7 - 30.6.

(4) Including milk replacers for calves.

(5) Including milk replacers for animals other than calves.

ART - Annual rate of change.

Table No 3

BREAKDOWN OF PRODUCTION OF COMPOUND FEED
(1.000 tonnes - EUR 9)

| | 1983 | % | 1984 | % | 1985 (1) | % | ART 1985/84 |
|-----------------------------------|---------------|------------|---------------|------------|---------------|------------|----------------|
| Poultry feed | 21.130 | 25,31 | 21.088 | 26,0 | 21.060 | 26,29 | -0,2 |
| Pig feed | 26.880 | 32,20 | 26.666 | 32,9 | 26.430 | 33,0 | 0,9 |
| Feed for cattle (incl. calves) | 29.640 | 35,50 | 27.300 | 33,7 | 26.800 | 33,46 | -1,9 |
| Milk replacers | 2.300 | 2,75 | 2.234 | 2,75 | 2.070 | 2,58 | -7,5 |
| Other feed | 3.540 | 4,24 | 3.711 | 4,65 | 3.740 | 4,67 | +0,8 |
| Total | 83.490 | 100 | 81.000 | 100 | 80.100 | 100 | -1,1 |

(1) Provisional.

ART = Annual rate of change.

DRIED FODDER, PEAS, FIELD BEANS AND SWEET LUPINS

I. Dried Fodder

1. INTRODUCTION

The common organisation of the market in dried fodder covers the following products: dehydrated fodder, the main sun-dried légumes, dehydrated potatoes, protein concentrates obtained from lucerne and grass juice and by-products obtained in the manufacture of protein concentrates. Although dehydrated potatoes were excluded from the aid arrangements for the 1984/85 marketing year by the Council, it decided to include them again for the 1985/86 marketing year but these have again been excluded for the 1986/87 marketing year.

2. THE 1985/86 MARKETING YEAR (Community of Ten)

A. Production

Production of dehydrated fodder, other than dehydrated potatoes, in the Community of Ten for 1985 was 1.351.066 t with an additional 150.000 t being for sun-dried fodder. Production decreased by 1,1% over the 1984 level. France was again the main producer with 740.000 t (55%) of Community production.

During the 1985/86 marketing year aid was requested for 25.029 t of dehydrated potatoes.

B. Trade

Community imports of dried fodder fell from 205.219 t in 1984 to 98.628 t in 1985. Community exports of dehydrated fodder to non-member countries in 1985 amounted to 60.160 t as compared to 55.665 t for 1984.

C. Prices, aids and budgetary expenditure

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, and continued in use during the 1984/85 and 1985/86 marketing years.

For the 1985/86 marketing year world market prices for the basket of products showed a fall during the summer and then rose again during the autumn and fell again towards the end of the marketing year. At the beginning of the 1986/87 marketing year the world market price again rose slightly and then oscillated up and down throughout the summer months.

The rates of supplementary aid payable for dehydrated fodder and protein concentrates varied between 61,224 and 74,944 ECU/t.

For 1985/86 the Council fixed the guide price for products other than dried potatoes at 178,92 ECU/t and the flat-rate aid for those products at 8,49 ECU/t, i.e. at levels higher in both cases by 1% than in 1984/85, when the guide price for products other than dried potatoes was 177,15 ECU/t and the flat rate aid for those products was 8,41 ECU t. For dried potatoes the Council fixed a flat rate aid of 15,78 ECU/t in 1985/86.

EAGGF Guarantee Section expenditure on dried fodder was 116,9 million ECU in 1985 (0.6% of total Guarantee Section expenditure). The appropriations for 1986 are 106 million ECU.

3. THE 1986/87 MARKETING YEAR

For 1986/87 the Council fixed the guide price for dehydrated fodder at the same level of 178,92 ECU/t for the Community of 10 and Portugal and at 152,45 ECU/t for Spain.

The flat rate aid also remained the same for the Community of 10 whilst that for Spain and Portugal was set at 1,21 ECU/t.

Forecasts for 1986/87 suggest that production of dehydrated fodder for the Community of 10 will be in the region of 1,43 million tonnes (an increase of 6%) whilst that for sun-dried fodder will be 190.000 t (an increase of 27%).

Portugal does not produce dried fodder but Spain estimates a production of 90.000 t of dehydrated fodder and 300.000 of sun-dried fodder in the 1986/87 marketing year.

Also, for the 1987/88 marketing year the date for the start of the year will be changed from the 1st of April to the 1st of May.

II. Peas, field beans and sweet lupins used in animal feed

1. INTRODUCTION

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 field beans in animal feed. From the 1984/85 campaign onwards, the Council agreed that these measures should be extended to include sweet lupins. At the start of the 1985/86 marketing year the Council adopted a system of monthly increments for support prices, introduced new arrangements for advance fixing of aid and agreed different minimum prices for peas and for field beans.

2. THE 1985/86 MARKETING YEAR (Community of Ten)

In 1985/86, 1.400.893 t of peas, 248.225 t of field beans, and 1.154 t of lupins were declared as having entered animal feed processing undertakings. This represents an approximate level of increase of 58% in the case of peas and of 8% in the case of beans compared to 1984/85. It reflects an increase in the utilisation of peas in Germany, France, Italy, Ireland, Belgium, Holland, UK and Denmark. For beans there have been increases in utilisation in Germany, Netherlands and the UK.

In the 1985/86 marketing year, the activating price for aid was fixed at 50,64 ECU/100 kg for peas and field beans and 48,25 for sweet lupins. The minimum purchase price was fixed at 28,35 ECU/100 kg for peas, 27,35 for field beans and 31,79 for sweet lupins. Each of these prices, except those for sweet lupins, is subject to six monthly increments of 0,18 ECU/100 kg, starting from September.

The overall effect of the price changes was that the minimum price remained the same as for 1984, except for field beans, and that the aid-activating price was increased by about 1%.

3. THE 1986/87 MARKETING YEAR

For the 1986/87 marketing year the activating price for aid was fixed at 50,96 ECU/100 kg for peas and beans in the Community of 12, and at 48,50 ECU/100 kg for sweet lupins in the Community of 10 and Portugal, whilst that in Spain was set at 44,96 ECU/100 kg. The minimum purchase price was set at 28,63 ECU/100 kg for peas for the Community of 12, and at 27,62 ECU/100 kg for beans. The minimum price for sweet lupins was set at 31,11 ECU/100 kg for the Community of 10 and Portugal and 29,90 ECU/100 kg for Spain.

The 1986/87 prices represent a 1% increase in the minimum price; a 0,6% increase in the activating price for peas and field beans and a 0,5% increase in the activating price for sweet lupins.

For the 1986/87 marketing year the Council also agreed an increase in the number of monthly increments in the guide price and minimum price from 6 to 8.

III. Peas and beans for human consumption

1. INTRODUCTION

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 field beans of varieties capable of competing with Community production.

2. THE 1985/86 MARKETING YEAR

The quantity of peas and field beans declared as having entered human consumption processing undertakings in 1985/86 was 200.942 t, this represented an increase of 45% on 1984/85. The guide price for 1985/86 was set at 32,48 ECU/100 kg. The world market price started the season at 27,07 ECU/100 kg, dropping in August to 24,32 ECU/100 kg. It was then changed to 21,48 ECU/100 kg in November and again in February to 19,48 ECU/100 kg. It remained at this level at the beginning of the new marketing year and was subsequently changed to 17,48 in September 1986.

There has therefore, been a decrease of around 10 ECU between the autumn 1985 and 1986.

3. OUTLOOK

Whilst there has been an increase in area in both peas and beans in the main producing Member States it is unlikely that there will be a very large increase in production in 1986/87 because of unfavourable weather conditions. Cultivation of sweet lupins does not appear to be showing any expansion from its modest 1984 level.

IV. Budgetary expenditure for peas, field beans and sweet lupins

Expenditure in this sector by the EAGGF Guarantee Section in 1985 totalled 255,5 million ECU, (1.3% of total Guarantee Sector expenditure), compared to 139,5 million ECU spent in 1984. This increase is the result of the increased utilisation of peas and field beans within animal feeds and of declining world market prices. The appropriations allocated for 1986 amounted to 389 million ECU.

9. MILK AND MILK PRODUCTS

MILK AND MILK PRODUCTS

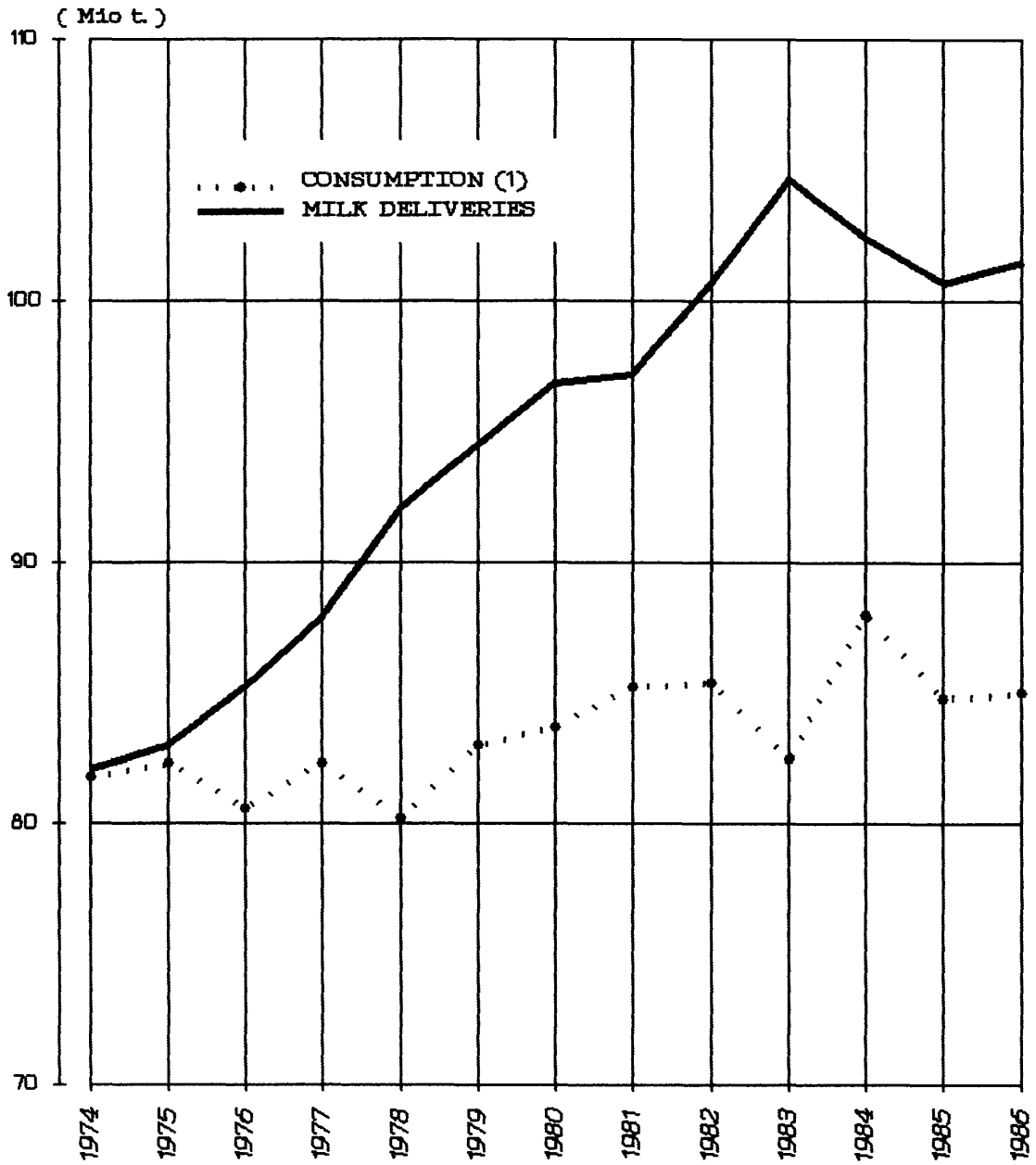
1. INTRODUCTION

The Community milk market is characterized by a structural surplus situation. Increasing productivity has by far exceeded the production level which could balance internal consumption and a reasonable quantity for exports. Still, milk remains an important outlet for the individual farmer, and policies implemented to reduce milk production are bound to create economic and structural problems. On the other hand, disposal of additional surpluses is becoming difficult, almost impossible, and extremely costly for the Community budget.

2. GENERAL SITUATION

Neither the Community market nor the international markets for dairy products have produced sufficient or lasting improvement to the structural imbalance in the milk sector, either within the EEC or in other important milk-producing and/or trading countries. The world market cannot absorb the surpluses or cope with actual international stock levels of more than 1.7 mio tonnes for butter and 1.5 mio tonnes for skimmed milk powder (SMP). The additional levy policy in the Community produced important results reducing deliveries by more than 5 mio tonnes or 5% in 1984/85 compared with the previous marketing year, but failed to produce further reductions of deliveries in 1985/86, showing an excess of 0.9 mio tonnes or nearly one per cent above the quota level. The further reductions of guaranteed quantities in 1987/88 and 1988/89 will be supported by Community and national cessation schemes. However, due to the non-adaptation to reference quantities by individual farmers and purchasers, as already experienced in the 1985/86 transfer of quotas, and due to the delayed implementation of the further 3% reduction of quotas, the adaptation of production to utilization in the Community is lagging very much behind intentions. Consequently, stocks are building up and demanding further incentives for disposal schemes (butteroil for calf-feed, reactivation of SMP for pig-and-poultry-feed, etc.). Regrettably, other non-EEC countries change their policies very slowly. Amendments are introduced in the USA, in New Zealand and in Australia, but production is maintaining its high record level, both in the USA and in New Zealand. World trade is facing increasing difficulties with further weakening of the US Dollar, with heavy debt burdens and slowing economic growth in important developed economies (e.g. USA). Hence, the Community and world situations for milk and milk products remain very depressed, both for 1986 and 1987.

MILK DELIVERIES AND CONSUMPTION EUR 10



(1) Consumption is calculated on the basis of a global milk balance
(milk equivalent on butterfat basis)

3. DEVELOPMENTS IN 1985 (1)

A. Production and Utilization in the Community

At the end of 1985, the Community dairy cow numbers were 740 000 or 3% lower than at the end of 1984. The average yield per dairy cow in 1985 was estimated at 4 315 kg, or 1.7% higher than in 1984. This reflects a continuous structural, genetic and management development at farm level, as well as a return to more normal feeding in comparison with 1984, when feeding practices were considerably influenced by the introduction of the additional levy system.

The proportion of the milk production delivered to the dairies amounted to 93%.

The immediate impact for the Community (EUR-10) of the additional levy system introduced as from April 1984 was a total reduction - over two years - of 1.6 mio dairy cows (minus 6.2%), 4 mio tonnes of milk delivered to dairies (minus 4%) 263 000 tonnes of butter produced (minus 11.5%) and 537 000 tonnes of SMP produced (minus 21.6%). Hence, the downward direction of milk production, deliveries and the production of intervention products which started in 1984 continued in 1985, although at a much slower speed.

As to individual products, the main trends of production and consumption can be summarized as follows:

(a) Drinking milk and fresh milk products

The overall use of milk in the Community for liquid milk and fresh milk products stagnated in 1984 and increased only slightly (+ 0.5%) in 1985.

The tendency of decline in consumption of drinking milk experienced since 1983 came to a standstill in 1985. With the exception of Italy, most Member States showed slight increases. However, the general tendency of the last ten years to consume more semi-skimmed milk and less whole milk continued also in 1985. In France, the general increase in total consumption of drinking milk has continued, while a switch in the consumption pattern towards stabilization has been experienced in Germany, the Netherlands and Ireland. The total share of UHT (ultra heat treated) milk of the Community consumption of whole and semi-skimmed milk increased slightly in comparison with 1983 (26%), with the highest levels found in France and Germany.

(1) EUR 10 only.

(b) Butter

Total butter production in the Community decreased by 4% or 85 000 tonnes in 1985, compared with 1984. However, this positive development has not been able to outweigh the high production levels of 1982 and 1983, which added a total of 345 000 tonnes to the production level of 1981. Only after the introduction of the additional levy system in April 1984 did production of butter start to drop. This development was mainly due to the important decline in milk deliveries and certain increases of milk utilization for other dairy products, reflecting in particular favourable commercial sales possibilities for whole milk powder and cheese. Market developments for both cheese and whole milk powder (WMP) deteriorated in 1985, along with a stagnation for condensed milk. Consequently, butter production fell less significantly than expected. The total domestic consumption of butter remained relatively stable in 1985 compared with 1984. However, a substantial part - approximately 120 000 tonnes - was sold as Christmas butter, and nearly 280 000 tonnes under other special measures. Thus, 400 000 tonnes or about 25% of the internal market relied on particular measures, which again contributed to an increasing degree to stored butter substituting for fresh butter in the market.

Nevertheless, special measures as well as the reductions of the intervention price for butter decided on for 1984/85 and 1985/86 have contributed to the global stabilization of Community butter consumption. Such policy measures have had a particular importance against the background of unemployment and other economic/social difficulties.

Sales of butter at reduced prices to food industries, non-profit-making institutions, etc. increased by 45 000 tonnes or 19% in 1985 compared with 1984, mainly due to an increase of 27 000 tonnes or 17% to bakeries and 5 000 tonnes or 15% to ice cream factories.

(c) Skimmed milk powder

Community skimmed milk powder production decreased by 7% or 150 000 tonnes in 1985 compared with 1984. Thus, the rate of decrease had halved compared with the preceding year. This slower rate of decrease was partly due to a more moderate decline in milk deliveries and butter production and to relatively less skimmed milk used in the production of cheese and substantially less used as liquid skimmed milk for animal feed. On the other hand, more skimmed milk was retained for casein production (+ 12%) whereas

production of semi-skimmed milk powder fell by 55 000 tonnes or by 7%. As the special aid scheme for SMP to pigs and poultry feed was suspended in June 1985, the quantity destocked in 1985 for this purpose amounted to 258 000 tonnes, or 353 000 tonnes less than in 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. Whereas, in earlier days, animals were fed on the farm with whole milk or skimmed milk returned from butter production, the increasing use of compound feed made by the animal feed industry and based on imported proteins, has created the background for the production of SMP and for aid schemes for the incorporation of SMP in feed compounds.

(d) Cheese

Community cheese production remained relatively stable in 1985, increasing by only one per cent in comparison with 1984. As internal cheese consumption increased by nearly 3%, the reason for only limited expansion of production, in global terms, was - for the first time - a reduction of exports. Thus, the upward trend in consumption continued, and at a higher rate than in recent years. 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 more than 100 000 tonnes of cheese from third countries.

(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. In 1984 the export possibilities improved resulting in increased exports of 100 000 tonnes or more than 25% and this higher level was maintained in 1985. Nevertheless, Community production decreased by some 10% compared with 1984, reflecting a very unsettled economic situation on the international market.

(f) Condensed milk

As for whole milk powder, condensed milk production is mainly dependent on some few international markets, where economy is very fragile. Reflecting the international outlets, the Community condensed milk production stabilized in 1984 and increased slightly, by some 6%, in 1985, without returning to previous higher production levels.

(g) Casein

EEC production of casein is linked to a system of aids paid for skimmed milk used for the production of casein and caseinates. This is to compensate for the very low import duties bound under GATT. After stagnation in 1984 in comparison to 1983, Community casein production increased by 22 000 tonnes or 18% in 1985. Market conditions develop very irregularly, and a decrease is foreseen for 1986.

B. International Supply Situation

Total milk deliveries in OECD, USSR and the Eastern European countries are estimated at approximately 350 mio tonnes. This quantity amounts to some 78% of world milk production (1). On the other hand, these countries account together for 95-100% of world exports of dairy products. Hence, the supply situation for milk in this group of countries is decisive for the general situation on the world market for dairy products.

| | 1983 | 1984 | 1985 | 1986 (fore- |
|---------------------------------|-------|-------|---------|-------------|
| Milk deliveries (mio tonnes) | | | (prel.) | cast (2) |
| OECD (22 countries) | 213.8 | 210.7 | 213.4 | 214.4 |
| of which: EEC(12) | 109.1 | 106.9 | 105.3 | 106.2 |
| Eastern Europe | 40.9 | 42.5 | 42.3 | 42.1 |
| USSR | 96.5 | 97.9 | 98.2 | 102.0 |
| TOTAL (29 countries) | 351.2 | 351.1 | 353.9 | 358.5 |

(1) Based on FAO statistics.

(2) Forecast by the Directorate-General for Agriculture of the Commission of the European Communities.

The table shows that global milk supplies are increasing in spite of the reductions carried out in the EEC. This is partly due to the fact that other OECD partners increased their production. Thus, between 1983 and 1985 three countries (USA, New Zealand, Australia) increased their supplies by 3 mio tonnes, or 80% of the total reduction in the Community over the same period. At present, certain policy changes are being implemented in these countries (see under V.c) which may, together with further reductions in the EEC, result in a nett decrease of OECD deliveries in the next two or three years. However, the global supply situation is also characterized by the increasing production in the East Block, creating a global increase of milk supplies although it is not evident that this development, in particular in the USSR, will have serious repercussions on the world market for dairy products.

As international milk deliveries increased by 2.8 mio tonnes in 1985 and by 4.6 mio tonnes in 1986, as the world trade for dairy products increased by less than one million tonnes (milk equivalent) in 1985 and as general consumption trends have not been able to counterbalance this unfavourable development, international butter stocks increased by some 200 000 tonnes to 1.4 mio tonnes in 1985 and by 300 000 tonnes to 1.7 mio tonnes by end-June 1986. The Community share of these stocks amounts to approximately 81%.

International SMP stocks fell through 1985 by 260 000 tonnes to 1.2 mio tonnes, of which the Community share amounted to 45%. Through the first six months of 1986 these stocks had risen to 1.5 mio tonnes and the Community share to nearly 61%.

C. Community Consumption, Self-sufficiency and Stocks

(a) Consumption

The overall consumption of milk and milk products in the Community, measured in terms of milk equivalent, is estimated at around 85 mio tonnes, with important variations between years, reflecting irregular destocking of butter, and application of special sales policies (e.g. end-year butter sales). Thus, it is reasonable to consider consumption developments in terms of trends and levels rather than focusing in depth on short-term variations.

The global Community consumption of dairy products has developed through the past decade at an average trend of approximately + 0.5% annually. However, this only represents an additional annual sale, on average, of less than 500 000 tonnes of milk. There are several recent examples of years of decline or stagnation (e.g. 1982, 1983, 1985), which could mark a turning point to the long-term slightly positive trend.

It is also worth noting that without all special measures to sell more butterfat in the Community, total milk disappearance would hardly change at all. But the total disappearance in 1985 would have been approximately 7 mio tonnes of milk below the level obtained with the use of special measures.

Even with special measures applied, the overall trend for EEC butter consumption is - 1.1% annually. Without special measures, the trend would most likely be - 2.4% annually, reducing the milk equivalent of butter consumption by more than 800 000 tonnes of milk per year.

For all other dairy products, a global, positive trend of + 2% annually represents an additional EEC consumption of some 850-900 000 tonnes of milk per year. Hence, without aids for butter consumption, the fall in terms of milk equivalent would tend to neutralize the positive development for "other dairy products".

(b) Self-sufficiency

At the actual 1985 level of all milk deliveries (1) (100.7 mio tonnes), the rate of Community self-sufficiency corresponding to a consumption level of 85 mio tonnes would equal 118.5%. It is important to recall that these figures are based on a milk equivalent which is calculated on the fat content only. Furthermore, these figures reflect an equivalent for imports into the Community of approximately 2.5 mio tonnes, and exports from the Community of nearly 15 mio tonnes of milk. It is therefore obvious that the degree of self-sufficiency in itself does not explain the degree of "surplus". In 1984 nearly 44% of the skimmed milk and 27% of the butterfat contained in the milk delivered to dairies, received special price support to enable the commercialization of the product on the Community market or as exports. In 1985 these percentages fell to 38% (skimmed milk) and 26% (butterfat). Unfortunately, these reductions did not reflect an improvement of the surplus situation as the stock situation became very unsettled, especially for butter. Consequently, the fact that products remain in store without drawing on special aids, is no proof that the surplus is disappearing. For these reasons, any description of the surplus situation should preferably include a series of elements to better illustrate the character of the market imbalance.

(1) Including milk equivalent of cream, goats' and ewes' milk.

(c) Storage of butter, SMP and cheese

- Butter: In 1985, 490 000 tonnes of butter were bought in by the Intervention Agencies. In the same year, 155 000 tonnes of intervention butter were sold within the Community in connection with special measures, while 31 500 tonnes were allocated for food aid. At the end of 1985, public stocks of butter were 996 000 tonnes. During 1985, private storage aid was granted for 225 000 tonnes of butter. At the end of 1985, 175 000 tonnes were still in private storage. Certain programmes for internal, special sales measures for intervention butter also grant an equivalent aid for market butter. In 1985, 215 500 tonnes were sold with aid, directly from the market.

- Skimmed milk powder: In 1985, 247 000 tonnes of skimmed milk powder were bought in by the Intervention Agencies, while 345 000 tonnes were removed from storage, of which 307 000 tonnes for internal EEC measures and 37 000 tonnes for food aid. Public stocks at the end of 1985 amounted to 520 000 tonnes.

- Italian cheeses, long-keeping cheeses: Private storage aids for certain long-storage cheeses have been applied regularly in 1985.

D. Trade

(a) World Market Exports

World exports of dairy products (excluding casein and fresh products) increased by 1-2% in 1985 compared with 1984. In total milk equivalent, however, this increase represented less than 500 000 tonnes of milk. Nevertheless, the level reached in 1985 was a new record since exports started to recover in 1977, after the breakdown of world milk markets in 1975 and 1976. However, this record only holds good for the skimmed milk part of the products traded, whereas the milkfat part has been on the decline since 1980. This development illustrates a change in the product composition of world exports, largely in favour of cheese, skimmed milk powder and whole milk powder, whereas butter and condensed milk have not regained the levels of 1980-1981. In parallel with this development, the non-commercial part of the trade (food aid and concessionary trade) has increased significantly over the past five years. Hence, in 1980 almost 60% of the trade in butter/butteroil could be considered as mainly commercial. In 1985 the commercial part of the butter trade hardly reached 50%. A similar development has taken place for SMP, from approximately 70% in 1980 to less than

60% as commercial trade in 1985. This development has had a clear impact on export prices. Other factors, and in particular the unstable US Dollar values, have also contributed to the falling trend in export prices for dairy products. Under the special price arrangements in GATT, the following - average - price developments for individual dairy products (quoted in US Dollars) have taken place between fourth quarter of 1981 and fourth quarter of 1985: Butter: minus 53%, Butteroil: minus 53%, SMP: minus 38%, WMP (whole milk powder): minus 35%, Cheddar cheese: minus 33%.

The downward price movement started in 1982 and continued well into 1985, being stimulated by a long period of increasing US Dollar values. Only after the commencement of falling Dollar values in 1985 and revised GATT minimum prices in June 1985 did nominal export prices start to stabilize. However, the impact of GATT derogation arrangements for butter/butteroil continued to influence the prices for this product right to the end of 1985. The fixation of minimum prices in GATT in June 1985 was as follows:

| | | | | |
|-------------------------------------------|-------|------------|--------|-------------------|
| Skimmed-milk powder/ buttermilk powder | 600 | US\$/tonne | f.o.b. | (unchanged) |
| Whome-milk powder | 830 | " | " | (down from 950) |
| Butter: | 1 000 | " | " | (down from 1 200) |
| Butteroil: | 1 200 | " | " | (down from 1 440) |
| Certain cheeses: | 1 000 | " | " | (unchanged) |

Since this price revision took place, SMP prices increased over the latter half of 1985 by 17%, corresponding to the reduction of the Dollar value over the same period. WMP prices increased by 8% only, whereas butter and cheese prices continued to fall - in particular, butteroil prices fell by 15% over the last six months of 1985.

Alongside the falling world market prices, significant changes have taken place in the distribution of market shares. Over the period of five years 1980-1985, the EEC share of the butter market (butter and butteroil) fell from 65% to 47%, whereas New Zealand increased its share from 24% to 31%, Australia from 2% to 7% and USA from 0% to 5%. On the SMP market, the Community share has fallen from 58% in 1980 to 28% in 1985. New Zealand has remained stable at 16% of the market whereas Australia has expanded from 1% to 8% over the same period. The most significant expansion of SMP exports is that of the USA, increasing from 1% of the market in 1980 to 28% in 1985. In global terms (milk equivalent), the Community (10) market share for dairy products fell from 60% in 1980 to approximately 45% in 1985.

(b) Community Exports and Imports

Community exports of milk products in 1985 amounted to :

| | |
|----------------------------------------------|----------------|
| Condensed milk : | 545.000 tonnes |
| Fresh milk products : | 221.000 tonnes |
| Skimmed-milk powder : | 307.000 tonnes |
| Whole-milk powder : | 485.000 tonnes |
| Cheese : | 408.000 tonnes |
| Butter and butteroil in butter equivalent | 387.000 tonnes |

Condensed milk and casein were the only products exported from the Community experiencing an increase in 1985 compared with 1984. Butter/Butteroil remained basically at the same level, and SMP exports were only slightly lower. However, fresh milk products fell by 11%, whole milk powder fell by 2% and cheese exports fell by as much as 13%. Consequently, total milkfat exported fell by 1.6% but all skimmed milk exported only decreased by 0.4%. In the latter case, exports of casein compensated for important reductions in exports of cheese and whole milk powder. For butterfat, important reductions experienced in exports of cheese, whole milk powder and fresh products could not be balanced by increased exports of condensed milk. In milkfat terms, Community exports in 1985 amounted to the equivalent of 14.6 mio tonnes of milk. However, including the skimmed milk equivalent, exports are estimated at around 12.3 mio tonnes of milk, or minus 4% in comparison with 1984. Accounting for special butter contracts exported in 1985 (e.g. USSR) and partly destocked in December 1984, normal butter exports fell by nearly 30% to some 170 000 tonnes only. In reality, global 1985 exports from the Community did not exceed 9 mio tonnes of milk equivalent as far as the utilization and exports of fresh butter was concerned.

The USSR was by far the most important buyer of butter and butteroil from the EEC in 1985. Other important destinations were Egypt, Syria, Saudi Arabia and Algeria. Community SMP exports, including food aid, covered a very wide range of destinations, of which Mexico, Algeria, India, Egypt, Sudan and Pakistan were particularly important. For whole milk powder, the four most important destinations were Venezuela, Iraq, Saudi Arabia and Algeria. Algeria was also, by far, the most important buyer of condensed milk from the EEC, followed by Saudi Arabia, Libya and the Ivory Coast. Nigeria was still an important buyer in 1985, but quantities had dropped by 88% since 1982. Iran and the USA accounted for 34% of EEC cheese exports in 1985. Other very important destinations were Egypt, Japan and Saudi Arabia.

Food Aid deliveries of dairy products from the Community in 1985 amounted to 36 000 tonnes of butter and 124 000 tonnes of SMP.

Total butter imports by the Community in 1984 and 1985 amounted to 89 000 tonnes and 79 000 tonnes respectively, according to official calendar year statistics. Imports from New Zealand of 77 000 tonnes in 1985 (and 85 000 tonnes in 1984) corresponded globally with the special arrangement following the Treaty of Accession, allowing for imports of 83 000 tonnes in 1984 and 81 000 tonnes in 1985 (1).

Cheese imports continued to increase and reached 106 000 tonnes in 1985, of which 56 000 tonnes were imported from Switzerland, 18 000 tonnes from Austria, 10 000 tonnes from New Zealand and 9 000 tonnes from Finland. Hence, in 1985 Community imports corresponded to 10% of international butter trade and 13% of international cheese trade.

(c) Internal Community Trade

It is worth noting that internal Community trade in dairy products reflects the institutional system of the common milk policy as well as normal commercial relations between Member States. This is in particular true for intervention products (butter, SMP) being shipped from one country to another for public or private storage, irrespective of its final use or destination. Butter may also be sent to one Member State for transformation to butteroil and trans-shipped to another destination. In these cases, trade figures reflect the degree of "activity" rather than the degree of commercial development.

Internal butter/butteroil trade fell from 530 000 tonnes in 1984 to 521 000 tonnes in 1985, or by 2%. For SMP, a reduction by 22% to 761 000 tonnes was still more significant, reflecting the suspension of the pigs-and-poultry scheme. On the other hand, internal cheese trade increased by 4% to 927 000 tonnes in comparison with 1984.

E. Common Price and Production Policies

The introduction of the additional levy system in 1984 was accompanied by a restrictive price policy. This was maintained in principle in 1985, but an increase of the target price of 1.5% as well as a reduction from 3% to 2% of the coresponsibility levy produced, throughout 1985, certain increases in the nominal producer prices for milk. These

(1) COM(86) 354 final, 17.7.1986.

increases averaged for the whole of the Community about 3% in comparison with 1984, both in terms of ECUs and in terms of national currencies. In deflated terms, average milk producer prices stabilized after a period of falling prices. A comparison between the producer prices obtained in 1985 and the target price fixed for 1985/86 reveals that only Italian milk producers received more than the target price. In ECU terms, they obtained 22% more, whereas Irish producers received 18% less. Producers in Belgium, Luxembourg, France and the UK received about 12-13% less than the target price, with Denmark, Germany and the Netherlands in the range of minus 1-5% of the target.

The price decisions in 1984 and 1985 also included a change in the fat/skimmed milk ratio of the target price, thus reducing - over two years - the intervention price for butter by 12.5%, whereas the intervention price for SMP increased by 16.3%. In general, this change of the price calculation basis for butter resulted in a reduction of the average consumer price for butter in the Community (deflated, real prices) of five per cent in 1985 in comparison with 1984. In comparison with 1983, the price reduction was as much as nine per cent. At the same time, average margarine prices in 1985 have increased (deflated, real prices) by two per cent in comparison with 1984 and by eight per cent in comparison with 1983. On a trend basis, the development of consumer prices (in real terms) over the last 13 years has been more favourable for butter than for margarine, with annual reductions of 2 per cent and 1.5 per cent respectively.

The decision in 1984 on the additional levy system has broken the trend of continued increases of Community milk deliveries. During the first period of application of this system in 1984/85, all Member States except for the Netherlands and Ireland respected their guaranteed quantities and the Community as a whole lacked 0.3 mio tonnes to reach the global guaranteed quantity. In the second period of application (1985/86), all Member States except Greece have exceeded their global quantities, resulting in a total excess of 0.9 mio tonnes or less than 1%. The most important excesses were experienced in Germany, France and the Netherlands, accounting for approximately 0.8 mio tonnes. The level of deliveries in 1985/86 was considerably higher than the level envisaged when introducing the additional levy system, mainly due to the allowance of transfer of reference quantities from direct sales to deliveries, acceptance of compensation among producers/purchasers within and between regions (Article 4a of Regulation (EEC) No 857/84) and, finally, the producers' non-respect of their obtained reference quantities. These factors have resulted in a diminution of the dissuasive effect of the whole system as the average level of the effective levy to be paid in most Member States has been limited.

F. Market Management 1985 and 1986

(a) Imports

The import levies 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 1986/87 milk year, the threshold prices were adapted to reflect the change in the target price for milk, and minimum import prices in various trade agreements between the Community and non-member countries have been adapted accordingly.

In July 1986, the Council decided (1) 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 76 500 tonnes in 1987 and 74 500 tonnes in 1988. The quantity allowed for 1986 was decided in 1984 and amounted to 79 000 tonnes.

(b) Exports

As mentioned under point 3,D, international prices weakened and the GATT minimum prices were adapted in June 1985. At the end of 1985 and well into 1986 real market prices came very close to GATT minima. Against the background of increasing butter stocks, in particular in the Community, GATT agreed to derogation from minimum prices in special cases of disposal arrangements, aiming at reducing the impact of such sales on normal market conditions. In an effort to improve the competitive situation for Community exporters to the world market, the Council decided in May 1986 that export refunds for SMP and butter exported in bulk may be fixed according to a tender procedure. While awaiting a decision on detailed rules for this measure, the Commission applied a practice of non-published refunds for the products in question. However, refunds are fixed under observance of GATT minima and in reflection of currency fluctuations.

(1) Regulation (EEC) No 2335/86, 22.7.1986.

(c) Food Aid Decisions

While actual food aid deliveries from the Community in 1985 included 29 265 tonnes of butteroil (1984: 48 630 tonnes) and 124 144 tonnes of SMP (1984: 167 000 tonnes), the quantities planned for 1985 were 35 000 tonnes of butteroil and 108 000 tonnes of SMP. Actual shipments also depend on the eventual catch-up on delayed deliveries on earlier commitments and the shipment possibilities as well as the ability of the recipient countries to receive the quantities requested. For 1986, the Commission has decided to set aside for food aid purposes 27 300 tonnes of butteroil and 94 100 tonnes of SMP.

(d) Intervention and Storage

Both in 1984 and 1985, the purchases of butter into public intervention were important, amounting to approximately 25% of the total butter production. Despite increased sales under existing disposal measures and introduction of new measures, especially concentrated butter, incorporation of animal fat into feedingstuffs and increased delay in payment, the stocks have continued to increase. In addition, a more and more important part of the stocks has become more than 18 months old. At end-July 1986 approximately 493 000 tonnes or 36% of the public stocks were more than 18 months old and 67 000 tonnes or 5% were more than 36 months old. The level and composition of the stocks has a depressive effect on both the internal and external markets, causing difficulties for sale and disposal of butter.

(e) Aid for skimmed milk, skimmed milk powder and casein

The aid fourchette for SMP was not changed at the beginning of the 1986/87 milk year; within these limits (60-90 ECU/100 kg - maximum aid for the pigs and poultry scheme, however, limited to 110 ECU/100 kg), aids for the use of skimmed milk are as follows:

- skimmed milk powder for animal feed 80 ECU/100 kg (no change compared with 1985/86);
- liquid skimmed milk for calf feed 7.27 ECU/100 kg (idem);
- liquid skimmed milk for other animals 11.0 ECU/100 kg (idem);
- SMP for pigs and poultry 110 ECU/100 kg;
- liquid skimmed milk for the manufacture of casein 9.30 ECU/100 kg.

Compared with 1984, the use of liquid skimmed milk in animal feed in 1985 showed a decrease of 24%; the use of SMP decreased by 24%, while the quantities of skimmed milk transformed into casein and caseinates increased by 18%. Due to stock and market developments, aids to pig and poultry feed have not been granted in the period from June 1985 to July 1986.

(f) Budgetary Expenditures

Expenditures in the milk sector amounted in 1985 to 5 933 mio ECU, indicating an increase of 9% compared with 1984, which again showed an increase of 24% compared with 1983. The milk sector accounted in 1985 for 30% of the total guarantee section expenditure and 66% or 3 905 mio ECU have been allocated to internal Community measures including surplus disposal measures and intervention storage costs. Receipts from the coresponsibility levy amounted to 639 mio ECU in 1985 and additional levy paid by the Member States exceeding their total guaranteed quantities in the first and second 12-month periods under which the additional levy system was applicable, i.e. 1984/85 and 1985/86, amounted to 31 mio ECU and 220 mio ECU respectively. The estimated preliminary expenditures for the milk sector for 1986 amount to 6 100 mio ECU and receipts from the coresponsibility levy amount to 550 mio ECU.

4. ACTUAL SITUATION AND OUTLOOK

A. Community enlargement to include Spain and Portugal

(a) General impact on the market balance

As from January 1986, Spain and Portugal entered as full Members of the Community. In quantity terms, Spain and Portugal are adding nearly 7.5 mio tonnes of milk or 7% to the Community milk production. However, consumption and utilization of dairy products in these two countries are more important than production.

Spain, as the most important milk producer of the two, has 1.9 mio dairy cows, a production of 6.4 mio tonnes of milk, a delivery ratio of 75% and consequently milk deliveries amounting to 4.8 mio tonnes. The production of butter in Spain, at 17 000 tonnes, has been balancing with consumption but is expected to increase faster than consumption. In Portugal, butter production, at 7 000 tonnes,

remains slightly below the consumption level (8-9 000 tonnes). Cheese production in Spain of 155 000 tonnes and in Portugal of 28 000 tonnes will in total add less than 5% to Community cheese production, whereas both countries are consuming more cheese than they produce: Spain has a deficit of 19 000 tonnes and Portugal has a deficit of 5 000 tonnes. Spain has an important production of condensed milk corresponding to 6% of EUR(10) production.

(b) Transitional Measures

Milk and milk products are subject to a transition period by stages in Portugal. In Spain, where they are covered by a "conventional" transition, the mechanisms of the EEC market organizations have been introduced on 1 March 1986. The specific accession features for Spain are the following ones :

- Annual guaranteed quantities have been fixed for milk deliveries in 1986/87, 1987/88 and 1988/89 of 4.65 mio tonnes, 4.557 mio tonnes and 4.511 mio tonnes respectively.
- Spain is allowed to maintain, up to 31 December 1986, national exclusive dealing concessions in favour of dairy plants as far as the marketing of pasteurized fresh milk produced in Spain is concerned. This exclusive dealing concession may not impede the free marketing in Spain of pasteurized fresh milk imported from the Community of 10.

Supplementary trade mechanisms (STMs) shall apply to fresh milk and cream, to certain milk and cream preserved concentrated or sweetened, to butter and to certain cheeses on import into Spain. The application of STMs to milk in powder or in granules intended for human consumption may be withdrawn from the start of the second year after accession if so decided by an ad hoc Committee similar to a management committee set up for that purpose.

Until 31 December 1989 a guide quantity for milk products with the exception of certain milk and cream preserved concentrated or sweetened has been determined for imports into Spain. These guide quantities for 1986 are 200 000 tonnes of fresh products of which 40 000 tonnes should be in small packages, 1 000 tonnes of butter and 14 000 tonnes of cheese.

The indicative import ceilings for milk products for the period 1 March to 31 December 1986 were fixed following an analysis of the Spanish market situation at levels higher than the guide quantities in view of the estimated demand in Spain.

Quantitative restrictions also apply to imports of milk products from third countries into Spain.

The Community has special arrangements on cheese with certain EFTA countries which must be extended to Spain at the end of the transition period. In the meantime the Community and certain third countries have separate quantities which may be sent to Spain. Indeed the special arrangements of a bilateral or multilateral nature between Spain and third countries are to be integrated as from 1 March 1986. The quantities of cheese of each type and the level of import levy or duty to be charged on imports into Spain from each of the EFTA countries are fixed by

Regulation. The totals which may be imported are 1 070 tonnes from Austria, 1 580 tonnes from Finland, 90 tonnes from Norway and 1 940 tonnes from Switzerland. It should also be underlined that these quantities are subject to ACAs, which are applied during the transition period in addition to the abovementioned charges.

4.1. POLICY ORIENTATION

On 25 April 1986 (1), the Council decided on the Commission's price proposal for the 1986/87 milk marketing year, resulting in a freeze of the target price at 27.84 ECU/100 kg, the butter intervention price at 313.20 ECU/100 kg and the SMP intervention price at 174.04 ECU/100 kg. No further change of the fat/protein ratio of the target price was, although proposed by the Commission, agreed upon. However, devaluations of green currency rates in several Member States have resulted in price increases measured in national currency in these Member States. The coresponsibility levy was kept unchanged at 2% of the target price, as were the exception rules (0% in mountain areas and 1.5% for the first 60 000 kilogrammes in less favoured areas). In view of the continued imbalance in the milk sector, the Council also adopted a diminution of the global reference quantities by 2% as from 1.4.1987 and by an additional 1% as from 1.4.1988 (see table overleaf). To facilitate the necessary change in production, the Commission introduced a cessation scheme granting an aid over a seven-year period to producers successfully applying for the scheme and definitively ceasing milk production. The Member States may purchase additional quantities for redistribution to

(1) See Official Journal No L 119 of 8.5.1986.

difficult or special cases, e.g. young producers or producers with a development plan. To facilitate regional and structural development, the Council prolonged - for a further year - the possibility of transferring non-utilized reference quantities within and between regions. Also the Council decided to leave the choice to the Member States to charge payment of the additional levy twice a year or at the end of a 12-month period.

As mentioned above, it was also decided to apply a tendering procedure to export refunds for certain bulk products (butter, butteroil, SMP). The suspension of the inward processing system was maintained.

In 1985, the Council asked the Commission to review the situation as far as imitation products were concerned, and the Commission presented in April 1986 a revised proposal for the designations used in the marketing of milk and milk products (1).

As deliveries have been running above quota levels in 1985/86 and the beginning of 1986/87, further measures are necessary to discourage producers from exceeding quotas. To this end, the Commission has decided to reduce quota levels if the fat content exceeds a certain limit and has proposed to the Council (2) the suspension of the existing possibility of transferring unused quotas among producers/purchasers within and between regions

The Council did not follow the Commission's proposal for 1985/86 to reduce immediately the guaranteed quantities. In consequence of the continued high level of milk deliveries in 1986 and the magnitude of the structural milk surplus, the Commission further proposed in November 1986 additional reductions of 2% and 1% respectively of the guaranteed quantities for 1987/88 and the quantities as from 1988/89.

At the time when this report was prepared the Council had not taken any decision on this proposal.

4.3. PRODUCTION AND UTILIZATION

The decisions taken in May 1986 should in principle reduce Community milk deliveries by a further 3 mio tonnes of milk annually, at the latest by 1988. However, much will depend on the utilization of the cessation scheme(s) and, in the longer term, on the further decisions to be taken in the structural field (3). More important still are the Council's decisions taken in response to the Commission's proposal in November 1986.

(1) See Commission proposal: COM(86) 222 final (18.4.1986).

(2) See Commission proposals: COM(86) 510 final.

(3) See Commission proposals: COM(86) 199 final.

DELIVERIES COMPARED TO GLOBAL GUARANTEED QUANTITY 1985/86 (1 000 tonnes)
- PROVISIONAL ESTIMATES -

| | Global reference quantity 1985/86 (1) | Deliveries 1.4.1985 - 31.3.1986 | Difference | Global reference quantity ⁽¹⁾ | |
|----------------|---------------------------------------|---------------------------------|------------|------------------------------------------|------------|
| | | | | 1987/88 | 1988/89 |
| Germany | 23 423 | 23 718.9 | + 296 | 22 954.540 | 22 720.310 |
| France | 25 494 | 25 734 | + 240 | 24 984.120 | 24 729.180 |
| Italy | 8 323 a) | 8 353 a) | + 30 | 8 622.040 | 8 534.060 |
| Netherlands | 11 979 | 12 252 b) | + 273 | 11 739.420 | 11 619.630 |
| Belgium | 3 161 | 3 201 | + 41 | 3 097.780 | 3 066.177 |
| Luxembourg | 290 | 294.2 | + 4.2 | 259.700 | 257.050 |
| United Kingdom | 15 394.574 | 15 414 | + 8 | 15 022.983 | 14 869.687 |
| Ireland | 5 583 | 5 587 | + 3 | 5 174.400 | 5 121.600 |
| Denmark | 4 882 | 4 884 b) | + 2 | 4 784.36 | 4 735.540 |
| Greece | 467 | (460) | < 0 | 457.660 | 452.990 |
| TOTAL | 98 996.574 | 99.898 | 897 | | |
| Spain | | | | 4 557.000 | 4 510.500 |

a) Excluding 475 000 tonnes transferred from direct sales to deliveries and corresponding deliveries. A possible final excess will depend on actual deliveries linked to the transferred quantity.

b) Adjusted NL: 7.4.1985-5.4.1986; DK: 8.4.1985-6.4.1986.

(1) as decided by the Council in May 1986

As to Community consumption, the trends indicated under point 3.C above will probably not change significantly, in particular because further price reductions for butter were not decided. However, at the level of special sales measures, it is worth noting that an aid scheme for incorporation of old butterfat in calf-feed compounds is installed. Also, the SMP aid scheme for pigs and poultry feed has recommenced operation in August 1986. Furthermore the Commission has proposed to the Council an amelioration and extension of the "Social Butter" scheme.

4.4. WORLD MARKET SITUATION

EEC exports through the first six months of 1986 were extremely disappointing but perhaps not very representative for 1986 as a whole. Much will depend on the realization of potential contracts still pending in the context of more flexibility in refund fixation. In general, however, the world market does not offer a bright outlook as far as the traditional dairy products and markets are concerned. Currency developments, and in particular a further weakening of the US Dollar, mark a continuation of the economic problems of both oil countries and developing countries exporting to the world market. Economic growth in developed economies (e.g. United States) is not too promising and traditional problems such as debt burdens, non-commercial transactions and accumulation of stocks do not offer too much space for optimism. International stocks (in 19 OECD countries) were, in July 1986, at record levels of 1.7 mio tonnes of butter and 1.5 mio tonnes of SMP, with the Community bearing its shares of 81% and 61% respectively. Hence, the immediate indications are that the supply situation in the short term (see point 3.C) is deteriorating relative to possibilities for market expansion. Even with further policy amendments introduced, especially in the EEC, the USA, New Zealand and Australia, the limitations to be expected in milk supplies seem to occur - if at all - with a considerable delay. Some brief comments are added with regard to milk policies in the USA, New Zealand and Australia.

USA:

The support price for manufacturing grade milk during 1986 required by the Food Security Act of 1985 is \$11.60 per cwt (\$255.74 per metric tonne). This resulted in the support level during first quarter 1986 being a \$1/cwt (\$22.05 per metric tonne) lower than a year earlier. The level in the second-quarter will be 50 cents (\$11.02) lower than 1985 and in second-half 1986 the level will be even with second-half 1985. The level of support will be reduced 25 cents (\$5.51) on both 1 January and 1 October 1987. Changes, if needed, in the level of support are possible on 1 January 1988, 1989 and 1990.

The average producer price for all milk in 1986 is expected to decline by 20-50 cents/100 pounds from last year's \$12.75. Adjusted for deductions, the price could be the lowest since 1979.

The "whole herd buyout program" started on 1 April 1986. There were 39 534 bidders and they submitted 105 718 bids on/or before 7 March 1986. USDA accepted 13 988 bids. The accepted producers are required to stay out of dairying for five years and not allow the use of their facilities for milk production.

In 1985, the accepted bidders had milk deliveries of 5.6 mio metric tons, 8.7 per cent of U.S. deliveries. The accepted base was 5.2 mio metric tons. The accepted bidders on the day their bid was submitted had 951 619 cows, 8.5 per cent of the U.S. January dairy cow inventory; 340 789 heifers, 7.2 per cent of the January inventory; and 257 995 calves.

Reductions in milk production from the buyout will be heaviest during the first part of the program; nearly two-thirds of the contracted deliveries could leave during April-August 1986. Producers not in the buyout program will continue to expand milk output. Stronger seasonal milk price rises, combined with continued low feed prices, will provide additional incentive. However, returns over concentrate costs will be held below the levels of the early eighties, limiting expansion incentive. Substantial production declines during the second half because of the buyout should partly offset the large rises already experienced, leaving the 1986 total about 1 per cent above 1985's record of 65.2 mio tonnes.

New Zealand

(a) Basic prices

The New Zealand Dairy Board has announced basic prices as follows for the 1986/87 season, in comparison with 1985/86:

| | 1985/86 | 1986/87 | % Change |
|----------------|------------|------------|----------|
| | (cents/kg) | (cents/kg) | |
| Milk fat | 275 | 150 | - 45.5 |
| Solids-not-fat | 125 | 75 | - 40.0 |
| T O T A L | 400 | 225 | - 43.8 |

(b) Stabilization arrangements

Agreement has been reached on the major points of a new price stabilization scheme. The main element is a Government guarantee for Dairy Board borrowings up to \$650 million on a commercial basis; \$400 million may be used for price stabilization, \$100 million to help finance 1985/86 trading losses, and \$150 million to redeem on a commercial basis \$750 million loan from the Reserve Bank, which is repayable over 40 years at 1 per cent interest.

These are transitional arrangements and will be phased out at the end of the 1994/95 season. It is considered that such borrowings could enable the Board to supplement payments by up to 110 cents/kg milkfat, over the current and the two following seasons.

(c) Reduced milk supply scheme

The New Zealand dairy industry has agreed to adopt a voluntary scheme to limit milk supplies in 1986/87. Participating dairy farmers will be paid a fixed amount by the Dairy Board to reduce milk output below a "base output level". The details of the scheme have not been finalized and its impact on production cannot yet be assessed.

The moratorium on new entrants introduced by the industry in 1985 has been extended into the 1986/87 season and is to be reviewed in November 1986.

Australia

New marketing and assistance arrangements came into force on 1 July 1986. The basic objective is to "ensure the development of a more efficient and profitable industry, able to respond as quickly as possible to changing market conditions and technology". The new system ends the previous pooling of all export returns and thus provides incentives for manufacturers to choose the most remunerative products and markets.

The main provisions of the marketing arrangements are:

- (a) Setting-up of a Market Support Fund financed by a levy on all milk produced, including milk for the liquid market (1); this levy is imposed on the milk fat component and is limited by a ceiling of 45 cents/kg milk fat or the equivalent or 2 cents/litre of milk. A levy of 35 cents/kg is being applied from 1 July 1986. Manufacturers exporting prescribed dairy produce (butter/butteroil, Cheddar-type cheeses, skim milk/buttermilk powder, casein and whole milk powder) will receive market support payments normally at the rate of 30 per cent of the average export price currently being received for the product, adjusted to a bulk ex-factory basis. Under certain circumstances, a rate other than 30 per cent may be payable; less may be paid when funds are insufficient, more at a time of collapse in world market prices. To determine a price collapse the Bureau of Agricultural Economics calculates the "underwritten value" for each product, i.e. the export price that would prevail if export prices were on their longer-term trend. When the average export price is less than 85 per cent of the underwritten value, the market support rate will be the difference between 130 per cent of the underwritten value and the estimated current average export price.
- (b) Setting-up of a Supplementary Market Support Fund aiming at smoothing the transition from the current arrangement to the new one. It will be financed by levies on domestic sales of butter/butteroil and Cheddar-type cheeses at the rate of A\$668 per tonne of butter/butteroil and A\$234 per tonne of cheese. The levy on cheese will be phased out in five equal six-monthly steps starting on 1 July 1987. As regards butter/butteroil, the levy will be reduced to about half by 1 July 1989 by five equal six-monthly reductions also starting on 1 July 1987. Subject to a review in 1988/89 confirming the desirability of phasing out the levy altogether, it would be reduced by A\$50/tonne every six months until completely phased out.

This system of support funds effectively determines the domestic price for each major dairy product, as manufacturers have no incentive to sell domestically for less than their net receipts from exports, market support payments and domestic levies included in the calculations.

- (c) Reforming the Australian Dairy Corporation so as to make it more efficient and more autonomous.

(1) The other special arrangements for the liquid market, which are under States and not Commonwealth control, remain unchanged.

- (d) Abolition of the export pooling arrangements on 30 June 1986. It should be noted that the payment of "allowances" for certain transportation and storage costs was terminated on 30 June 1985.

5. CONCLUSION

In spite of the introduction of the additional levy system in the Community, the flexibility established for the management of the system, and non-adaptation to individual reference quantities resulted in excess deliveries in 1985/86 of 0.9 mio tonnes of milk or nearly one per cent of EEC(10) deliveries. Total EEC consumption (milk equivalent) is stagnant and can only keep a positive direction due to expensive special sales measures for butterfat. EEC exports of dairy products are falling, but special sales of intervention butter for particular markets contributed to maintaining exports at approximately 15 mio tonnes (milk equivalent) in 1985. World market prospects are gloomy, and policy amendments (e.g. EEC, USA, New Zealand, Australia) presently under implementation will require some time before influencing positively the global market balance. In the short run, stocks will accumulate and put further pressure on the internal and external market situation. Therefore, the adoption by the Council of the Commission's proposal of November 1986 is urgently needed.

10. MEAT AND EGGS

- THE MARKET IN MEAT
- BEEF/VEAL
- SHEEPMEAT AND GOATMEAT
- PIGMEAT
- POULTRYMEAT
- EGGS

THE MARKET IN MEAT

1. INTRODUCTION

In the Community of Ten the production of meat - of all types - accounted for 32% of final agricultural production in 1984, and was thus the main farming enterprise in the Community. To illustrate the importance of this sector, it may be noted that the share of the tonnage of cereals used for animal feed, especially for the production of meat, is 60%, while the share for human consumption is about 25%.

The Community accounts for about one-sixth of the production of meat in the world, and is the third-ranking world producer, after China and the United States.

2. THE COMMUNITY MARKET (TEN COUNTRIES)

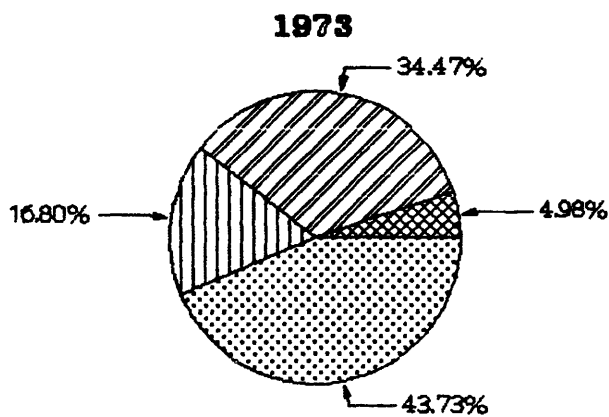
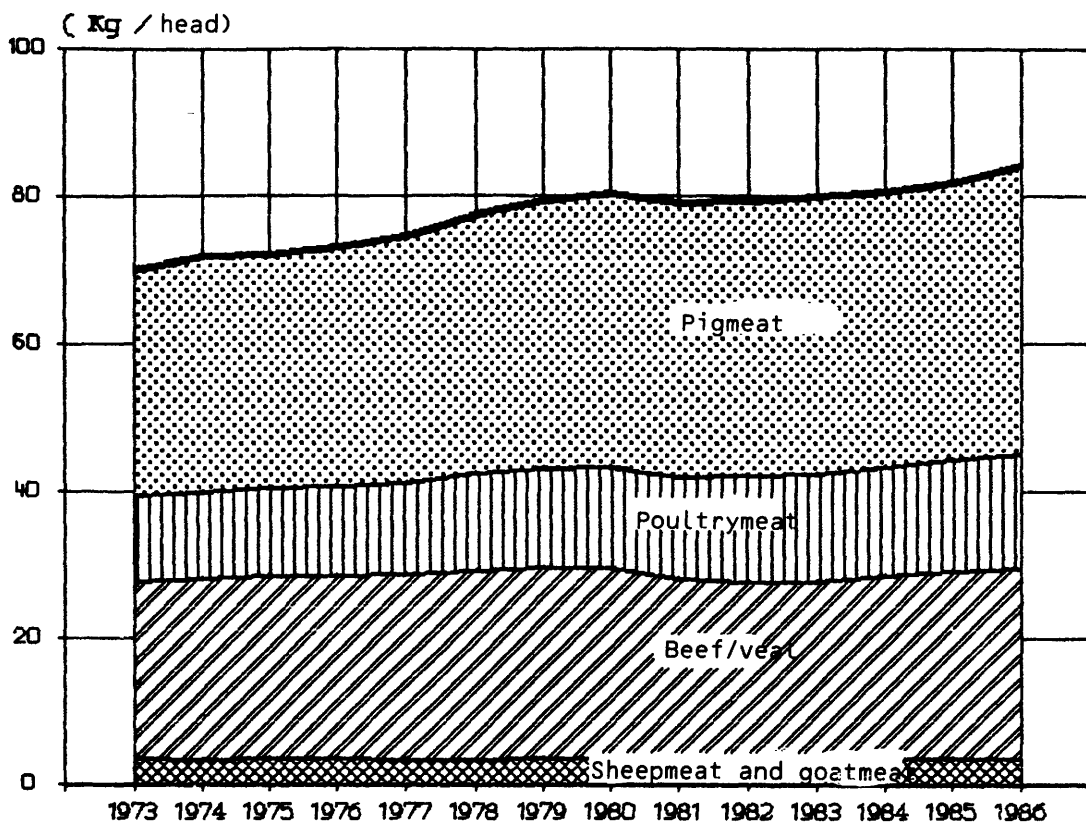
A. PRODUCTION

In 1985, gross internal production of meat (of all types, including edible offals) increased very slightly, by 0.1%. However, this figure masks widely varying trends from one type of meat to another. The production of beef/veal declined by 2.1%, after the heavy slaughterings in 1984 prompted by the introduction of the milk quotas. On the other hand, the production of pigmeat, and that of sheep and goatmeat and poultrymeat increased respectively by 0.9%, 1.9% and 1.3%.

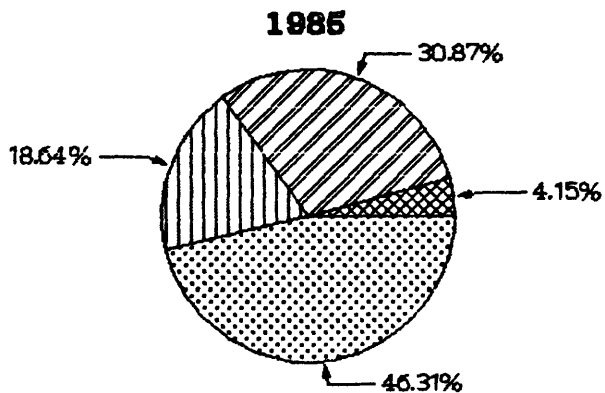
A further increase in the production of meat in the Community was expected for 1986, of about 1.3%. As in 1985, this overall increase masks a decline in the production of beef/veal (by 2.5%) and an increase in the production of pigmeat (by 3.3%), sheep- and goatmeat (by 1.1%) and poultrymeat (by 2.7%).

The decline in the production of beef/veal follows a reduction in cattle numbers spurred on by the action taken with regard to milk. The supply of pigmeat is on the upward part of the cycle. The production of sheep- and goatmeat is increasing, especially in the Netherlands, the United Kingdom and France, while the production of poultry should increase once again in all the Member States, except in Denmark.

CONSUMPTION OF MEAT PER HEAD



- sheepmeat and goatmeat
- beef/veal
- poultrymeat
- pigmeat



B. Consumption

From 1981 to 1983, the consumption of meat per inhabitant had been lower than in 1980, mainly because of the recession. Since that time, there has been an appreciable increase in the consumption of the three main types of meat - pigmeat, beef/veal, and poultrymeat - paralleling the recovery in economic activity and because of ample supplies available. The consumption of the other meats (rabbits, game) and of edible offals has continued to decline, and was lower in 1985 than the level reached in 1980.

The outlook for consumption will depend mainly on the economic situation (determining consumers' incomes) and on the relative prices of the various types of meat. According to estimates now available, it seems likely that overall consumption will have expanded in 1986 and continue to do so in 1987. For 1986, growth rates were probably between 3 and 4% for pigmeat and poultrymeat.

C. Trade

Intra-Community trade in the various types of meat depends mainly on the differences in the self-sufficiency of the Member States, so that it is related to the respective degrees of concentration of production and/or consumption. Intra-Community trade in pigmeat and beef/veal, accounting for 20% of total consumption in the European Community, is more active than trade in sheepmeat (11%) and poultrymeat (9%).

The higher figures for beef/veal and pigmeat reflect greater uniformity in levels of consumption and/or some degree of specialization in the production of given types of meat (bacon, lean beef, high quality beef); for sheep- and goatmeat and for poultrymeat, production is high in the main consuming countries.

The volume of intra-Community trade in meat expanded over the 20 years from the inception of the Community; in general, it is now tending to lose momentum to settle at about one-sixth of total consumption, after the more marked expansion which followed the first enlargement of the Community.

As for trade with non-member countries, the supply situation had been in overall equilibrium from 1981 to 1983 for all types of meat taken together. Subsequently, the Community's net exports made gains in 1983 and 1984. This was mainly a matter of an increase in exports of beef/veal and pigmeat. On the other hand, exports of poultrymeat have declined since 1981, because of slack demand and keen competition on the world market.

In 1985, net exports of pigmeat increased, those of beef/veal and sheep- and goatmeat showed little change, and exports of poultrymeat continued to decline.

For 1986, a further increase in exports of beef/veal was expected, in view of the surpluses on the Community market, but pigmeat and poultrymeat were unlikely to achieve the results of 1985.

It should be stressed that the Community has become not only a major exporter of poultrymeat, beef/veal and pigmeat, winning new markets in the Middle East (poultrymeat, beef/veal) and in the Far East (pigmeat), but that it also supplies poultrymeat, pigmeat and beef/veal to regions having long livestock farming traditions but which have become dependent on imports because of difficulties besetting their farm sectors. Nonetheless, the Community is also among the major world importers of beef/veal and sheepmeat, products in respect of which it has concluded a number of preferential agreements both with industrialized countries like Australia and New Zealand and with developing countries in Africa and South America.

3. THE COMMUNITY OF TWELVE

Consumption of meat per head is lower in Spain (about 70 kg) and particularly in Portugal (about 50 kg) than in the Community of Ten. Among the various types of meat, only the consumption of poultrymeat in Spain (22 kg) exceeds the Community average.

The level of self-sufficiency in the new Member States is high and there is little trade. This means that the supply situation for the Community as a whole has undergone virtually no change following the enlargement.

The EEC market organization for sheep- and goatmeat has been fully operative since 1 March 1986 in the two new Member States, but differing arrangements had been agreed for the other products. For Portugal, the Act of Accession provides for transition by stages for beef/veal, pigmeat and poultrymeat.

In Spain all the types of meat are subject to conventional transition. In this Member State, the alignment of prices is accompanied, for beef/veal, by the application of the Supplementary Trade Mechanism (SME) for imports from the rest of the Community and by quantitative restrictions on imports from non-member countries; such restrictions are also applicable to pigmeat.

BEEF/VEAL1. INTRODUCTION

Although its consumption is, in the Community, second only to that of pigmeat, beef/veal is ahead of all other forms of meat production in terms of the number of holdings concerned (one in two) and value (15% of final agricultural production).

2. THE SITUATION GENERALLY

One of the major features of the beef/veal market in 1985 and 1986 was that, in addition to the cyclical slaughtering of breeding herds, many breeding cows were slaughtered following the introduction of milk quotas. This boosted intervention stocks in the Community and, at a time when grain-based meats competing with beef/veal were being helped by a fall in stockfeed prices, steadily drove down market prices.

Buying in increased and was not matched by sales from intervention (in particular for export) until the summer of 1985, when major outlets were found in certain non-member countries. The Community's production of beef/veal is now falling, despite very low cattlefeed prices and, although the competition from other meats is fierce, internal consumption has risen since 1984.

3. 1985/86

Transition, in the case of the beef/veal sector, is of the conventional type for Spain whereas for Portugal it is to be in stages. The integrated market, i.e. that in which the EEC market organization rules apply, has accordingly consisted of the Community of Ten plus Spain since 1 March 1986. The market analysis which follows concerns the Community of Ten, but includes a special chapter on production in Spain and Portugal.

3.1. THE COMMUNITY OF TEN

A. PRODUCTION

(a) in the Community

After the cyclical trough in 1982 the year-on-year production of beef/veal showed increases of 3.9% and 8.4% for 1983 and 1984 respectively. The total for 1985 (7.4 million t) was 1.3% down on the previous year's figure, but was still fairly high, since production in 1984 had set a new record (7.5 million t).

Beef production is 1.4% down on 1984, when many dairy cows were slaughtered for meat following the introduction of milk quotas. Production fell again during the first six months of 1986, despite the fact that cattlefeed prices were low, a factor which normally helps to sustain the number of young bulls being fattened.

The production of veal has fallen by 0.4%, linked to a further sharp fall in the average age of the animals sent for slaughter. During the first six months of 1986 the production of veal was well down on the corresponding period of 1985.

Beef/veal production has tended to rise less sharply in recent years, with producers adjusting to less favourable market conditions.

(b) slaughterings

In 1985 about 22.2 million head of adult cattle were slaughtered, a reduction of about 2.1% compared with 1984; the downward trend in slaughterings, in particular of female animals, continued in the first half of 1986.

After the high number of slaughterings of females (cows and heifers) recorded in 1984 and the first half of 1985 the pace of slaughterings has slackened considerably.

In 1985 the figure for calf slaughterings (7,0 million head) was 3.7% down on 1984; during the first half of 1986 the number of calf slaughterings is well down on that for the first half of 1985.

Slaughtering coefficient (i.e. the ration of slaughterings to cattle numbers). After having been relatively low both in 1982 and 1983 and after picking up sharply in 1984, the slaughtering coefficient for adult cattle remained high in 1985. The slaughtering coefficient for calves, which was also low in 1981, 1982 and 1983, rose sharply in 1984 and remained high in 1985.

The average weight of adult bovine animals sent for slaughter in 1985 (294,4 kg) was up on 1984, mainly as a result of an appreciable increase in the average weight of male beef cattle; in line with the trend recorded in recent years, the average weight of calves sent for slaughter was again sharply up, at 122.9 kg in 1985.

(c) Cattle numbers, farm structures

The reduction in cattle numbers continued in 1985, particularly in the case of dairy cows, due to the cyclical rise in slaughterings and, above all, taken in the spring of 1984 to limit milk deliveries.

The cattle survey carried out in December 1985 gave a result of 77.6 million head, including 30.3 million cows, down 1.5% and 2.0% respectively on the previous year. Similarly, the number of calves (cattle less than one year old), was down about 2.4%. The number of beef cows, on the other hand, was up by about 3.0%, totalling around 6.4 million head.

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

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 3% per year, in particular through the elimination of small farms, and
- a slight increase in the number of animals per farm.

Producers fall into three main categories, corresponding to the three categories of animals reared:

- 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.

(d) World production

The production of beef/veal in the world generally is currently following a slow downward trend, in particular as a result of reduced supplies from certain producers of grass-reared meat animals in the southern hemisphere (viz. Australia, where cattle herds had to be rebuilt following the drought in 1982/83, Argentina, where severe floods accelerated the reduction in cattle numbers, Brazil where an increase in internal consumption and a stagnation in production resulted in the need to import on a larger scale.

With about 16% of the world's production, the Community is the second largest producer of beef/veal, ahead of the USSR, but well behind the United States.

B. Consumption and self-sufficiency**(a) Consumption**

Because of the recession, consumption of beef/veal remained stationary in the early part of the decade; since then, with the upturn in economic activity and the availability of plentiful supplies, it has risen appreciably from 6.6 million t in 1983 to 6.8 million t in 1984 and on to about 7.0 million t in 1985.

Beef/veal consumption per head of the population rose steadily - by upwards of 0.5% - 1% annually - from about 25 kg in the early 1970s to nearly 26 kg at the end of the decade. After falling slightly in the early 1980s it has been rising again (about about 2 - 3% annually), since 1983, partly as a result of lower beef/veal prices. In 1985 the annual consumption per head of the population reached again about 25.7 kg (22.7 kg of beef and 3.0 kg of veal), its of 1980.

(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. Since then the Community has been more than self-sufficient in beef/veal.

Self-sufficiency was very high in both 1984 (upwards of 110%) and 1985 (about 105%), owing mainly to large-scale slaughterings of dairy cows after the introduction of milk quotas.

C. 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:

412.000 t in 1979
356.000 t in 1980
364.000 t in 1981
440.000 t in 1982
448.000 t in 1983
437.000 t in 1984 and
466.000 t in 1985

Many of these imports enter the Community on special terms since, in addition to the beef/veal imported under normal import arrangements, the Community is committed to allowing in large quantities each year in accordance with certain bilateral and multilateral agreements (see 3.1, E., b).

The Community's trade in beef/veal with non-member countries

EUR-10

('000t, carcase-weight equivalent)

| Period | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|
| Trade | | | | | | | |
| <u>Imports</u> | 412 | 356 | 364 | 440 | 448 | 437 | 466 |
| of which : | | | | | | | |
| live animals | 73 | 59 | 50 | 66 | 64 | 54 | 71 |
| (('000 head) | (451) | (361) | (310) | (488) | (505) | (428) | (490) |
| fresh or chilled meat | 63 | 61 | 55 | 72 | 87 | 100 | 110 |
| frozen meat | 141 | 114 | 121 | 164 | 153 | 136 | 133 |
| preserves | 135 | 122 | 138 | 138 | 144 | 147 | 152 |
| <u>Exports</u> | 338 | 642 | 662 | 480 | 603 | 790 | 805 |
| of which : | | | | | | | |
| live animals | 36 | 65 | 100 | 88 | 103 | 96 | 72 |
| fresh or chilled meat | 97 | 249 | 184 | 118 | 146 | 187 | 158 |
| frozen meat | 135 | 298 | 340 | 236 | 316 | 463 | 534 |
| preserves | 70 | 30 | 38 | 38 | 38 | 44 | 41 |
| Net trade balance | - 74 | 286 | 298 | 40 | 155 | 353 | 339 |

In 1985, exports of beef/veal to non-member countries rose to 805.000 t (carcase-weight equivalent). The Community's beef/veal external trade surplus thus amounted to 339.000 t.

The main suppliers of beef/veal to the Community in 1985 were:

- Latin-American countries (in particular 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 2% of total imports;
- Yugoslavia, supplying around one fifth of imports of live animals and of the fresh and chilled meat;
- Austria, supplying about 15% of imports of live animals and more than two fifths of imports of fresh meat;
- lastly, ACP countries (Botswana, Swaziland, Kenya, Madagascar and Zimbabwe), supplying about 8% of total imports.

The Community's main customers were:

- Mediterranean European countries, in particular Yugoslavia, taking about 10% of total exports;
- East European countries, taking about one-fifth of total Community exports, the USSR accounting for about 10%;
- North African countries, taking about 10% of total exports, with Libya taking one-fifth of the Community's exports;
- Middle East countries, taking upwards of 45% of total exports, with Egypt accounting for about 24%.

D. Prices

(a) Common prices

For the 1985/86 marketing year the guide price for adult cattle was fixed for the whole Community at 205.02 ECU/100 kg liveweight, the same figure as for the preceding marketing year.

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 also fixed the intervention price at 184.52 ECU/100 kg liveweight, i.e. 90% of the guide price, thereby derogating from Regulation (EEC) No 805/68 for that marketing year.

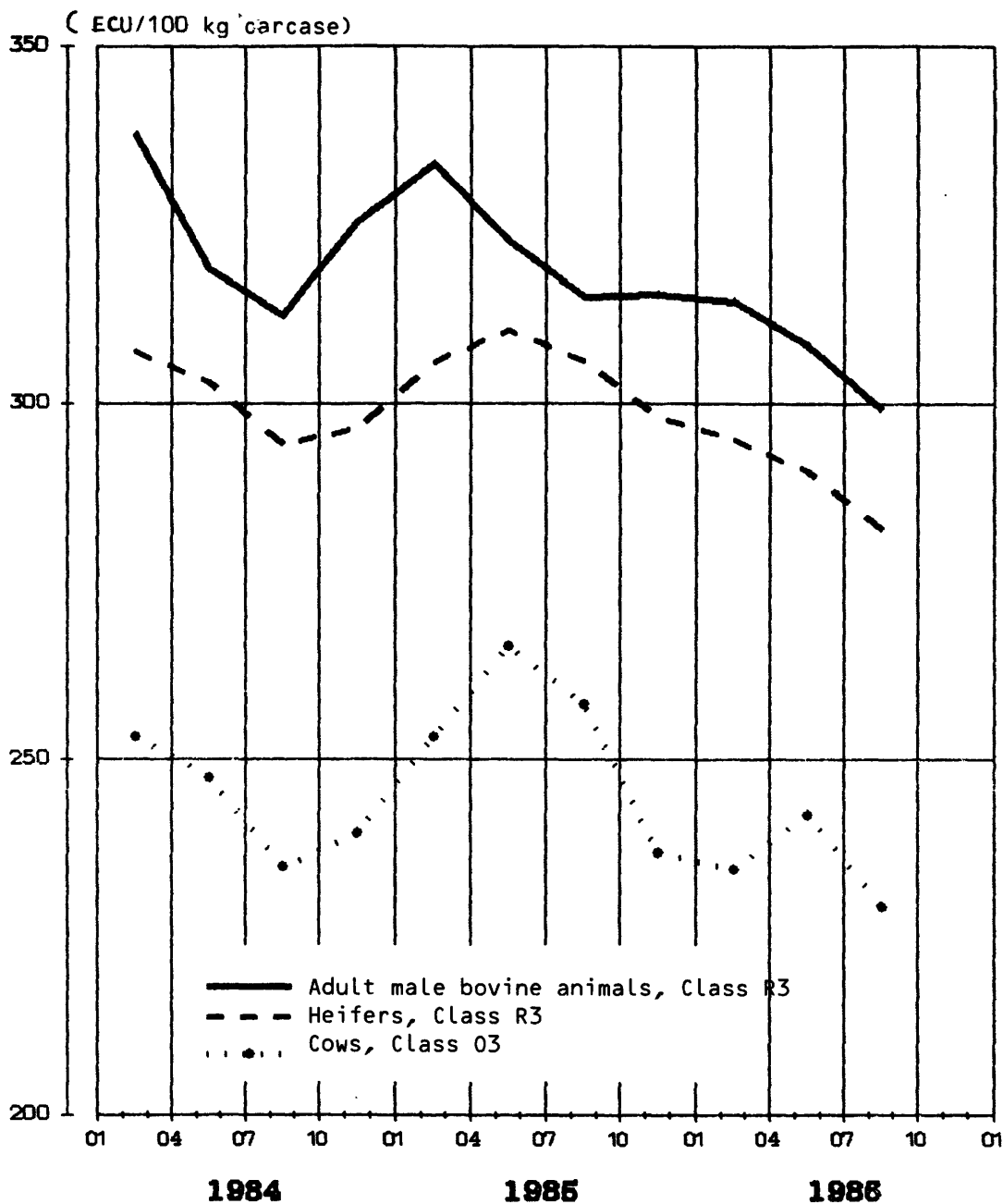
(b) Market prices

In 1981 and 1982 the average annual increase in the Community market price for adult cattle was of the order of 10%, a figure comparable to the rate of inflation. From 1983 the average Community market price followed a downward trend, especially at the beginning of 1986 (market prices during the first half of 1986 were 6.3% down on the corresponding period of 1985).

After rising appreciably for two consecutive years (in 1981 and 1982) the Community market price for calves moved sharply up and down at around the 220 ECU/100 kg mark. Market prices are currently down.

The fairly low meat prices now obtaining on the market reflect the very low cattlefeed prices.

TREND ON MARKET PRICES FOR BEEF
(quarterly averages)
EUR - 10



SOURCE: Commission of the European Communities,
DG for Agriculture

Prices for adult cattle

(ECU/100 kg liveweight)

| Period | 1980/81 | 1981/82 | 1982/83 | 1983/84 | 1984/85 | 1985/1986 | 1985/1986: 1984/1985: (%) |
|------------------------------|----------|----------|----------|----------|----------|-----------|---------------------------------|
| Price | : | : | : | : | : | : | : |
| Guide price | : 160,76 | : 172,82 | : 191,87 | : 207,09 | : 205,02 | : 205,02 | : = |
| Intervention price | : 144,68 | : 155,54 | : 172,68 | : 186,38 | : 184,52 | : 184,52 | : = |
| Market price | : | : | : | : | : | : | : |
| - in money terms | : 132,58 | : 149,93 | : 161,00 | : 161,09 | : 155,76 | : 155,12 | : - 0,4 |
| - as % of the guide price | : 83,0 | : 86,1 | : 84,2 | : 78,4 | : 76,0 | : 75,7 | : |
| Import price | : 84,75 | : 90,67 | : 92,00 | : 92,00 | : 85,25 | : 81,58 | : - 4,3 |

(c) Import prices

In recent years, following the world-wide economic recession in the early 1980s and the fall in cattlefeed prices, the prices of beef/veal expressed in USD have fallen on the world market; as a result, Community free-at-frontier offer prices expressed in ECU have been fairly low in recent months, in particular in the case of frozen meat. Thanks to lower (and in some cases much lower) exchange rates for their currencies, certain exporting countries in the southern hemisphere have, however, been able to cope with lower world prices expressed in US dollars while continuing to obtain a fairly good return on their products.

(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.

E. Management of the market(a) Market support measures

The Community has continued to apply the following measures:

- intervention

direct buying in by public intervention agencies totalled:

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,
496.000 t in 1984 and
453.000 t in 1985 (representing 6.9% of Community
beef production).

Public buying in up to 1 July 1986 totalled 225.000 t, an appreciable increase on the corresponding period of 1985.

Private storage aid with or without boning and/or export after a minimum two-month period was granted:

- in April 1985, in respect of about 72.000 t of beef carcasses, forequarters and hindquarters
- in the autumn of 1985, in respect of about 170.000 t of adult male carcasses, forequarters and hindquarters.
- exports
 - + export refunds (with optional advance fixing of the amount) were granted; it was decided that the refund should, in certain cases, vary according to the category of animal;
 - + large export sales of beef/veal took place, aided by a relative shortage in major producing countries in the Southern hemisphere; as a result, despite heavy buying in, the stocks of unsold beef at the end of July 1986, they totalled about 670.000 t, a level they had last reached at the end of 1984.
- measures to boost consumption

sales, via the intervention agencies, of intervention meat intended for direct consumption; sales to processors of certain quantities of frozen meat from intervention stocks with a view to processing in the Community; sales, at reduced prices, of intervention meat to Welfare categories and institutions.
- Aid measures
 - . possibility of granting variable premiums for the slaughter of certain beef cattle ("clean cattle") in the United Kingdom;
 - . granting of 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 year, 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

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 arrangements 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 1.250 t (in terms of boned meat) of frozen buffalo meat from Australia, also at 20%.

Under the Lomé Convention, special arrangements were introduced for the import of an annual maximum of 38.100 t (in terms of boned meat) of beef/veal from Botswana, Swaziland, Kenya, Madagascar and Zimbabwe. The agreement provides for exemption from customs duties and the reduction of other import charges.

In the forward estimates for 1986, the Community provided for the possibility of importing:

- 25.000 t (in terms of unboned meat) of frozen beef/veal for processing;
- 175.000 head of young male cattle for fattening (151.300 for Italy, 23.100 for Greece and 600 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.

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

Lastly, the Community has decided to open a special autonomous tariff quota for the importation of 6.000 t of high-quality beef/veal.

F. Budgetary expenditure

EAGGF guarantee expenditure on beef/veal was 2.460 million ECU in 1985, i.e. 12.3% of the total. The figure of 2.460 million ECU breaks down into 1.148 million ECU in refunds, 1.079 million ECU in intervention expenditure for public and private storage and 233 million ECU in premiums, mainly the calf premium and the premium for maintaining suckler cows.

EAGGF guarantee expenditure on beef/veal are estimated at 2.682 million Ecu for 1986 (12,0 % of total expenditure of the Guarantee section).

3.2. The enlarged Community market - special provisions for Portugal and Spain

The table below gives the key beef/veal production figures for Spain and Portugal in 1985:

| | : Production : (t) | : Number of : animals : ('000 head) | : Annual per : capita : consumption(kg) | : Self- : sufficiency : (%) |
|------------|-----------------------|-------------------------------------------|-----------------------------------------------|-----------------------------------|
| : Spain | : 397.000 | : 4.930 | : 10,2 | : 99 |
| : Portugal | : 100.000 | : 1.015 | : 10,9 | : 90 |

Spanish and Portuguese membership has therefore raised production and cattle numbers by 500.000 t and 6 million head respectively, but left the Community's rate of self-sufficiency more or less unchanged.

Transition is to be by stages in the case of Portugal's beef/veal sector. For Spain, however, provision has been made for conventional transition arrangements, and the EEC market rules concerned have been applicable there since 1 March 1986.

Both Portugal and Spain have charged CCT rates of duty on their trade with third countries since 1 March 1986.

Spain's imports of beef/veal are subject to the Supplementary Trade Mechanism, which provides for a guide quantity in the case of imports from other Member States and quantitative restrictions on imports from non-member countries.

The alignment between the institutional prices (i.e. the buying-in price of R3 carcasses) applicable in Spain and the Community of Ten will take place in seven stages, with the recorded price difference being used to calculate the accession compensatory amount. The latter has in fact been adjusted to take account of the aid which Spain grants towards the cost of slaughter.

There are special arrangements for trade between Portugal and the Community of Ten: special levies based on the difference between the guide price and the market price of reference-quality carcasses (R3 carcasses of adult bovine animals).

4. 1986/87 - Short-term outlook

4.1. Common prices

The 1986/87 guide price for adult bovine animals is the same as for 1985/86: 205.02 ECU/100 kg.

The period of validity of the following premiums was extended until 31 December 1986:

- the variable slaughter premium payable in the United Kingdom in respect of certain animals ("clean cattle"),
- the calf premium payable in Italy, Greece, Ireland and Northern Ireland,
- the premium for maintaining suckler herds and the additional premium payable in Ireland and Northern Ireland.

As part of the adjustments to the intervention system based on the Community scale for the classification of carcasses of adult bovine animals, the Council adopted new arrangements for activating and discontinuing the buying in of beef/veal; moreover, a single buying-in price was adopted in respect of each quality eligible for intervention in 1986/87.

The Council began its consideration of the Commission's proposed adjustments to the market organization arrangements and is expected to reach a decision by 31 December 1986.

4.2. Prospects

In 1985 the number of female breeding animals fell for the second consecutive year (by about 1%). The cyclical reduction of breeding herds has been accentuated by the slaughtering of female animals, particularly dairy cows, which followed the introduction of milk quotas.

The Community of Twelve's production of beef/veal is therefore expected to fall again, from about 7.9 million t in 1985 to about 7.8 million t in 1986. A further reduction is forecast for 1987.

Market prices fell more sharply during the first six months of 1986/87: in the case of the qualities eligible for intervention they have been about 12% below the buying-in price since the Summer.

An increase in exports is also expected in 1986, enabling the Community to remain the world's foremost exporter of beef/veal.

In view of the prospects for production and consumption and the quantities which will have to be sold from intervention stores in the coming months, supplies of beef on the Community market will continue to be plentiful and self-sufficiency will, in the medium term, remain above 100%.

A slight rise in the market price of adult bovine animals is expected in the medium term, especially in view of the fact that market prices generally are very low, in particular in relation to the guide price.

An appreciable increase in beef/veal production is expected in exporting countries in Australasia, where cattle numbers have built up again in recent years. The quantities which will be available for export from those countries will, however, still be fairly small (about 500.000 t, i.e. less than the quantity they exported in the early 1980s). Production in North America is currently fairly low.

The world's production of beef/veal is steady; the economic upturn in certain developed countries could well, in the medium term, lead to an increase in world market prices for beef/veal.

5. CONCLUSION

Overproduction in the milk sector has, in many countries, been followed by large-scale slaughterings of dairy cows; the resulting glut of beef has been a factor in the build-up of large intervention stocks.

The fall in cattlefeed prices, in particular of imported cereal substitutes and soya cakes, has encouraged production - especially in the case of the meats which compete with beef/veal (pigmeat and poultrymeat) - and has driven down all meat prices, both in the Community and elsewhere.

The demand for meat, beef/veal in particular, is currently being underpinned by the upturn in the economy and, with world beef/veal production falling, a reversal of the world market trend for this type of meat could take place within the next year or so.

SHEEPMEAT AND GOATMEAT1. INTRODUCTION

Sheepmeat and goatmeat production in 1985 accounted for approximately 2% of the Community's final agricultural production. With the accession of Spain and Portugal in 1986 production is set to reach 930 000 tonnes making the Community the worlds largest producer of sheepmeat and goatmeat.

2. GENERAL SITUATION

The Community of ten with about 62 million head contains in the region 6% of the worlds sheep population. Its output of sheepmeat and goatmeat at about 740 000 tonnes places it in second place after the USSR (800 000 t) in terms of world production at 11% of the world total but before New Zealand (700 000 t), Australia (650 000 t), India (500 000 t), China (400 000 t) and Turkey (380 000 t).

Following enlargement in 1986 sheepnumbers in the Community will reach 83 million head and the number of farms on which sheep are kept will rise to 830.000. Sheepnumbers will then be concentrated in the United Kingdom with 29%, Spain 21%, France 14%, Italy 13% and Greece 12%. Approximately 4% of the Community flock will be raised in Portugal.

3. THE 1985 MARKETING YEAR (Community of ten)A. Productiona) Production of sheepmeat and goatmeat

Production in 1985 at 746 000 t was 1.9% up on 1984. It rose by 19.5% in Ireland, 11.8% in the Netherlands and 1.7% in the United Kingdom. It fell by 1.1% in France but was static elsewhere. The underlying trend in production is upward since 1970 and the annual rate of increase in it from 1973 to 1984 was 1.4%.

b) Sheep and goat Numbers

The number of sheep and goats in the Community has risen almost without interruption since 1973 (1) and reached 61.7 Million head in December 1985 including 44.5 million female breeding sheep. The rise of 0.9% was similar to 1984 but varied considerably among the member states. Numbers fell by 1.4% in Greece and by 0.3% in France but rose in all other members states. Rises of 11.9% in Belgium and 7.5% in Denmark, both member states with very small numbers of sheep, were recorded. Ireland recorded an increase of 3.1% the Netherlands 2.7%, and the United Kingdom 2.5%. Female breeding sheep numbers on the other hand increased by 2.8% overall.

Although sheep were raised on approximately 600 000 farms throughout the Community of ten in 1985 sheep numbers are concentrated in just four of the Member states. The United Kingdom with 39%, France 19%, Italy 18% and Greece 16% together make up 92% of the Community sheep flock. On the other hand sheepmeat production makes up 5.5% of total Community meat production but accounts for 43% in Greece, 11% in the United Kingdom, 7% Ireland and 6% in France.

Goat numbers reached almost 8 million in December 1985 a rise of 7.6% on 1984 due mainly to an increase of 19% in the size of the Greek flock which reached 5.7 million head.

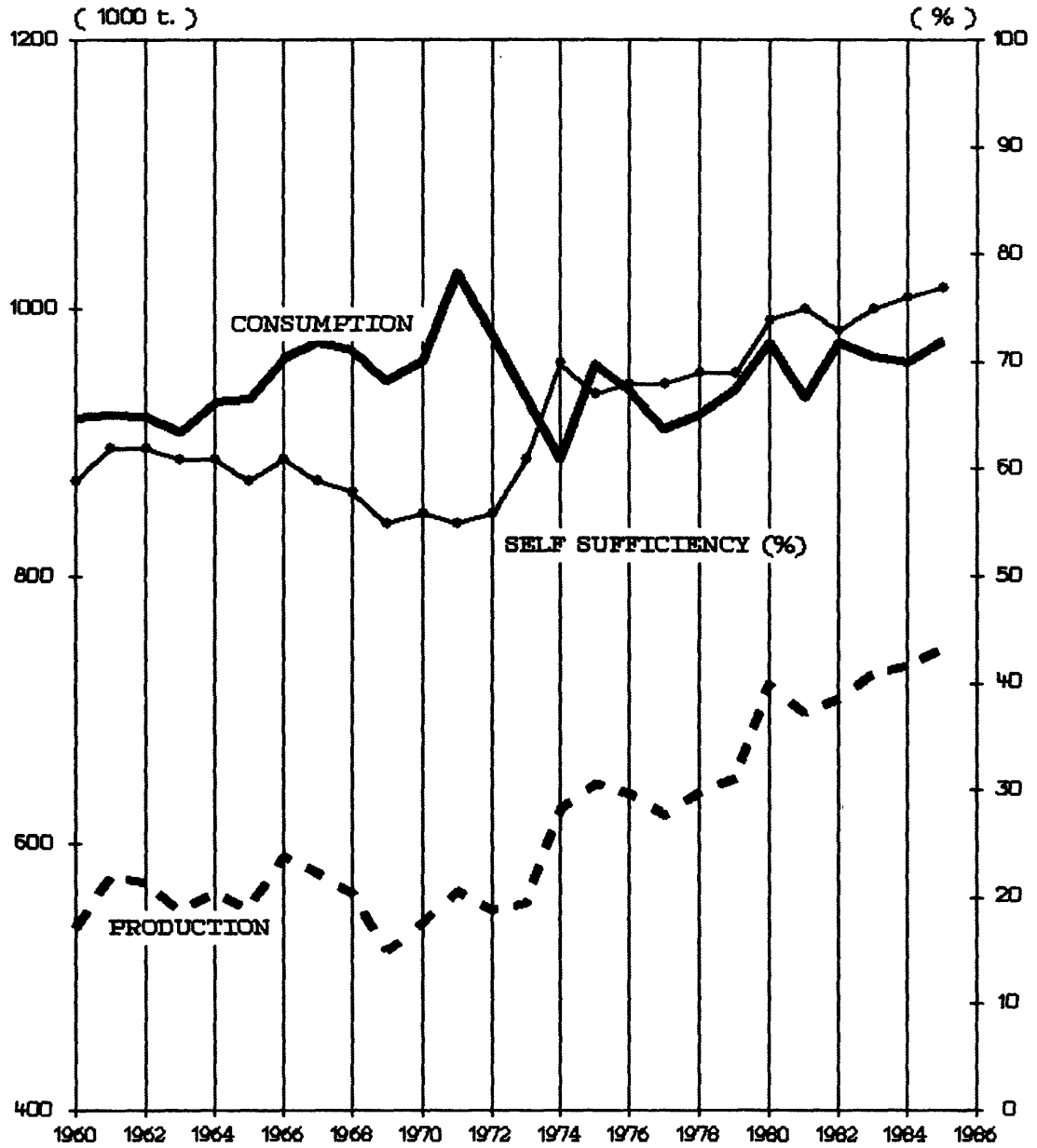
B. Consumption and self sufficiency

Consumption in 1985 at 976 000 t was 1.7% up 1984. Average annual consumption per head in the Community in 1985 was again 3.5 kg. Greece accounts for the heaviest consumption at 13.8 kg per head followed by Ireland 7.3 kg, the United Kingdom 7.1 kg, France 4.4 kg, Belgium 1.7 kg and Italy 1.6 kg. Consumption in the other member states is less than 1.0 kg per head.

The long term trend in consumption is virtually static at Community level. The downward tendency in consumption in recent years in both the United Kingdom and Ireland appears to be levelling out while only in France is consumption noticeably increasing.

(1) The only exception was in 1975. The annual rate of increase from 1973 to 1980, the period just prior to the common organisation of the market was 1.2%. From 1980 to 1985 the rate of increase was 1.8%.

SHEEPMEAT AND GOATMEAT PRODUCTION, CONSUMPTION AND SELF-SUFFICIENCY EUR 10



SOURCE : EUROSTAT.

Resulting from the changes in the level of production and consumption the self sufficiency ratio again increased very slightly.

The balance in recent years has been as follows :

| | <u>Deficit (consumption less production) t</u> | <u>Self-sufficiency %</u> |
|------|----------------------------------------------------|-------------------------------|
| 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 | 232.000 | 75,9 |
| 1984 | 228.000 | 76,2 |
| 1985 | 230.000 | 76,4 |

C. Trade

a) Intra Community

In 1985 Intra Community trade was 106 200 t an increase of 11% on 1984. The United Kingdom exported 45 600 t to its Community partners followed by Ireland 26 000 t, the Netherlands 13 300 t, Belgium 8 200 t and France 6 500 t, France imported 68 600 t, Belgium 17 300 t and Italy 12 500 t.

b) Non Community Countries

In 1985 imports into the Community amounted to 253 200 t an increase of 1.9% on 1984. However imports from New Zealand at 197 200 t were down 1.6% and from Argentina at 6 600 t down sharply by 42%. On the other hand imports from Australia rose very steeply by 130% to 19 000 t. The United Kingdom with imports of 159 300 t accounted for 63% of total imports although the level dropped by 6.5% on 1984. Germany imported 35 400 t an increase of 26% on 1984 while Italy imported 25 600, up 22% and Greece 18 000 t up 9.5%.

Exports from the Community at 5 300 t were up by 10.7% on 1984. The United Kingdom with 4 300 t accounted for 80% of total exports.

D. Supply balance

For 1985 the supply balance was as follows :

| | |
|----------------------------------------|-----------|
| Gross indigenous production | 746,000 t |
| Total consumption | 976,000 t |
| Consumption/production deficit | 230,000 t |
| Import/export deficit | 248,000 t |
| - Imports from non-Community countries | 253,000 t |
| - Exports to non-Community countries | 5,000 t |
| Changes in stocks | +18,000 t |

E. Prices

a) Institutional prices

For the 1985 marketing year:

- The basic price was fixed at 428.04 ECU/100 kg thus remaining unchanged from 1984/85.
- The intervention price was fixed at 363.83 ECU/100 kg and the derived intervention price (Ireland) at 344.32 ECU/100 kg).
- The marketing year was aligned with the calendar year so that the marketing year 1985 commenced on 27 May 1985 and ended on 5 January 1986.

b) Market prices

In 1985 the Community market price decreased by 1.6 % to 366.833 ECU per 100 kg. As the 1984 price was only marginally changed from that of 1983 and 1982 the price has now been virtually static since 1982.

However there were very appreciable differences in both price and rate of price change in the various Member States as follows.

| | <u>ECU/100kg</u> | <u>Variation from</u> | | <u>National Currency</u> | |
|----------------|------------------|-----------------------|----------|--------------------------|-------------|
| | | <u>1984</u> | <u>%</u> | <u>Variation from</u> | <u>1984</u> |
| Germany | 344.088 | + 1.1 | | - 4.1 | |
| France | 381.788 | - 5.7 | | - 3.2 | |
| Italy | 438.607 | + 2.1 | | + 6.2 | |
| Netherlands | 382.425 | - 0.2 | | - 1.0 | |
| Belgium | 447.840 | + 6.1 | | + 6.9 | |
| United Kingdom | 283.756 | - 0.3 | | - 0.3 | |
| Ireland | 303.900 | - 6.2 | | - 5.3 | |
| Denmark | 326.013 | + 5.7 | | + 6.2 | |
| Greece | 488.059 | - 4.0 | | + 7.4 | |

In 1985 there was a significant trend towards the alignment of prices between Great Britain and France compared to 1984 in continuing response to changes in the seasonal scale of the basic price introduced in the 1984/85 marketing year and to weaker prices in France.

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986* |
|---------------------------------------------------|------|------|------|------|------|------|-------|
| British price as a percentage of the French price | 63 | 70 | 69 | 60 | 70 | 74 | 83 |

F. Market management and budgetary expenditures

a) Variable Premium (Great Britain only)

The total paid under the variable premium scheme in the 1985 marketing year (7 months) was 145 MECU as against 224 MECU in the 1984/85 marketing year (14 months). This amounts to an arithmetic mean of 81.328 ECU/100 kg a decrease of 5 % over the previous marketing year and represents 31.6 % of the average market price in Great Britain in the 1985 marketing year.

In the week commencing 24 June 1985 the premium reached its maximum of 107.205 ECU/100 kg thus equalling 44 % of the market price in the same week.

b) Ewe premium

Changes introduced at the beginning of the 1984/85 marketing year divided the Community into a number of regions for the purposes of price formation and hence ewe premium calculation (1). Additionally ewemeat was excluded from the calculation of the premium, the contribution of ewemeat to total sheepmeat production being estimated at 15 %. Premiums for 1985 were fixed for all regions and are estimated in all at 383 MECU.

The amount of the premium payable per ewe in each region and the estimated total expenditure per region are as follows :

*) Estimate

(1) Region were made up as follows : Region 1, Italy and Greece. Region 2, France. Region 3, Belgium, Denmark, Germany, Luxembourg and the Netherlands. Region 4, Ireland. Region 5, Great Britain. Region 6, Northern Ireland. From 1986 Region 7 Spain and Portugal.

| | <u>Premium, ECU per ewe</u> | <u>Total in MECU</u> |
|----------|-----------------------------|----------------------|
| Region 2 | 8.850 | 70 |
| Region 3 | 12.009 | 21 |
| Region 4 | 22.314 | 51 |
| Region 5 | 11.836 | 179 |
| Region 6 | 25.771 | 22 |

In Region 1 the same level of premium per ewe for ewes deemed eligible for premium, was payable as in Region 2. Total payments are estimated at 40 MECU.

The principal beneficiaries of the ewe premium were the United Kingdom 201 MECU, France 70 MECU and Ireland 51 MECU.

By way of comparison the amount granted in 1984/85 was 258 MECU of which the United Kingdom received 123 MECU, Ireland 46 MECU and France 44 MECU.

On these bases the total cost of premiums (ewe premiums and variable premiums) can be summarised as follows :

1984/85 - 447 MECU
1985 - 507 MECU (estimate)

The variable premium clawback on exports from Great Britain to other Community destinations have been deducted from these totals (2).

c) Refunds

No refunds in 1985. The Community has not in any case adopted implementing rules as yet.

d) Management of the Voluntary Restraint Agreements

The mechanism provided for in these arrangements operated normally in 1985.

e) Intervention

No intervention in 1985. Market prices in France the only Member State where the possibility of intervention buying was agreed for 1985 were above the intervention price. However due to a particularly weak market in spring 1985 a very limited aids to private storage scheme was introduced in France. Because of an immediate uplift in the Market price there was no uptake of the scheme.

THE MARKET IN 1986 - SHORT TERM OUTLOOK

4.1. INSTITUTIONAL PRICES AND RELATED MEASURES

For the 1986 marketing year

- The basic price was fixed at 432.32 ECU per 100 kg carcase weight up 1 % from 1985
- The intervention price was fixed at 367.47 ECU/100 kg and the derived intervention price at 347.66 ECU/100 kg.

For the 1987 marketing year the basic, intervention and derived intervention prices were fixed at the same level as for 1986.

Goatmeat was included in the premium regime for the first time in 1986 in limited areas of the Community. These areas include all Greece and Portugal and parts of Spain, France and Italy. Producers of goatmeat in these areas may receive, subject to the same conditions as those applying to sheepmeat producers a premium equal to eighty percent to the premium payable per ewe in their region.

4.2. OUTLOOK

A. Arrangements for Spain and Portugal

From 1 March 1986 Spain and Portugal participate fully in the Community sheepmeat regime.

There are no transitional arrangements. Therefore these new member states become subject to both the internal and external operation of the regime. Internally trade between these member states and the other member states of the Community is not subject to any restrictions and both Spain and Portugal are eligible for the ewe premium system which applies to the other member states for the marketing year 1986. In terms of the internal regime Spain and Portugal are treated together as Region 7 for premium purposes and sheep numbers there make up 24.7 % of total Community of 12 flock size. Likewise on the external side the various voluntary restraint agreements between the Community and a number of non member states apply also to Spain and Portugal.

B. Production and livestock numbers

In the Community of 10 production is set to rise by 1.7 % to 759,000 tonnes resulting from increases in the Netherlands 5 % the United Kingdom 1.7 % and France 1.2 %.

In the Community of 12 with production in Spain and Portugal at 138,000 t and 22,000 t respectively production is set to reach 919,000 t.

In the Community of 10 numbers are expected to reach 62.6 Million head a rise of 1.5 % on 1985 with the main increases coming in Ireland 4.5 %, Germany 3.6 %, Greece 2.4 % and the United Kingdom 1.5 %.

In the Community of 12 with numbers in Spain and Portugal unchanged at 17.1 Million head and 3.0 Million head respectively, the total flock size should reach 82.7 Million head including approximately 60 Million female breeding sheep.

C. Consumption and self sufficiency

Expected to reach 983,000 tonnes in the Community of 10 with increases in consumption in France Italy and Ireland likely to be offset somewhat by a decrease in consumption in Greece following the nuclear accident in Chernobyl, U.S.S.R. The Community's deficit is thus likely to be at 224.000 t giving a self sufficiency rate of 77.2 %.

In the Community of 12, with Spanish and Portuguese consumption at 141,000 t and 21,000 t respectively, consumption is likely to reach 1,145,000 t. The Community deficit will then reach 223,000 t giving a self sufficiency rate of 80.3 %.

D. Trade with Non Community countries

Under the voluntary restraint agreements with the Community a number of non member states may export to it a maximum of 321,290 t (1) of live animals and sheepmeat expressed as carcase weight equivalent. In 1986 the non Community countries in Europe will be exporting amounts close to the agreed limits as will Australia. Argentina and Uruguay while exporting more to the Community than in 1985 are nevertheless likely to be considerably below the limit. New Zealand, the major exporter, is likely to export about 160,000 t of its voluntary restraint quantity of 245,500 t that is approximately 37,000 t less than in 1985 because of domestic difficulties due to industrial action and also to a reorganisation of its internal export arrangements. Total Community of 10 imports in 1986 are likely to reach 219,000 t, a drop of 34,000 t on 1985. Imports into Spain and Portugal in 1986 are expected to reach 3,000 t giving a Community of 12 total import level of 221,000 t. Exports from the Community are expected to reach 5,000 t.

E. Market prices.

A decline in the Community market price (- 2,7 %) now appears likely this decline is expected to bring the average Community of ten market price to 357 ECU per 100 kg. The major decreases are likely to take place in Region 2 (France) - 7.5 % resulting from the arrival during autumn of large supplies of lamb onto the French market due to difficult weather conditions early in 1986 delaying the normal supply and a decrease in the *Value* of Sterling vis à vis the French Franc in late 1986. In region 1 (Italy and Greece) the decline in price is expected to reach - 3,7% due principally to a very significant decline in the Greek price following the nuclear accident at Chernobyl in the U.S.S.R. These serious decreases in price, occurring mainly in the second half of the year, have led to the introduction of a limited aid to private storage scheme for lamb in France and to the fixing of the advance on the ewe premium at the rate of 50% (instead of 30% normally) for the less-favoured areas of all regions of the Community.

(1) Including 1,790 t granted under the autonomous quota for non Community countries which have not concluded such agreements.

Prices are expected to be at similar levels to last year in Region 3 (Germany, Denmark, the Netherlands and Belgium) - 0.5 % and in region 4 (Ireland) + 0.7 %. On the other hand a substantial rise in price is expected in Region 5 (Northern Ireland) + 10 % and a modest rise in Region 6 (Great Britain) + 2.8 %.

In the Community of 12 the average market price is likely to reach 365 ECU per 100 kg with market price in Region 7 (Spain and Portugal) reaching 387 ECU per 100 kg.

F. Supply balance for 1986

On the above basis the supply balance for the Community of 10 and of 12 is estimated as follows :

| | COMMUNITY OF | |
|----------------------------------------|--------------|----------|
| | 10 | 12 |
| Gross indigenous production | 759,000 | 919,000 |
| Total consumption | 983,000 | 1145,000 |
| Consumption/production deficit | 224,000 | 226,000 |
| Import/export deficit | 214,000 | 216,000 |
| - imports from non Community countries | 219,000 | 221,000 |
| - exports to non Community countries | 5,000 | 5,000 |
| Change in stocks | -10,000 | -10,000 |

PIGMEAT

1. INTRODUCTION

Pigmeat's share of final agricultural production in the Community is 11% by value. Traditionally ahead, on volume, of all other types of meat, it accounted for 42% of the Community's total meat production in 1985. The importance of the pigmeat sector derives from its own dynamism, which is reflected in the trend towards larger production units, not necessarily accompanied by a corresponding increase in agricultural area. The Community's production is concentrated along the North Sea and in western France, northern Italy and Catalonia.

2. GENERAL SITUATION

Although the Community of Ten's pigmeat production rose slightly in 1985, market prices were steady throughout the year. Spurred on by lower feed prices, pig numbers increased until 1986.

The resulting boost to supply made market prices fall from the beginning of 1986 onwards but, thanks to the low feed prices, the adverse effects on pigfarming have not been such as to bring about a downturn in production in the Community generally. On the contrary, the forecasts for 1986 suggest that production will be 3,3% up on the previous year.

Encouraged by low consumer prices the consumption of pigmeat, which had been steady throughout 1985, began to follow an upward trend early in 1986; this was underpinned by the increase in economic activity and by higher purchasing power, at least in some parts of the Community.

Foreign trade (which accounts for only 2-4% of the pigmeat market) increased in 1985, leaving the Community with a higher positive balance. It is, however, expected that the figures for foreign trade for 1986 will be lower, both in the case of imports (because of low prices in the Community) and exports (mainly because of the weaker dollar).

Private storage aid was granted in 1985 and 1986 to absorb the traditional springtime increase in supply. Specific market-support measures were also adopted in 1986 in connection with the animal health situation in Italy (foot-and-mouth disease) and the Netherlands (African swine fever). The signs are that the effects on the market of the African swine fever outbreak in Belgium in the spring of 1985 have now been fully overcome.

Efforts to make the market more transparent continued to be deployed in 1985 and 1986, leading in particular to agreement on the detailed rules for applying the new Community scale for grading pig carcasses.

3. 1985/86

The common market organization for pigmeat became applicable in Spain on 1 March 1986, whereas in the case of Portugal it will be introduced by stages. The integrated market (i.e. that in which the common market organization machinery is applicable) has accordingly consisted of the Community of Ten plus Spain since 1 March 1986. This year's analysis of the integrated market concerns only the Community of Ten, however, because fully comparable statistics for Spain are not available (the data on market prices from 1 March 1986 onwards do, however, include Spain).

3.1. THE INTEGRATED MARKET

A. Production

The Community of Ten is the second-largest pigmeat producer in the world, after China. In 1985 production was slightly up (by about 0,9%) on the previous year and totalled 10,53 million tonnes. There were, however, major differences as between Member States: production was up in the Netherlands and Denmark, but fell in Italy, Belgium, Ireland and Greece.

A further overall increase is expected in 1986, owing to the favourable situation for pigfarming in 1985 and the cyclical pattern of production. Output tends to follow a three-year cycle and is expected to reach a further peak in 1986, after those recorded in 1980 and 1983.

Successive increases have taken pig numbers to record levels. The overall figure for December 1985 was 3,2% up on December 1984. Germany has 29,6% of the Community of Ten's pig population, the Netherlands 15,7%, France 13,4%, Italy 11,2%, Denmark 11,1%, the United Kingdom 9,7% and Belgium 6,7%.

It should be noted that the greatest increase in the pig population was in the Netherlands where the authorities have, for environmental reasons, drawn up plans to restrict production.

The main features of the structural change in production are the drop in the number of pig farms, the gradual disappearance of farms keeping fewer than 200 pigs and the increase in the average pig herd per farm. Herd size varies greatly from one Member State to another: in December 1985 it averaged 341 pigs per farm in the Netherlands, 336 in the United Kingdom, 206 in Denmark, 179 in Belgium, 140 in Ireland, about 55 in Germany, 66 in France and 40 in Luxembourg, 29 in Greece and 15 in Italy. The Community average (EUR 10) was 60 pigs per farm.

Production costs other than fattening feed represent about 30% of the cost of producing each pig carcass and, as in previous years, have been influenced by the general downward trend in inflation and interest rates. The cost of fattening feed has been falling since mid-1984, when the new harvest of Community grain and US soya beans became available.

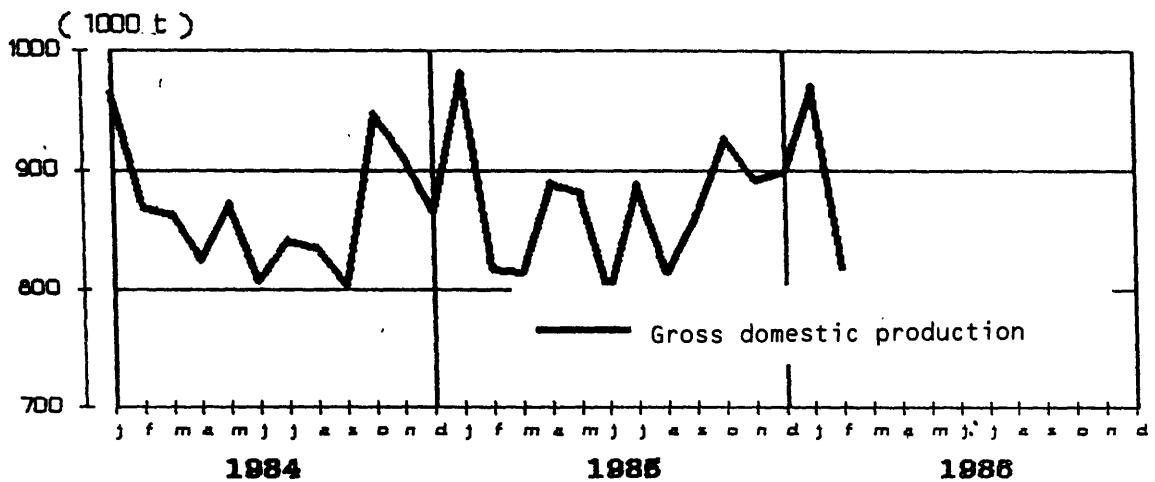
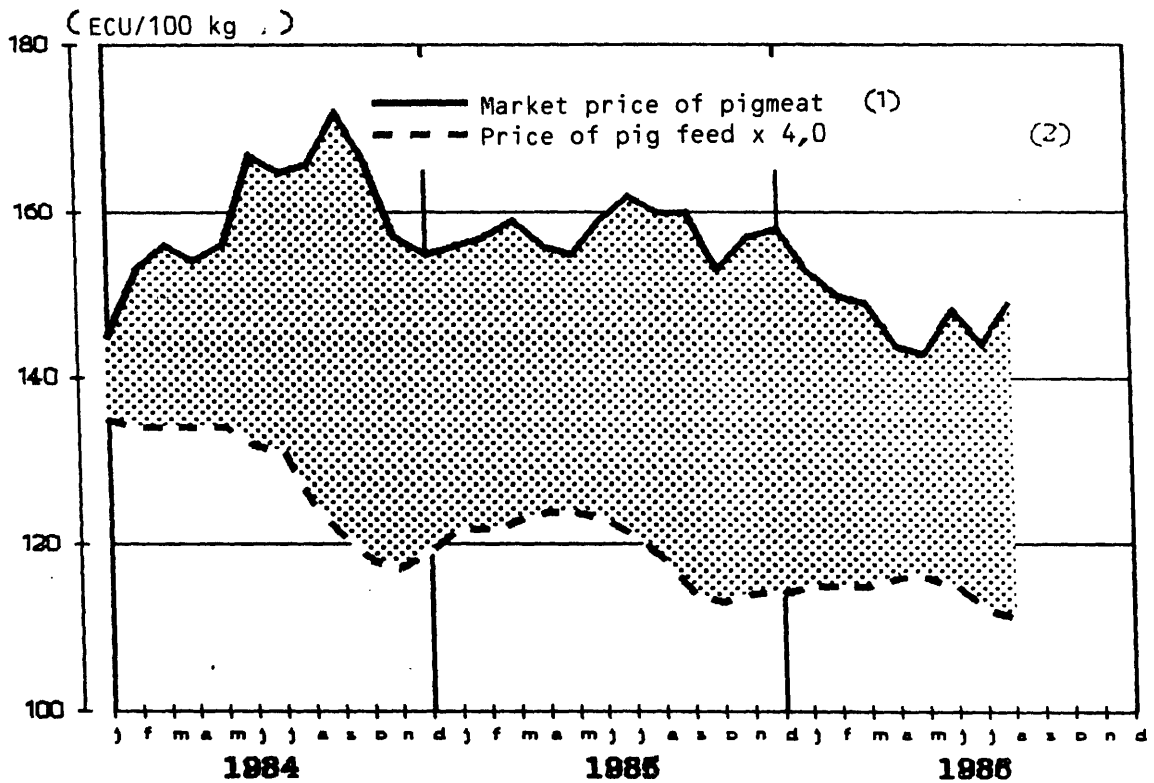
Variations in pigmeat and pig feed prices

| Member State | December 1985/1984 | | May 1986/1985 | |
|----------------|--------------------|----------|---------------|----------|
| | Pig carcasses | Feed (a) | Pig carcasses | Feed (a) |
| France | 5,4 % | - 7,0 % | - 6 % | - 5 % |
| Belgium | 3,8 % | - 3,7 % | - 11 % | - 5 % |
| Netherlands | 2,0 % | - 8,4 % | - 16 % | - 9 % |
| Germany | 0,6 % | - 7,7 % | - 16 % | - 8 % |
| Italy | 11,7 % | + 6,2 % | - 1 % | - 5 % |
| United Kingdom | - 9,8 % | - 2,9 % | - 5 % | - 3 % |
| Denmark | - 4,0 % | - 4,1 % | - 16 % | - 1 % |

(a) Fattening feed.

With feed prices falling and pig prices increasing, 1984 had on the whole been a very favourable year for pig farmers. Generally speaking, conditions remained favourable in 1985 and helped production to expand, resulting in lower market prices for pigmeat at the beginning of 1986.

MARKET PRICE OF PIGMEAT, PRICE OF PIG FEED, AND PIGMEAT PRODUCTION
EUR 10



SOURCE : EUROSTAT and EC Commission, DG for Agriculture.

(1) Price per 100 kg carcass weight.

(2) On average, the production of 1 kg of carcass requires 4,9 kg of feed.

Of the "market economy" non-member countries, the largest producers are in North America. In the United States, pig herds have fallen over the last three years after reaching in 1983 a peak level which came close to matching the record numbers over the period 1979-1981. Consequently, pigmeat output started to decrease slightly as from 1984, followed by a steeper fall in 1985 and 1986. In Canada, the increase in production which began in the early 1980s has continued at a moderate rate of 1-2% per annum.

Of the countries with state-run economies, China is the world's largest pigmeat producer, with an estimated yearly production varying between 12 and 16 million tonnes, according to various sources, which indicates that production has steadily grown since the end of the 1970s. Because of its huge internal demand, however, China trades little on the world market, except for sales to Hong Kong. In Eastern European countries, the downturn in the supply of pigmeat in the early 1980s seems to have been arrested, with an increase in supply in Poland (which remains the main producer after the USSR, although still reluctant on the export side) and in the German Democratic Republic and Hungary, the main exporters to the Community.

B. Consumption

Although consumption rose from 10,21 million t in 1984 (37,4 kg per head of the population) to 10,24 million t in 1985 (37,5 kg per head of the population), it failed to keep pace with production, so that the degree of self-sufficiency rose from 102,3% in 1983 to 102,9% in 1985. Consumption is expected to have risen in 1986, however, bringing the self-supply rate down to about 102,0%.

Annual consumption per head of the population varies considerably from one Member State to another, ranging from 59,4 kg in Germany to 26,9 kg in Italy, 24,3 kg in the United Kingdom and only 20,3 kg in Greece. The degree of self-sufficiency shows an even greater variation: from over 300% in Denmark to 70-75% in Italy, Greece and the United Kingdom.

(VIPA2SM-175)

INTRA-COMMUNITY TRADE IN PIGMEAT IN 1985 (1)

| From | BLEU | DENMARK | GERMANY | FRANCE | GREECE | IRELAND | ITALY | NETHER- LANDS | UNITED KINGDOM | EUR-10 |
|----------------|-----------|-----------|-----------|----------|--------|----------|----------|------------------|-------------------|------------|
| To | | | | | | | | | | |
| BLEU | - | 83,3 | 29.137,2 | 14.922,3 | - | 18,9 | 3.003,0 | 86.476,8 | 544,8 | 134.186,3 |
| DENMARK | 882,5 | - | 1.163,9 | 102,1 | - | 0,1 | 25,5 | 166,7 | 215,1 | 2.555,9 |
| GERMANY | 63.866,6 | 87.898,1 | - | 9.558,9 | 0,7 | 5.710,2 | 24.857,3 | 356.159,1 | 28.171,8 | 576.222,7 |
| FRANCE | 154.919,9 | 54.397,5 | 16.733,0 | - | - | 8.477,1 | 11.768,0 | 197.800,5 | 5.544,4 | 449.640,4 |
| GREECE | 3.019,5 | 10.580,5 | 18.535,3 | 1.040,1 | - | - | 335,5 | 31.280,5 | 39,9 | 64.830,7 |
| IRELAND | 594,4 | 460,4 | 8,5 | 32,8 | - | - | 1,3 | 531,8 | 28.023,4 | 29.652,6 |
| ITALY | 55.250,6 | 50.741,7 | 45.648,0 | 20.998,8 | 0,1 | 2.108,4 | - | 243.021,6 | 352,7 | 418.121,9 |
| NETHERLANDS | 24.900,6 | 198,0 | 11.380,7 | 511,4 | - | 4,2 | 1.942,3 | - | 1.662,0 | 40.599,2 |
| UNITED KINGDOM | 20.928,6 | 245.680,3 | 16.213,3 | 3.170,8 | 4,7 | 20.472,1 | 1.482,1 | 113.957,6 | - | 421.909,5 |
| EUR 10 | 324.362,7 | 450.039,9 | 138.819,9 | 50.337,2 | 5,5 | 36.791,0 | 43.415,0 | 1029.394,6 | 64.553,5 | 2137.719,2 |

(1) Excluding lard and offal.

Source : EUROSTAT

C. Trade

a) Intra-Community trade

In line with the trend recorded over the past ten years, total intra-Community trade rose from 2,076 million t in 1984 to 2,137 million t in 1985, i.e. an increase of +3,0%. These figures, which cover all trade in pigmeat products (except lard and edible offal) between Member States, represent about two-thirds of the world total concerned.

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

b) Trade with non-member countries

There has been no major change in the trade balance with non-member countries. In terms of carcase-weight equivalent, the Community of Ten's exports to non-member countries in 1985 were 2,2% up on the previous year, totalling 416.000 tonnes as against 407.000 tonnes (the figures do not include lard and edible offal). Again on the basis of carcase-weight equivalent, imports from non-member countries increased by 8,4% during that period, from 149.000 t in 1984 to 161.000 t in 1985. In terms of volume, the surplus of exports over imports was 1,2% lower in 1985, totalling 255.000 tonnes as compared with 258.000 tonnes in 1984.

(tonnes, product weight)

| Tonnes | EXPORTS | | | IMPORTS | | | BALANCE | | |
|-----------------------------------------|----------------|----------------|--------------|----------------|----------------|--------------|----------------|----------------|--------------|
| | 1984 | 1985 | % | 1984 | 1985 | % | 1984 | 1985 | 85/84 |
| Live pigs | 273 | 303 | 0,1 | 13.112 | 11.873 | 6,0 | -12.839 | -11.570 | -9,9% |
| Meat and sub-cutaneous pig fat | 169.896 | 181.221 | 41,2 | 91.377 | 98.569 | 41,6 | 78.519 | 82.652 | +5,3% |
| Lard : 10.053 | 27.574 | 6,2: 50.490 | | | 36.200 | 23,0 | -40.437 | -8.626 | -78,7% |
| Offal | 29.180 | 31.042 | 7,1 | 50.665 | 56.580 | 23,1 | -21.485 | -25.538 | 18,9% |
| Sausages, prepared and pre-served meats | 201.281 | 199.749 | 45,4 | 13.722 | 14.866 | 6,3 | 187.559 | 184.883 | -1,4% |
| TOTAL | 410.683 | 439.889 | 100,0 | 219.366 | 218.088 | 100,0 | 191.317 | 220.835 | 15,4% |

When broken down by type of product, the figures reveal a more favourable trend as regards the two headings which are by far the most important in terms of value (meat and prepared meat): in 1985 the Community remained a net exporter of processed products (which account for nearly a half of all exports), in particular boneless, frozen and preserved meats.

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.

D. Prices

a) Common prices

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.

(1985/86)

The sluice-gate prices, which are fixed every quarter, are considered to be the offer prices which are applied at the Community frontier by producers operating under world market conditions. Products from non-member countries may be imported provided that they do not undercut the Community's sluice-gate price, which depends largely on the world market prices for feed grain. The continuous fall in such prices has driven the sluice-gate price down from 149,92 ECU/100 kg in August 1985 to 101,36 ECU/100 kg in August 1986.

b) Market price

Throughout 1985 the Community market price fluctuated in a narrow band between 150 and 162 ECU/100 kg carcass weight, with the result that seasonal fluctuations were limited. At the beginning of 1986 the price fell to about 140-145 ECU/100 kg, but without any major disruption on the market. The increase in production in 1986 is expected to affect price levels.

Levies followed the trend in world and Community prices for feed grain. The fall in world feed-grain prices made the levies rise from 41 ECU/100 kg in August 1985 to 72 ECU/100 kg on 1 August 1986.

Additional amounts were generally reduced but were fixed for certain products and countries of origin throughout 1985 and 1986 in the light of changes in the free-at-frontier Community prices.

A general decline in export refunds since the beginning of 1984 and the introduction of differentiated lower rates of refunds for certain products exported to the United States, Canada and Australia have stabilized Community pigmeat exports, although at a higher level than in previous years. On the other hand, the refunds on exports of processed products to the United States in particular had to be increased slightly in March 1986 because of the fall in the dollar's value.

b) Intervention

Private storage aid was granted from 6 May to 19 July 1985 and from 1 April to 18 July 1986. It was granted in respect of nearly 35.000 tonnes in 1985 and 95.000 tonnes in 1986, thereby correcting a downward movement in prices and restoring stability.

c) Compensatory amounts

Following the currency realignment of 9 April 1986 the Community reviewed, in the context of the negotiations on institutional prices, its rules for calculating the monetary compensatory amounts for pigmeat. The main decision taken was that the basic price should once again be adopted as a basis for the calculations and that, for the purposes of the pigmeat sector, the exchange rates should be aligned. As a result, most of the negative MCAs have been eliminated and this in turn could mean higher pigmeat prices in the Member States concerned.

d) Special measures

In the spring of 1985 numerous outbreaks of African swine fever occurred in Belgium, resulting in the destruction of 35.000 pigs and the storage of 40.000 tonnes of meat, all originating from a limited area in Flanders. The meat, which may in certain cases have been infected by the virus (the latter is very contagious in pigs and there is no known vaccine), cannot be marketed before it has undergone heat treatment to prevent any further spread of the disease.

Certain psychological barriers meant that, despite being harmless to man, the virus hampered - but did not prevent - the marketing of the meat in 1986. Some of the meat had to be destroyed, however, since there was insufficient demand for it in the foodstuffs sector.

Major pigmeat-producing regions in Italy were affected by foot-and-mouth disease in February 1986, leading to the introduction of trade restrictions and special market support measures. Pursuant to those measures, traders qualified for Community aid in respect of the storage of nearly 10.000 tonnes of meat.

Two outbreaks of African swine fever occurred in March 1986 in the Netherlands, in a region where there are relatively few pig farms. Early detection of the disease helped to prevent any further spread. After the veterinary authorities had introduced measures restricting the movement of animals, a total of 33.000 pigs and piglets had to be bought in and slaughtered in the region concerned in order to support the market and prevent uncontrolled marketing.

F. Budget expenditure

EAGGF Guarantee expenditure on pigmeat in 1985 totalled 167,6 million ECU, including 103,5 million ECU for export refunds and 64,1 million ECU for private storage aid, as compared with 195,9 million ECU in 1984 (refunds : 157 million ECU, private storage : 38,9 million ECU).

1986 EAGGF Guarantee expenditure on pigmeat is estimated at 220,0 million ECU (1,0% of total expenditure of the Guarantee Section).

3.2. THE ENLARGED COMMUNITY MARKET - SPECIAL PROVISIONS CONCERNING PORTUGAL AND SPAIN

The Act of Accession provides for a classical transition in the case of the pigmeat sector in Spain; the rules of the market organization have accordingly been applied there since 1 March 1986. In the case of Portugal the transition is by stages: the national arrangements applicable before accession remain in force, subject to certain adjustments, so that the market organization machinery can be applied on completion of the first transitional phase.

The two new Member States may export to the rest of the Community only products which have undergone sufficient heat treatment to immobilize the virus of African swine fever, which is endemic in those two countries.

The opening up of the Spanish market will give rise to considerable trade, not only in meat but also in piglets. It seems that the Spanish market has been able to adjust smoothly to the introduction of the EEC market organization and in particular to the opening of the frontiers, despite the fact that Spain's external trade was previously completely controlled.

In Portugal the national authorities have taken steps, particularly at institutional level, to bring the national market organization more into line with the Community system.

4. 1986/87 - SHORT-TERM OUTLOOK

4.1. COMMON PRICES

For 1986/87 the basic price was left unchanged at 203,33 ECU/100 kg, but the standard quality was altered in line with the new Community scale for grading pig carcasses (1), which is based on the percentage of lean meat. The new standard quality corresponds, on the whole, to the previous scale's grade I (2). To speed up the introduction of the new Regulation, the date of entry into force of the new basic price was exceptionally brought forward to 1 August 1986. The changeover to the new standard quality of pig carcasses means a reduction of some 5% in the actual basic price.

The new Community scale for grading pig carcasses is based on the lean meat content and this has to be determined using objective criteria based on the actual measurement of the carcass. Experiments designed to perfect the methods concerned are under way in the various Member States. Once those methods are introduced they will help to make market operations more transparent.

(1) Regulation (EEC) No 3220/84

(2) Regulation (EEC) No 2760/85

4.2. OUTLOOK

Having slightly exceeded in 1985 the previous year's level, it is expected that pigmeat production in 1986 will remain at a high level for the third consecutive year, with output about 3,3% up. A favourable trade balance and sustained periods of low prices have facilitated disposal and prevented the formation of surpluses.

With market supplies plentiful and consumption unable to absorb further increases, it is expected that pigmeat prices will remain at a low level. The consequences which this could have on the profitability of pig farms could, however, be offset by a further reduction in feed prices. Moreover, the growth in the number of breeding animals is slowing down and this should help to bring stability to the market.

Compared with world production, there is little commercial trade in pigmeat on the world market. The Community, which is a net exporter, could take advantage of the reduction in herds and output in some non-member countries, which might partly offset the effect of currency fluctuations on trade.

In view of the distance to the Community's major export markets (the United States and Japan) and the high cost of feed and labour in the Community, the future of Community exports in the pigmeat sector will depend on the superiority of Community production from both the health and quality points of view.

5. CONCLUSION

In 1986 pigmeat production was on the upward swing of its cycle; this was reflected in high production and quite low producer prices. However, the unfavourable effects of this situation on producers were attenuated by the low cost of pig feed; moreover, the expected decline in trade with non-member countries could help to increase pigmeat consumption in the Community.

Despite serious disturbances of a health nature, and in spite of the uncertainty on world feed markets, the market in pigmeat in the Community remained remarkably stable. This suggests that any future problems in the downward swing of the cycle in 1987 will be overcome and resolved without too much difficulty.

POULTRYMEAT1. INTRODUCTION

In 1984 poultrymeat accounted for 7,9% of the value of livestock production and 4,3% of total agricultural production in the Community.

Production is 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 egg production, particularly in the northern countries of the EEC, where 90% or more of production is accounted for by holdings with more than 10.000 birds.

In 1984, with nearly 15% of world production, the Community was the world's largest producer after the USA, not only for all types of poultrymeat together but also for chickens and turkeys. It remains the largest exporter, ahead of Brazil, the USA and Hungary.

2. GENERAL SITUATION

In 1985 total production of poultrymeat in the Community of Ten was 4,38 million tonnes, a 1,3% increase on the 1984 figure of 4,32 million tonnes. This was the highest figure since the record year of 1982. Production increased in all Member States with the exception of Italy, where there was a further decline. Production of chicken meat rose by 1,5% on 1984, of turkey meat by 2,3% and of duck meat by 9,6%.

Consumption in 1985 increased by 2,8% on 1984 to reach 4,142 million tonnes, which allowed per capita consumption at 15,2 kg (13,9 kg in 1980) to exceed the 15 kg level for the first time. The rise in consumption stems largely from the growing success of cuts and preparations. The popularity of frozen chickens ready for cooking has been dropping for some years.

Intra-Community trade continued the steady increase that began in 1980, to reach a total volume of 369.000 tonnes (up 8,5% on 1984). Most of it is meat exported from France and the Netherlands to Member States that consume large quantities but cannot produce all of their own requirements, namely Germany and the United Kingdom and in smaller measure Italy and Greece.

The volume of trade with non-member countries amounted to some 432.000 tonnes in 1985 (347.000 tonnes of exports and 85.000 tonnes of imports).

Exports to non-member countries are once more down, by 7% on 1984 (1981 was a record year with 469.000 tonnes). There are a number of reasons for this drop: economic difficulties in the importing countries resulting from the fall in earnings from oil and/or a state of war, increased domestic production in these importing countries and increased competition from other exporters, in particular Brazil and the USA.

Imports on the other hand rose by 13,3% in 1985, notably from the state-trading countries of Eastern Europe (geese, ducks and turkeys) and also from Brazil (chickens) and the USA (turkeys).

In the Community of Ten 1986 is expected to see a further increase both in production (2,7%) and in consumption 3 to 4%). Exports, on the other hand, are expected to continue their decline. However, since Community consumption is increasing more rapidly than production no difficulties are expected in the medium term and prices may even strengthen in the autumn owing to the protection accorded the Community market.

3. 1985/86 MARKETING YEAR

The common organization of the market in poultrymeat has embraced Spain since 1 March 1986. In the case of Portugal the solution adopted was transition by stages. The integrated market, namely that to which the mechanisms of the common market organization apply, has therefore comprised the Community of Ten and Spain since 1 March 1986. The market analysis for this year deals, however, only with the Community of Ten since sufficiently comparable statistics are not available for Spain. A special section at the end of this part of the report is devoted to poultrymeat in Spain and Portugal.

3.1. THE MARKET IN THE COMMUNITY OF TEN

A. Production

Total production of poultrymeat in the Community of Ten in 1985 is estimated at 4,38 million tonnes, a 1,8% increase on 1984. Production increased in all Member States, notably Ireland (+ 5,8%), Denmark (+ 4,5%) and the Netherlands (+ 3,7%), except Italy, where it dropped by 2,2%. France with 1.267 million tonnes is the leading Community producer, and also the leading world exporter (intra-Community trade included), ahead of Brazil and the USA.

With 1,0 million tonnes Italy is the second largest Community producer but its high domestic consumption means that it is not self-sufficient. Nor does the United Kingdom, in third place with 876.000 tonnes, cover its requirements and large quantities are imported, mainly from the rest of the Community. The Netherlands in fourth place with 430.000 tonnes is the second largest Community exporter and ranks fourth in the world.

In production of chicken meat (2.928.000 tonnes in 1985, 1,5% more than in 1984) France (785.000 tonnes) takes first place followed by the United Kingdom (649.000 tonnes) and Italy (550.000 tonnes).

Production of turkey meat rose from 708.000 tonnes in 1984 to 724.000 tonnes in 1985 (+ 2,3%), with France in first place closely followed by Italy.

Community production of duck meat, which has been increasing for a number of years, reached 133.800 tonnes in 1985 (+ 4,5%). France is the leading producer with 53% of the total, followed by Germany and the United Kingdom (15% each).

The market in chicken continued to be influenced in 1985 by the drop in demand for frozen chicken and by difficulties on the world export market. As a result, in most Member States slaughterhouses pursued a policy of caution and disposed of a greater proportion of their production in the form of fresh products, cuts and preparations.

B. Consumption

Consumption of poultrymeat rose satisfactorily by some 2,8% in 1985 and is expected to continue to increase in 1986. Annual per capita consumption, which rose from 14,8 kg in 1984 to 15,2 kg in 1985, has crossed the 15 kg threshold for the first time. This results mainly from the growing success of fresh products and of new derived products (cuts and processed chicken and turkey meat).

The increasing preference of consumers for poultrymeat on health and price grounds has meant that the drop in exports from the Community has not greatly affected market prices, which remained satisfactory throughout 1985.

C. Trade

(a) Intra-Community trade

In 1985 369.000 tonnes, some 8% of total production, was exported to other Community countries. This was an 8,5% increase on the 340.000 tonnes traded in 1984.

Of the Member States involved, the Netherlands was the leading exporter followed by France. The main importers remained Germany, followed by the United Kingdom, in particular for slaughtered chickens.

(b) Trade with non-member countries

This has been dropping for a number of years. The total amount traded in 1985 was approximately 432.000 tonnes, 347.000 tonnes of which was exported and 85.000 tonnes imported.

Exports dropped by some 7% in 1985, to 347.000 tonnes, from the 1984 figure of 372.000 tonnes. The main export is chickens (276.000 tonnes in 1985, 317.000 tonnes in 1984) to the Middle East and certain North African countries. The Community was able to maintain its position as world market leader but the total volume of exports, which had already dropped markedly in 1984, fell further in 1985. The first half of 1986 saw a further fall of 11% compared with the same period in 1985 despite massive sales (23.000 tonnes) of chickens to the USSR at the beginning of the year. The traditional Middle Eastern and North African markets are steadily contracting for a number of reasons: economic difficulties because of the fall in oil income, war, increased domestic production and increased competition from other exporting countries (Brazil and the USA). Cuts, wings, breasts and legs are still very good sellers but whole birds are less and less in demand.

Imports, which were 13,3% up on 1984, accounted for 2% of consumption in 1985. They consist mainly of geese and ducks (approximately 30.000 tonnes in 1985) from the countries of Eastern Europe. Imports of turkey meat, including uncooked preparations, increased by some 1.400 tonnes in 1985 following substantial reductions in the offer prices of imported products. Imports of chicken breasts and legs from Eastern Europe and from Brazil also increased.

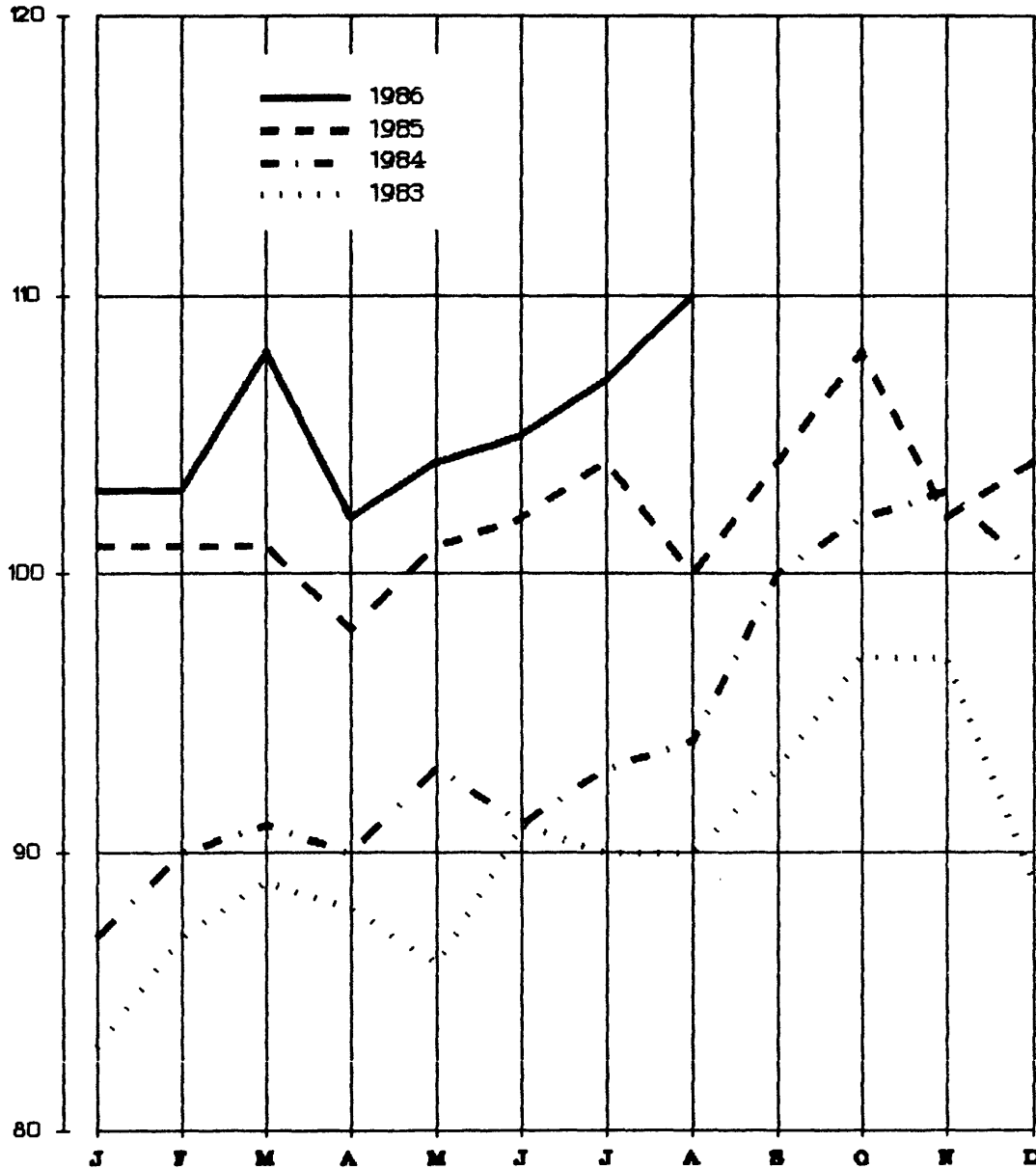
D. Prices

In 1985 production and supplies increased and exports dropped but the increase in consumption in the Community was greater than that in production.

This permitted a very favourable movement in prices, which until mid-October 1985 were considerably higher for chicken than in 1984. The crisis on the frozen chicken market, in Germany in particular, was mastered although the market has turned more and more to fresh products, cuts and preparations. Prices for these products and for the other species rose markedly between the end of 1984 and October 1985.

MONTHLY TREND IN PROFITABILITY INDEX (1) FOR FOWLS

1983 - 1986 EUR 10



SOURCE: Commission of the European Communities, DG for Agriculture
(1) Ratio between wholesale price for fowls and price of compound feedingstuffs - base 100 = average for 1980, 1981 and 1982.

At the end of the year, as a result of the increasing difficulties in exporting, prices weakened and by the beginning of 1986 were at the same level as at the beginning of 1984. Since then chicken prices, notably for Dutch chicken free at the German frontier, have on the whole been lower than in 1984 and a fortiori than in 1985. This is a result principally of the increase in supplies on the Community market, in particular from France, and of the drop in exports.

As in 1985, however, feed prices in 1986 followed the drop in poultry prices, so enabling better margins to be maintained than those recorded in 1985.

The situation on the market in cast hens requires comment. As a result of the serious crisis on the market in eggs there have been massive slaughter programmes and market prices have fallen to their lowest level for a number of years. No improvement can be expected until the difficulties on the market in eggs are resolved.

E. Management of the market

(a) Levies and refunds

Under the arrangements applying to trade with non-member countries, levies and, if necessary, additional amounts are imposed when products are imported and refunds can be granted on exports.

The sluice-gate prices, unchanged since 1 August 1984, were lowered slightly on 1 August 1985 following the drop in world and Community market cereal prices. The levies, which are essentially the difference between feed grain prices in the Community and on the world market, moved in the opposite direction.

On 1 November 1985, in response to the persisting drop in world market cereal prices, the sluice-gate prices were again lowered and the levies increased. The same adjustments were made at quarterly intervals thereafter.

In October 1986 the Council adopted the Commission's 1983 proposals for adjustment of the coefficients and other factors entering into calculation of the sluice-gate prices and levies. The new method of calculation will be used from 1 February 1987.

In view of the situation on the Community market in slaughtered chickens and the conditions of competition on the world chicken market the export refunds on slaughtered chickens, set at 13 ECU/100 kg since 7 June 1984, were raised to 18 ECU/100 kg on 1 November 1985. The same considerations led to an increase in the refund on slaughtered chickens to 24 ECU/100 kg on 1 February 1986, to 26 ECU/100 kg on 1 May and to 31 ECU/100 kg on 1 August.

The refunds on derived products and on the other poultry species were raised by the same proportions on the same dates.

(b) Compensatory amounts

Following the monetary realignment of 9 April 1986 the Commission suspended until 30 June in the poultrymeat sector application of the part of the negative monetary compensatory amounts introduced as a result of the realignment. The Council then decided that from 1 July 1986 the monetary gap would until 30 September be reduced by 4,8 points for France and by 4,5 points for the United Kingdom pending a final decision on the new rules to be adopted for calculating the monetary compensatory amounts in the sector. The period of validity of this measure was then extended to 31 March 1987.

F. Budgetary expenditure

EAGGF Guarantee Section expenditure on poultrymeat amounted to 45,03 million ECU in 1985 (0,23% of total EAGGF Guarantee Section expenditure), spent entirely on refunds. The figure entered in the 1986 budget is 87 million ECU and the estimate for 1987 is 91 million ECU.

3.2. THE ENLARGED COMMUNITY MARKET - SPECIAL ARRANGEMENTS FOR SPAIN AND PORTUGAL

The basic figures for the sector in the two new Member States are (1985 estimates):

| | <u>Spain</u> | <u>Portugal</u> |
|------------------------------------|--------------|-----------------|
| Production (tonnes) | 798.000 | 155.000 |
| Annual per capita consumption (kg) | 21,1 | 15,5 |
| Degree of self-sufficiency (%) | 98 | 100 |

Enlargement of the Community increases its production by some 950.000 tonnes of poultrymeat and average per capita consumption rises by 0,7 kg because of the high rate of consumption in Spain. The degree of self-sufficiency drops by just over 1 point.

The Act of Accession provides for conventional transition for the Spanish poultrymeat sector. The mechanisms of the common market organization have therefore been applied since 1 March 1986.

In the case of Portugal transition is by stages. The national arrangements in force before accession continue but are to be adjusted to permit application of the common market organization mechanisms at the end of the first stage, during which Portugal may retain quantitative restrictions on the importation of turkey and other chicks from the Community of Ten, Spain and non-member countries.

4. 1986/87 MARKETING YEAR - SHORT-TERM OUTLOOK

4.1. COMMON PRICES

As poultrymeat sector products are considered to be derived from cereals the sluice-gate prices and levies are fixed quarterly on the basis of feed grain prices recorded on the world market and those fixed in the Community for a twelve-month period beginning on 1 July of each year.

The sluice-gate prices set for poultrymeat and derived products from 1 August 1986 have dropped again because of the fall in feed grain prices on the world market. Import levies have been increased to cover the growing disparity between cereal prices in the Community and on the world market.

4.2. SHORT-TERM OUTLOOK

Production of poultrymeat should once more increase in 1986, by 2,7%, to reach 4.499.000 tonnes. A 1,8% increase in chicken meat production to 2.981.000 tonnes is expected as a result of a Community-wide increase in production to which Denmark alone (- 3,1%) will be an exception. Production of turkey meat should increase by 7,7% to 780.000 tonnes, the biggest increases being in France (+ 10,7%), Ireland (+ 14,3%), Germany (+ 16,7%) (production in Germany has tripled in ten years) and the Netherlands (+ 25,0%). Production of duck meat is expected to rise 9,6% to 146.000 tonnes.

Consumption of poultrymeat is also expected to increase again in 1986, by 3 to 4%.

There are, however, no signs of a revival on the world market and exports can be expected to drop still further.

Under these conditions market prices can be expected to stick to the present level during the rest of 1986. However, as consumption is increasing more rapidly than supplies no difficulties are expected in the short term and the protection afforded to the Community market by the system of levies and additional amounts may even mean firmer prices in the autumn. This situation should be maintained in 1987, present forecasts being for an increase in the Community supply of some 1,2% for all poultrymeat together and of some 1,0% for chicken meat. It is interesting to compare the amount of chicken consumed per capita in the Community, around 10 kg, with the amount consumed in the United States, 26,3 kg. This gives an idea of the potential for expansion of the poultrymeat market over the next few years irrespective of the level of exports.

5. CONCLUSION

Over the last few years the results attained in the poultrymeat sector have been satisfactory for Community producers despite the steady drop in exports from the Community. The constant rise in Community consumption and the drop in feed prices have been the main factors contributing to this outcome.

There is no doubt that poultrymeat producers and their organizations appear for a number of years to have found a way of coping with market trends. They have been remarkably successful in adjusting supply to demand and at the same time enlarging the range of products offered and responding ever more effectively to the wishes of consumers who are particularly careful and demanding.

EGGS1. INTRODUCTION

Eggs account for some 5.7% of the value of total livestock production and for some 3.1% of the value of total agricultural production in the Community. National figures indicate that in most Member States more than 50% of production (in the United Kingdom and in the Netherlands, 76%) is accounted for by holdings with more than 10 000 laying hens.

The Community of Ten is the world's second largest egg producer (approx. 14%), lying behind the USSR but ahead of the USA and China. It is the leading exporter, with 33% of world exports (eggs in shell and egg products), ahead of the USA.

2. GENERAL SITUATION

Production of eggs in the Community (4 150 000 tonnes) dropped again in 1985 for the third year in succession, by 0.4% compared with 1984, since layer chick placings were not sufficiently encouraged by the favourable trend of the market in 1984. The drop in feed prices had little effect on the placings trend in 1986 but far from being discouraged by the very disappointing trend of prices in the first half of 1986, producers placed greater numbers of layer chicks in the first quarter of 1986 than in the first quarter of 1985.

The substantial drop in placings in the second half of 1985 together with other measures such as the early casting of laying hens occasioned a further drop in Community egg supplies during the first half of 1986. Estimates are for a fall in production of approximately 1.2% for the year as a whole in the Community of Ten.

Consumption increased slightly from 3.84 million tonnes in 1984 to 3.85 million tonnes in 1985 (+0.1%). It appears that consumption in 1986 will mark time or ease down slightly. The effect of very low prices and of advertising campaigns appears merely to have been to maintain the status quo. For a number of years now per capita consumption has been fluctuating within very narrow limits.

Intra-Community trade (one-eighth of Community production) increased by 5.6% in 1985. Two-thirds of the trade is exports to Germany, mainly from the Netherlands and France. Italy retained its position as second importer in 1985.

The volume of trade with non-member countries is estimated at 145 000 tonnes for 1985, 105 000 tonnes exported (2.6% of production) and 40 000 tonnes imported. Exports of eggs for consumption dropped 24.5% in 1985 as compared with 1984. There are a number of reasons why purchases by traditional customers have declined: increased domestic production, economic difficulties and increased competition from other exporters.

Imports also dropped, by some 20.4%, in 1985. Traditional imports such as eggs for re-export after processing and eggs, chiefly turkey eggs, for hatching continued the decline begun in 1984.

The marked drop in exports, the contraction in internal consumption in 1986 and the resulting permanent saturation of the market provoked a real crisis in 1986, the effects of which were still persisting at the end of the year though they were cushioned to some extent by various support measures.

3. 1985/86 MARKETING YEAR

The EEC market organization for eggs has covered Spain since 1 March 1986. It was decided that in the case of Portugal transition would be by stages. The integrated market, i.e. that to which the EEC market organization mechanism apply, has therefore consisted of the Community of Ten plus Spain since 1 March 1986. Analysis of the integrated market for the 1985/86 marketing year, however, covers the Community of Ten alone since fully comparable statistics are not available for Spain. A special section of this part of the report dealing with the egg market in the two new Member States follows the market analysis for the Community of Ten.

3.1. MARKET OF COMMUNITY OF TEN

A. Production

Total estimated production of eggs in shell (eggs for consumption and for hatching) in 1985 is 4 153 000 tonnes, a drop of 0.4% compared with 1984.

In most of the Member States production has remained stable or has dropped slightly. The main EEC falls were 0.3% in the Netherlands, 2% in Italy, 4.3% in Belgium and 0.8% in Greece. The only increases were 0.5% in Germany and 0.4% in the United Kingdom.

France remained the leading producer among the Member States in 1985 with 907 000 tonnes, followed by the United Kingdom 774 000 tonnes), the Federal Republic of Germany (765 000 tonnes), the Netherlands (664 000 tonnes), Italy (628 000 tonnes) and the Belgo-Luxembourg Economic Union (176 000 tonnes).

FAO statistics for non-member country producers showed the USSR to be world leader with 4 202 800 tonnes in 1984 followed by the Community, the United States (4 035 000 tonnes) and China (3 956 200 tonnes). With the addition of Spain the enlarged Community (EUR 11) becomes leading world producer, since Spanish production is equivalent in amount to that of the Netherlands (approx. 650 000 tonnes in 1986).

B. Consumption

In 1985 gross consumption of eggs in the Community increased slightly, according to the estimates, by 0.2%, to 4 086 000 tonnes from 4 077 000 tonnes in 1984. Production of eggs for hatching increased by 2.8% from 230 000 tonnes to 219 000 tonnes but industrial utilization remained stationary at 11 000 tonnes.

Human consumption increased slightly by 0.1% to 3 850 000 tonnes. The changes in production and export figures meant that the degree of self-sufficiency was down slightly by 0.7% from 102.3% in 1984 to 101.6% in 1985.

Per capita consumption, 14.1 kg per year, hardly varies, the figure being the same as in 1979 and in 1982. This tendency to remain stable has not been affected by low prices or advertising campaigns. It will be very difficult therefore to find any way of halting the fall in prices caused by the drop in exports and the build-up of surpluses.

C. Trade

(a) Intra-Community trade

More than one-eighth of Community production is traded, the 1985 figure of 560 000 tonnes being a 5.6% increase on the 530 000 tonnes traded in 1984. Two-thirds of this trade consists of imports into Germany, mainly from the Netherlands, Belgium and France. In 1985 Italy remained the second Community purchaser.

(b) Trade with non-member countries

This has been declining since 1983, the estimate for 1985 being 145 000 tonnes, 105 000 tonnes exported and 40 000 tonnes imported.

Exports of eggs for consumption dropped by 24.5% from 1984 to 1985. The figures were down not only for certain Near and Middle Eastern (Iraq, Saudi Arabia) and African (Egypt, Algeria) countries but also for Switzerland and Austria, as these importing countries are producing more eggs themselves.

Imports fell by about 20% in 1985. The figures were down for both eggs in shell (mainly inward processing traffic) and for egg products (with the exception of liquid and frozen whites).

Imports of eggs for hatching, both of turkey and goose eggs and of chicken eggs, were slightly higher in 1985 than in 1984.

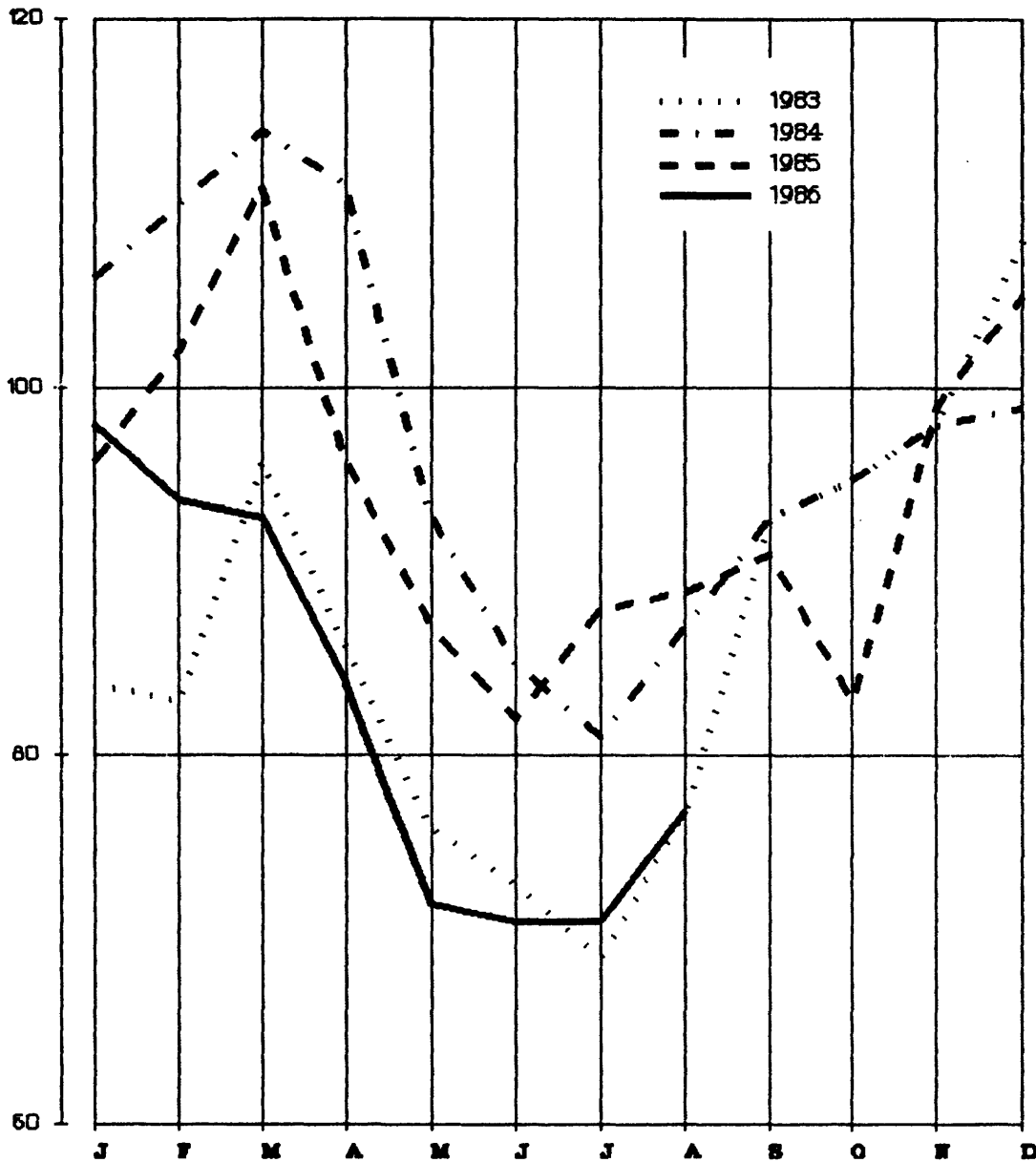
D. Prices

Despite the drop in supplies of Community eggs in 1985 there was no improvement on 1984 prices. Throughout 1985 average prices were in fact lower than those recorded during 1984.

Fee prices, however, underwent a similar drop to egg prices and profit margins, although slightly lower than in 1984, remained satisfactory throughout 1985.

MONTHLY TREND IN PROFITABILITY INDEX
FOR EGGS FOR CONSUMPTION
1983 - 1986 EUR 10

(1)



SOURCE: Commission of the European Communities, DG for Agriculture

(1) Ratio between wholesale price for eggs and price of compound feedingstuffs - base 100 = average for 1980, 1981 and 1982.

During the first six months of 1986 prices steadily worsened. In most Member States the normal Easter improvement did not occur or was hardly noticeable. For example the price of Dutch A4 eggs in shell free at the German frontier had by the end of June tumbled to HFL 8.30 per 100 eggs from HFL 15.65 per 100 eggs at the beginning of December 1985.

E. Management of market

(a) Levies and refunds

Levies, and if required additional amounts, are imposed on imports from non-member countries, and refunds can be granted on exports.

The sluice-gate prices, unchanged since 1 August 1984, were lowered slightly on 1 August 1985 following the drop in cereals prices on the world market. The levies, which are in essence the difference between feed grain prices in the Community and on the world market, moved in the opposite direction.

World market prices continued to drop and on 1 November 1985 the sluice-gate prices were again reduced and the levies increased. Adjustments of the same type were made at quarterly intervals thereafter. In October 1986 the Council adopted the Commission's 1983 proposals for adjustment of the coefficients and other factors entering into calculation of the sluice-gate prices and levies. The new method of calculation will be used from 1 February 1987.

In view of the drop in world market prices and of the situation on the Community market, refunds on eggs in shell, set at 15 ECU/100 kg since 28 August 1984, were increased to 20 ECU/kg on 1 November 1985. As the situation on the Community market deteriorated and export figures continued to slide they were raised to 25.00 ECU/100 kg on 1 February 1986, to 28.00 ECU/100 kg on 1 May and to 32.00 ECU/100 kg on 1 August.

The refunds on eggs for hatching and on egg products were also adjusted upwards on the same dates.

(b) Compensatory amounts

Following the monetary realignment of 9 April 1986 the Commission suspended until 30 June (in the eggs sector) application of part of the negative compensatory amounts introduced as a result of the realignment. The Council then decided that from 1 July 1986 in the sector the monetary gap would until 30 September be reduced by 4.8 points for France and by 4.5 points for the United Kingdom, pending a final decision on the new rules to be adopted for calculating the monetary compensatory amounts in the sector. The period of validity of this measure was extended to 31 March 1987.

(c) Special measures

On 25 March 1986, the Council, after a period of discussion lasting for several months, adopted Directive 86/113/EEC laying down minimum standards for the protection of laying hens kept in battery cages.

The Directive stipulates that from 1 January 1988 in new and recent installations and from 1 January 1995 in all installations, the minimum area provided for each hen must be at least 450 cm². Other standards on cage construction and on feeding and drinking facilities are also imposed.

F. Budgetary expenditure

EAGGF Guarantee section expenditure on eggs amounted to 18.2 million ECU in 1985 (0.1% of total EAGGF Guarantee Section expenditure), spent entirely on refunds. The figure entered in the 1986 budget is 44 million ECU and the estimate for 1987 is 50 million ECU.

3.2. ENLARGED COMMUNITY MARKET - SPECIAL ARRANGEMENTS FOR SPAIN AND PORTUGAL

The basic figures for the sector in the two new Member States are (1985 estimates):

| | Spain | Portugal |
|--------------------------------|---------|----------|
| Production (tonnes) | 719 000 | 78 000 |
| Per capita consumption (kg) | 17.4 | 7.7 |
| Degree of self-sufficiency (%) | 100.3 | 100.5 |

Enlargement of the Community increases its production by some 800 000 tonnes of eggs and average per capita consumption rises by 0.2 kg because of the high rate of consumption in Spain. The degree of self-sufficiency of the Community remains virtually unchanged.

The Act of Accession provides for conventional transition for the Spanish eggs sector. The mechanisms of the EEC market organization have therefore been applied in Spain since 1 March 1986. Since on that date there were appreciable differences between the Spanish and Community market prices for the main feed grains, accession compensatory amounts were applied on trade between the Community and Spain for an initial period. From 30 June these amounts were discontinued since the price disparities had become negligible.

In the case of Portugal, transition is by stages. The national arrangements in force before accession continue but are to be adjusted to permit application of the EEC market organization mechanisms at the end of the first stage, during which Portugal may retain quantitative import restrictions on the importation of eggs for hatching and for consumption from the Community of Ten, from Spain and from non-member countries.

4. 1986/87 MARKETING YEAR - SHORT-TERM OUTLOOK

4.1 COMMON PRICES

As egg sector products are considered to be derived from cereals, the sluice-gate prices and levies are fixed quarterly on the basis of feed grain prices recorded on the world market and of those fixed in the Community for a twelve-month period beginning on 1 July of each year.

The sluice-gate prices set for eggs and derived products from 1 August have again dropped because of the drop in feed grain prices on the world market. Import levies have been increased to cover the growing disparity between cereals prices in the Community and those on the world market.

4.2 SHORT-TERM OUTLOOK

Production in the Community of Ten was expected to drop in 1986 by 1.2% to 4 103 000 tonnes, despite the very large amount of placing at the beginning of the year. The largest drops have been in the Netherlands (6%), Ireland (2.7%), the Federal Republic of Germany (2.6%) and Belgium (1.1%). The unsatisfactory level of prices has had a number of consequences, including the early casting of certain laying hens, aid for cessation of poultry farming in certain Member States and a reduction in layer chick placings in the second half of the year.

Consumption is falling in the Netherlands and in the Federal Republic of Germany and these falls are only partly offset by a slight increase in other Member States.

Exports have continued at their low level and perhaps even worsened in 1986. During the first half of the year 30 000 tonnes of eggs in shell were exported to non-member countries, a 32% drop on the same period of 1985 despite substantial increases in the refunds. Exports of hen eggs for hatching fell for the first time, by 2%, in the first half of the year compared with the first half of 1985. On the other hand exports of egg products continued at a satisfactory level during the first half, and those of whole eggs increased by 27%.

Market prices of eggs dropped sharply. Feed prices followed the decline in egg prices, but the market situation has considerably worsened and prices are, with limited exceptions, undeniably below production costs. Profits have dwindled or disappeared altogether with occasionally dramatic consequences. The drop in exports is definitely one of the reasons for this.

In these circumstances the increase in layer chick placings noted at the beginning of the year has ceased. This helped increase prices since September. Present forecasts for the first half of 1987 are for a reduction in supply, which should help to restore the balance of the Community market.

5. CONCLUSION

The eggs sector ran into a serious crisis in 1986 following two years during which producers' returns were on the whole satisfactory. The continuing reduction in Community production has not been sufficient to eliminate oversupply on the market, the main causes of which have been the stagnation and even shrinking of consumption and the spectacular decline of exports.

In a market such as that of eggs, with no intervention nor production quotas, the only possible solution to the crisis situation is for producers and their organizations to review their operations and carefully adjust production to stationary demand and an oversupplied market. Particular attention ought to be paid to the supply of higher quality products, such as "organically" produced eggs, for which there is increasing demand in certain Member States.

Part II

PRODUCTS NO COVERED BY A MARKET ORGANIZATION

11. AGRICULTURAL ALCOHOL

1. Introduction

The alcohol sector is not covered by an EEC market organization. Since production is becoming structurally higher than requirements, new uses will have to be found for this product (as fuel for example) so as to prevent the quantities held in storage from causing real or potential disturbances on the market.

Community alcohol production is still dominated by the high output of alcohol of vinous origin caused by the large-scale voluntary or compulsory distillation operations decided on in the wine sector. Other sources of alcohol production are tending to remain stationary. The traditional uses of alcohol are not expanding and prices are declining.

The quantities traded within the Community are steadily increasing but account for only a small portion of the internal market of those Member States which import them.

Were the situation on certain Community markets to deteriorate further, the Commission would always be able to take what measures were required (e.g. reintroduction of a countervailing charge on alcohol from exporting Member States) but (whether seen from the point of view of the quantities or of the prices applied in trade) the situation would not appear such as to warrant the reintroduction of such a charge. If anything, ideas are focusing in the direction of sales of vinous alcohol to the fuel sector. The Member States most directly concerned are giving their consideration to this possibility, as, indeed, is the Commission itself.

12. POTATOES

1. INTRODUCTION

Unlike some products, potatoes can be stored for only a limited period each year and there are therefore no stocks to carry over from one marketing year to the next.

The characteristics of each marketing year tend to differ. There is no world market in potatoes except when there is a major shortage (1975-76). There is, however, a world market in seed potatoes, while new potatoes are traded in the Mediterranean area.

There is no EEC market organization for potatoes. A proposal covering the whole range of fresh and processed products was, however, presented by the Commission to the Council on 23 January 1976.

Products such as potato starch (1), dehydrated potatoes (2) and products processed from potatoes (3) are, however, already subject to a common organization. The marketing of seed potatoes is governed by the provisions of a Council Directive (4).

2. THE SITUATION GENERALLY

Extremely low prices constituted one of the major features of the 1985/86 marketing year. At almost 36 million tonnes (Community of Ten) the output in 1985 was even higher than that achieved in 1984 (34.7 million t).

In autumn 1985 prices on the Rotterdam market began at a lower level than in 1984/85 and remained very low throughout the winter, but picked up slightly in mid-June in response to demand from processors.

New potatoes also fetched low prices throughout their marketing season, in the spring of 1986.

(1) Council Regulation (EEC) No 2727/75 of 29 October 1975, OJ L 281, 1.11.1975.

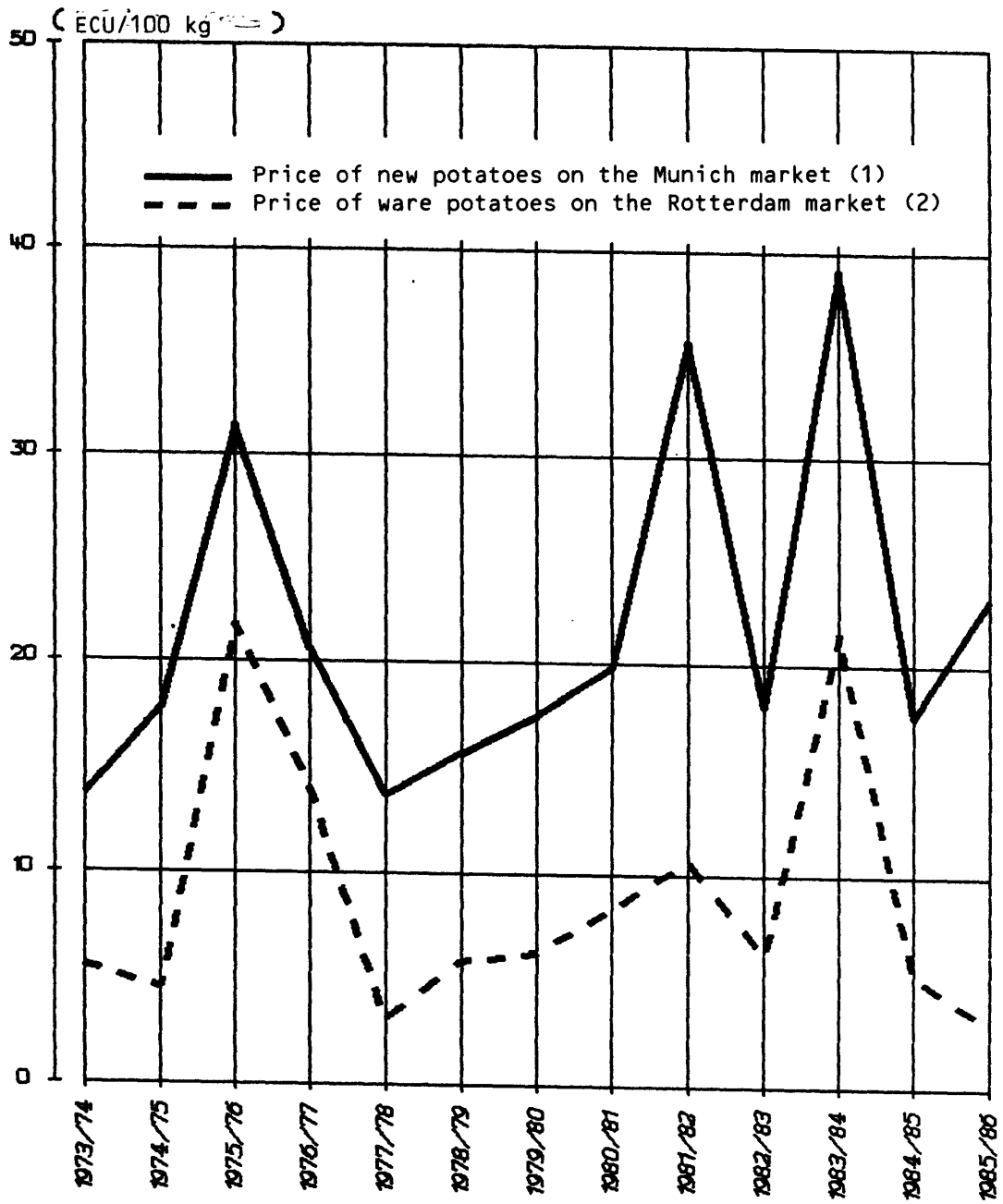
(2) Council Regulation (EEC) No 1117/78 of 22 May 1978, OJ L 142, 30.5.1978.

(3) Council Regulation (EEC) No 516/77 of 14 March 1977, OJ L 73, 21.3.1977.

(4) Consolidated version of the Council Directive of 14 June 1966, OJ L 66, 8.6.1974.

COMPARISON BETWEEN THE PRICES OF NEW AND WARE POTATOES

EUR - 10



(1) "Sirtema of Naples", in 25 kg bags, free at point of dispatch.
(2) "Bintje" (+ 35 mm), in bulk, free at point of dispatch.

Given the close link between the markets concerned, large stocks of ware potatoes tend to depress the prices of new potatoes.

Intra-Community trade in both ware potatoes and new potatoes was down.

Potato production in 1986 is down on the previous year. Prices were firmer at the beginning of 1986/87 and, during the current marketing year, are likely to be higher than in 1985/86.

3. 1985/86

3.1. THE COMMUNITY OF TEN

A. Production

According to FAO statistics, the world harvest in 1985 was 299 132 000 tonnes. At 35 787 000 t in 1985, the Community of Ten's production, accounts for some 12% of world production. The Community's average yield per hectare is almost double the world average.

By value, potato production represented (2.7%) of the value of the Community's final agricultural production in 1985. According to recent statistics (1983) about 1.3 million holdings grow potatoes. At national level, the production structure tends to vary from one Member State to another, the average crop per farm being 3.8 hectares in the Netherlands, 0.4 ha in France and 0.3 ha in Italy.

Since 1951/55 the total area under potatoes in the Community has dropped by about 70%: from 3 512 000 ha in 1951/55 to 1 086 000 ha in 1985. Because of the increase in yields per hectare, however, production has fallen by only 42% (from 61 957 000 t in 1951/55 to 35 787 000 t in 1985).

Although the total area under new potatoes in 1985 was slightly down on the previous year (111 000 ha as against 114 000 ha), output remained above 2 million tonnes. The Community's output of new potatoes still tends to fall short of demand: imports totalled about 380 000 t.

The area under seed potatoes in the Community in 1985 remained at around 100 000 hectares. About 2.6 million tonnes 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 4.6 million tonnes of potatoes are processed annually in the Community. 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.

B. Demand within the Community

Potatoes are used mainly unprocessed as foodstuffs and, to a lesser extent, as feedingstuffs. The quantities processed into food products represent about 22% of total human consumption.

Although the Community of Ten was, generally speaking, self-sufficient, supply problems tended to occur after severe droughts.

(a) Human consumption

Per capita consumption of unprocessed potatoes is more or less stationary. After a sharp drop (to 69.1 kg per person) in 1976/77 as a result of the shortage caused by the 1976 drought, it climbed to 76.2 kg in 1982/83 and 75.3 kg in 1984/85.

(b) Animal consumption

The quantity fed to livestock ranges from about 2 million to about 7 million tonnes, depending on the volume of the harvest. In 1984/85 it was 4.7 million t in Germany, 577 000 t in France, 190 000 t in Italy, 736 000 t in the Netherlands, 1 million t in the United Kingdom and 176 000 t in Ireland.

(c) Products processed for human consumption

Consumption of products processed from potatoes (about 4.6 million tonnes in 1985) is continuing 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.

C. Trade

Intra-Community trade in maincrop and seed potatoes absorbs 8 to 10% of total production while for new potatoes the figure is around 20%. 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 maincrop 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 other countries are importers.

Trade with non-member 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 around the Mediterranean. Exports of seed potatoes stand at roughly 400 000 tonnes whereas around 380 000 tonnes of new potatoes are imported.

D. 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.

With production up, prices remained low in 1985/86: on 29 September 1985 the Bintje (+ 50 mm) fetched 6.03 ECU/100 kg in Rotterdam (compared with 8.12 ECU in 1984); while the Bintje (+ 35 mm) fetched 3.87 ECU/100 kg at Arras in France (8.58 ECU/100 kg in 1984).

The prices were as follows at the beginning of February 1986: 5.15 ECU/100 kg for the Bintje (+ 50 mm) in Rotterdam (6.03 ECU in 1985) and 4.15 ECU/100 kg for the Bintje (+ 40 mm) at Arras (6.19 ECU in 1985).

Prices picked up slightly in June 1986: on 16 June they reached 7.08 ECU/100 kg for the Bintje (+ 50 mm) in Rotterdam (6.80 ECU in 1985) and 4.37 ECU/100 kg for the Bintje (+ 40 mm) at Arras (3.10 ECU in 1985).

3.2. THE COMMUNITY OF TWELVE - SPECIAL PROVISIONS FOR PORTUGAL AND SPAIN

Spain's production tends to fluctuate between 5 and 6 million t while Portugal produces about 1 million t. Although the Community of Twelve's total output in 1986 should therefore be about 38-40 million t, demand in the two new Member States is usually fairly high.

Spain imports seed potatoes (some 15-20 000 t, from the Community of Ten) and exports new potatoes (some 80 000 t). Portugal imports seeds potatoes (about 50 000 t) but is not normally an exporter.

Portuguese and Spanish membership will boost intra-Community trade. The Community will remain self-sufficient in ware potatoes but a net exporter of seed potatoes and will continue to have a shortfall in new potatoes, which will be offset by imports, mainly from Cyprus, Egypt and Morocco (about 260 000 t).

In accordance with the provisions of the Act of Accession of Spain and Portugal, the Supplementary Trade Mechanism (STM) is applicable for potatoes.

It covers Spain's exports of new potatoes from 1 March 1986 to 31 December 1995. The indicative ceiling which must be fixed each year in accordance with the STM has, for 1986, been set at 80 000 tonnes.

In the case of seed potatoes the mechanism applies to Spain's imports from 1 March 1986 to 31 December 1989. An indicative ceiling of 15 494 tonnes has been fixed in respect of 1986/87.

4. 1986/87 - SHORT-TERM OUTLOOK

Early estimates suggest that the total area under potatoes in the Community of Twelve in 1986 is 1% down on the previous year (1 506 000 ha in 1985) (1) with, in line with the pattern recorded in recent years, acreages in the Community showing little or no change. According to the harvest forecasts, which are not yet complete, production will total 6.2 million t in the United Kingdom, as against 7 million t in 1985 (-11%), and 5 571 000 t in France, as against 6 856 000 t in 1985 (-20%). Because of the dry summer, the Community's output in 1986 is expected to be down on last year's total.

On the Rotterdam market, which opened on 15 September, prices followed an upward trend, with Bintjes (+ 50 mm) selling at 8.62 ECU/100 kg, compared with 6.03 ECU/100 kg in 1985. The price of Bintjes (+ 35 mm) recorded at Arras in France was 9.28 ECU/100 kg, compared with 3.87 ECU/100 kg in 1985. Prices in 1986/87 will most probably be higher than in 1985/86.

5. CONCLUSION

Output in 1986/87 is lower than in 1985/86, and potato prices were up at the beginning of the marketing year.

Spanish and Portuguese membership will not substantially alter the situation on the Community market: the Community of Twelve will continue to be self-sufficient in ware potatoes and a net exporter of seed potatoes, and its output of new potatoes will still fall short of demand.

(1) The EUR-10 figures are 1 060 000 ha in 1986 and 1 088 000 ha in 1985.

13. HONEY

1. INTRODUCTION

There is no EEC market organization for honey. The only general charge on imports is a 27% customs duty, which is reduced to 25% for most developing countries and Malta, 5.4% for Turkey and nil for ACP States. The 38 least advanced developing countries are exempted from customs duties.

2. MARKET SITUATIONS

Since the statistics of honey production, consumption and trade for Portugal and Spain are not fully comparable with those of the other Member States, the following analysis concerns only the Community of Ten.

2.1. Production, consumption and trade

In 1984/85 the Community of Ten produced 64.000 t of honey. Germany, France and Greece together account for 72% of the Community's production. Consumption, which exceeds 1 kg per person per year in only two countries (Germany and Greece), rose again in some Member States, particularly in Germany, Italy and Greece, but fell in France and the United Kingdom.

The Community as a whole is 39% self-sufficient in honey, but the situation varies widely between Member States: Greece is the only self-sufficient country; France is increasing its rate of self-sufficiency by applying a licensing system to imports from certain countries and, like Italy, by applying bilateral quotas in trade with state-trading countries.

In 1984/85 the Community imported a total of 104.000 t of honey, mainly from Latin America, China, Eastern Europe and Australia. Germany is the biggest importer of honey in the Community (76% of the EUR 10 total), followed by Italy (10%).

2.2. Special provisions for Portugal and Spain

Customs duties on imports into the Community of Ten from Portugal and Spain will be phased out by 1 January 1992 and 1 January 1993 respectively. They were accordingly reduced, with effect from 1 March 1986, to 23,1% in the case of Portugal and 23,6% in the case of Spain.

Similarly, the two new Member States are dismantling in eight stages the customs duties which were being applied to imports from the Community of Ten. On 1 March 1986 the rate of duty applied by Portugal was 27%, while that applied by Spain was 5,6%.

3. COMMON MEASURES TO ASSIST BEEKEEPING

In order to combat a disease which threatens Europe's entire bee population the Commission has put into effect the second stage of its varroasis research programme by concluding several new research contracts at the beginning of 1986. The programme provides, inter alia, for the co-ordination and exchange of findings within the Community.

Moreover, thanks to the 500.000 ECU earmarked in the 1986 budget for varroasis eradication, groups of beekeepers in the hardest-hit regions should be in a position to step up diagnosis and awareness programmes.