GREEN EUROPE

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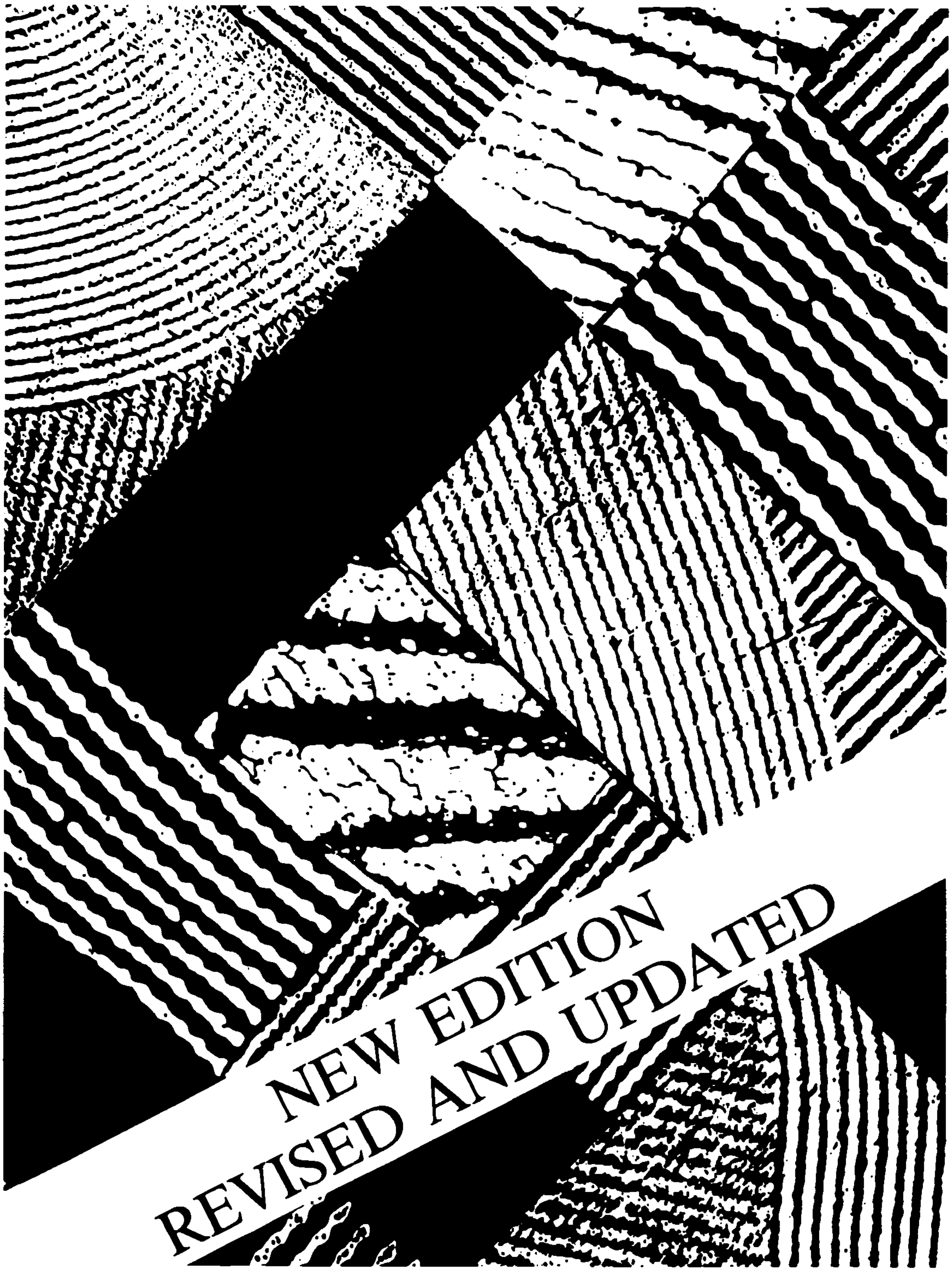
restoring equilibrium on the agricultural markets



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RESTORING EQUILIBRIUM ON THE AGRICULTURAL MARKETS

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PREFACE

When the Common Agricultural Policy was being worked out in the sixties, farming in the six countries, hamstrung by antiquated structures, was, on the whole, relatively inefficient. The EEC as it then was was heavily dependent on imports for most basic food products. This formed the background against which the CAP was devised. Since that time, major changes have occurred as a result of which there has been a gradual shift in the relationship between supply and demand. The main developments have been:

* Sixties: decline in production deficits,
* Seventies: self-sufficiency and transition to a net exporting situation for a number of main items,
* Eighties: build-up of surpluses and increasing difficulties due to the disequilibrium between supply and effective demand for many items, leading to a heavy drain on the Community's budget.

In fact, this pattern of change is by no means peculiar to Europe, for the rapid progress achieved in farming techniques which is the main reason for it has not been confined to the old continent but has occurred in most food-producing countries. But another factor aggravating the crisis in agriculture has been the recent deterioration in the general economic context, one effect of which has been inevitably to curtail demand for agricultural products.

Reviewing Community agriculture, the Commission urged as early as 1985 that the Common Agricultural Policy be adapted. Following wide-ranging consultation of the other Community institutions and the farming organizations, it then recommended a number of priorities designed to promote a better balance of the markets and adjustment of Community agriculture to current economic constraints:

* a drive to achieve better equilibrium as regards the surplus items,
* diversification of production and improvement in quality,
* greater attention to be paid to the social and environmental equilibria of rural society.

Approaching the first of these priorities, the Community embarked upon a price policy corresponding more closely to real conditions on the markets. It adjusted the buying-in arrangements, since selling food to the agencies had tended to become an outlet in its own right, just as much as the market itself. The Commission's view is that buying-in should resume its original role as a safety net. The Commission also tightened up farmers' co-responsibility arrangements, to make farmers more fully aware of the problems relating to the disposal of surpluses. It also introduced a quota scheme to accommodate specific difficulties as regards milk.

To achieve fuller control of surplus production and the resultant drain on the budget, the Community introduced the "stabilizers"[1] mechanism, a description of which remains the main purpose of this publication. The mechanism consists of production thresholds - the "maximum guaranteed quantities" (MGQs) - for a number of products; where farmers exceed the thresholds, the guaranteed payments are phased down pro rata.

Supporting the new arrangements, the Community adopted a set of supplementary measures[2]:

- farmland set-aside;
- extensification of production;
- production conversion;
- early retirement;
- income aids.

These are schemes which should help to restore order on the market whilst at the same time making it easier for producers to make changes so as to adapt to the new agricultural conditions.

This set of adjustments, also described in this brochure, only concerns certain aspects of the CAP, and the policy itself will apply in the future as in the past on the basis of the principles set out in Articles 39 to 47 of the Treaty of Rome, as regards both the markets and social conditions and structures. The adjustments dovetail into a reform operation designed to enhance the efficiency of Community action by more systematic and consistent attention to the factors which affect agriculture and its context. The need for a more systematic coverage of the various factors is also fully accommodated in the reform of the structural Funds. Also, against this background, the Community has, over the last few years, intensified its activities to support the forestry sector and protect the environment, and defined its overall strategy for rural society.

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1 Stabilizers, OJ L 110, 22.4.1988.

2 Set-aside, Regulation (EEC) No 1094/88, OJ L 106, 27.4.1988; Extensification, Regulation (EEC) No 1760/87, OJ L 167, 26.6.1987; Conversion, Regulation (EEC) No 1760/87, OJ L 167, 26.6.1987; Early retirement, Regulation (EEC) No 1096/88, OJ L 110, 29.4.1988; Income aids, Regulation (EEC) No 768/89, OJ L 84, 29.3.1989.

I. INTRODUCTION

The guidelines adopted by the European Council held in Brussels on 11, 12 and 13 February 1988, and the decisions taken by the Council of Ministers following on from this meeting, largely concern agriculture, in particular:

- arrangements ensuring that the Community will have sufficient and stable "own resources", with a definition of stricter procedures as regards budgetary discipline;

- the introduction of new stabilizers, so as to cover all the market organizations, and stricter arrangements for existing stabilizers;

- the doubling of appropriations allocated to the structural Funds between 1988 and 1993 and the setting up of schemes designed to support farmers in their efforts to adjust to current economic circumstances and to new conditions on the market.

These decisions involve far-reaching change in the legislative framework within which the Common Agricultural Policy is implemented; they are designed to make European agriculture more competitive and to restore balance between supply and demand.

Thus an important step has been taken along the road to the reform of the CAP. The purpose is to achieve a more rational relationship between across-the-board market and price support schemes - which have dominated the scene in the past - and structural or income support schemes underpinning weaker farms: in the Community, nearly 80% of farmers account for a bare 20% of production. They can expect little in the way of really significant support from legislation which, as has so far been the case, distributes practically all the available resources purely in terms of volume of production. But it is a fact that, despite their modest contribution in terms of production, the operations of these farmers are often essential if socio-economic equilibria in certain regions are to be maintained and if the environment is to be conserved.

The 1/88 number of Green Europe was intended to provide a general view of the measures which, directly or indirectly, act as stabilizers. Since that number of Green Europe appeared, the rules in force have been adjusted and supplemented. The purpose of this new edition is to describe the current situation.

II. BUDGETARY DISCIPLINE

The budgetary discipline adopted by the Council comprises a five-year appropriation framework, which means a "guideline" has been imposed on EAGGF Guarantee expenditure. The agricultural guideline places a ceiling on agricultural market expenditure in any given year.

In 1988, the first year in which the budgetary discipline was applied, the guideline was fixed at ECU 27 500 million.

For subsequent years the annual rate of increase of the guideline has been limited to 74% of the annual GNP growth rate in the Community for the period concerned. Over the past financial years this formula has produced the following annual amounts:

* 1988 : ECU 27 500 million
* 1989 : ECU 28 624 million
* 1990 : ECU 30 630 million

Together with this financial constraint on EAGGF Guarantee expenditure, the following two mechanisms were introduced:

- the first involves the financing outside the guideline of the disposal of stocks that have been built up in the past. This exceptional financing, most of which has already been provided, represents a total of about ECU 6 650 million spread over the years 1988 to 1992.

- the second involves the financing, partially outside the agricultural guideline, of the impact of dollar fluctuations on agricultural expenditure. To cover the situations resulting from significant and unexpected movements in the effective dollar/ecu exchange rate as compared with the exchange rate used when the budget is prepared, a "monetary" reserve of ECU 1 000 million is entered every year in the budget in the form of provisional appropriations. At the end of the financial year the budgetary authority makes transfers from the reserve to the corresponding EAGGF Guarantee headings or in the other direction, in amounts not exceeding this total, depending on additional costs or savings due to dollar/ecu exchange rate changes. The transfers may be made, however, only where further costs or savings exceed a margin set at ECU 400 million. By way of example, for 1989 the rise in the value of the dollar compared with the exchange rate on which the 1989 budget was based led to savings estimated at ECU 1 219 million. Therefore ECU 819 million were transferred from the Guarantee Section to the monetary reserve.

The guideline constraint must be accommodated every year in the farm price proposals. Furthermore, if the Commission considers that the Council's views, deviating from its own proposals, are liable to generate additional costs, it has the power to request that the final decision be taken at a special joint meeting of the Ministers of Finance and of Agriculture.

To underpin compliance with the agricultural guideline, the Commission has set up an Early Warning System to monitor EAGGF expenditure. Before the budget year starts, the Commission establishes expenditure profiles for each EAGGF Guarantee chapter, based on monthly expenditure in the three preceding years. It then lays before Parliament and the Council monthly reports showing actual expenditure as compared with the relevant profile. Where the tempo of actual expenditure is liable to exceed or is even running ahead of the profile, the Commission uses management powers conferred upon it, including those held under the stabilization schemes, to redress the situation. Should such action fail, the Commission must review the operation of the agricultural stabilizers in respect of the product group in question and, where necessary, lay before the Council proposals to strengthen their effectiveness. In this case, the Council must act on the proposals within two months.

III. STABILIZATION MECHANISMS

(a) General principles

The general application of the "stabilizers" has led to the adoption of maximum guaranteed quantities (MGQs) for the majority of agricultural sectors and to the introduction of adjustment mechanisms where the MGQs are exceeded.

This instrument has several objectives:

- To contribute to budgetary control: the stabilizers establish a direct and inversely proportional link between two factors which determine the extent of the budgetary burden (level of production and level of institutional prices).

- To contribute towards matching supply and demand: exceeding a production threshold quantitively defined according to certain market criteria (MGQ) is discouraged by economic penalties (direct or indirect lowering of the prices obtained by farmers).

- To give farmers a clearer perception of the market: by a direct or indirect contribution by farmers towards the costs of disposing of surpluses.

- To stimulate rationalization and an improvement in the competitiveness of farms: the possibility of expanding production depends on the ability of farmers to produce with gradually reduced aid.

- To enhance the overall coherence of market management: each organization of the market has its own special built-in mechanisms based on a common principle.

The maximum guaranteed quantities for each product have been fixed for a multiannual period (three or four marketing years).

(b) Description and update of the mechanisms governing the MGQs for the main products

1. Cereals

The stabilization arrangements adopted as regards cereals are based on the introduction of a guarantee threshold (maximum guaranteed quantity) fixed in respect of production for each of the four marketing years from 1988/89 to 1991/92. This threshold has been set at 160 million tonnes for all cereals combined, with the exception of rice.

The implementing procedures for the 1990/91 and 1991/92 marketing years are as follows:

- From the beginning of each marketing year a flat-rate levy of 1.5% of the intervention price of common wheat is applied. This is in addition to the basic levy of 3% on marketed Community cereals.

- In February each year the Commission determines whether production in the current marketing year has exceeded the MGQ or not.

- If production differs from the MGQ by 1.5% or more, the flat-rate levy for the following marketing year is increased or decreased by the percentage of overrun and the flat-rate 1.5%. However, this adjustment is limited to a maximum increase or decrease of 1.5%, so that overruns of 3% or more lead to a maximum additional levy of 3% the following marketing year. If production falls short of the MGQ, the additional levy is not due the following marketing year.

- Any overrun of the guarantee threshold entails a 3% reduction in the intervention prices for the following marketing year and an adjustment of the target prices. This reduction and adjustment are made by the Commission before the following marketing year begins. Should there be repeated overruns, the intervention price cuts are cumulative.

The basic co-responsibility levy scheme includes a direct aid to small cereals producers[1] to offset the impact of the levy on their income. Under the stabilization measures adopted by the Council, small producers will qualify for similar compensation in respect of the additional levy. Of course, aid granted under the additional co-responsibility levy arrangement will be given only up to the amount of the levy actually paid. The overall annual cost of these arrangements to the Community may not exceed ECU 220 million. The Member States are responsible for dividing this up between farmers.

Farmers joining the farmland set-aside programme and setting aside at least 30% of their arable land are exempted from the basic and additional co-responsibility levies for the first 20 tonnes of cereals marketed.

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1 Small producer: within the meaning of Council Regulation (EEC) No 729/89 of 20 March 1989. OJ L 80, 23.3.1989.

Notional example of the operation of the stabilizer for cereals

1. Basic facts:

Common wheat intervention price applicable for 1990/91:	168.84 ECU/t
Basic co-responsibility levy (3%):	5.07 ECU/t
Additional levy (1.5% of intervention price):	2.53 ECU/t

2. Assumptions

In February 1991 the production measured for the 1990/91 marketing year is:

First scenario: 158 m tonnes
Second scenario: 162 m tonnes, an overrun of 1.25%
Third scenario: 165 m tonnes, an overrun of 3.12%

No impact on the 1990/91 marketing year

3. Impact on the 1991/92 marketing year

First scenario: additional levy = 0. No cut in the intervention price

Second scenario: additional levy = 1.25 (1.50 - 0.25) % of the intervention price applicable in 1991/92.
This price is also reduced by 3%

Third scenario: additional levy = 3% (maximum limit) of the intervention price applicable in 1991/92. This price is also reduced by 3%.

2. Sugar

The current arrangements involve production quotas, and the cost of support is financed entirely[1] by levies on beet and cane growers and on sugar and isoglucose producers.

However, in some marketing years the yield from these levies has fallen short of requirements and exceptional "elimination" levies have had to be imposed on a case-by-case basis by the Council (e.g. the marketing years 1981/82 to 1985/86, and 1986/87 and 1987/88).

1 With the exception of costs arising in connection with the export of quantities corresponding to imports on special terms, i.e. those made under Protocol No 7 annexed to the Lomé Convention, the agreement with India and the Act of Accession of Portugal.

The purpose of the arrangements applicable during the 1988/89 to 1990/91 marketing years is to ensure that decisions are taken more promptly to guarantee the complete financing of disposal during each marketing year, by levies on farmers whatever happens to prices on the world market.

The authority to determine, for each marketing year, the levy applied to the B quota within a range between 30% and 37.5% of the intervention price of white sugar has now been delegated to the Commission for implementation under the management committee procedure. This percentage is fixed before the crop year on the basis of forecasts for the year (consumption, production and likely world market trends).

Where the yield from the levies on A and B sugar and A and B isoglucose falls short of total support expenditure for a marketing year, the new rules provide for automatic application (under the Commission/management committee procedure) of a further levy. This is imposed as follows:

- the further levy is fixed as soon as the available figures make it possible to calculate the balance of expenditure for the marketing year which is not covered;

- the further levy is charged to each company in proportion to the payments it must make in respect of the two "ordinary" levies for the relevant marketing year (before 15 December following the end of the said marketing year).

The last instalment of the "elimination" levy approved to clear the balance of expenditure in the 1981/82 to 1985/86 marketing years which was not covered, i.e. ECU 400 million - of which ECU 320 million were already eliminated during 1986/87, 1987/88, 1988/89 and 1989/90 - will be ECU 80 million for 1990/91.

Any production of sugar and isoglucose in excess of the A and B quotas (C sugar and C isoglucose) may not be disposed of on the internal market of the Community. C sugar and C isoglucose must be exported onto the world market without further processing and without refunds.

3. Oilseeds and protein plants

For these products, the stabilizer scheme involves maximum guaranteed quantities fixed by the Council for three marketing years (1988/89 to 1990/91):

- Rapeseed	EUR 10:	4.5 m t;	Spain:	12 900 t;
			Portugal:	1 300 t;
- Sunflower	EUR 10:	2.0 m t;	Spain:	1 411 200 t;
			Portugal: (1990/91)	90 000 t;
- Soya	EUR 12:	1.3 m t		
- Peas, field beans, sweet lupins	EUR 12:	3.5 m t.		

Each year the procedure for applying the MGQs is in two stages.

Early in the marketing year (before the end of the second month), the Commission makes an estimate of production for the current marketing year. Where estimated production exceeds the maximum guaranteed quantity, the production aid is reduced for all quantities marketed during that marketing year. The intervention price and the buying-in price are reduced by the same amount. This cut is calculated on the basis of a coefficient by which the target prices are multiplied (guide price for soya and protein crops). The coefficient is calculated on the basis of the degree of excess.

For each 1% excess, the reduction coefficient is 0.50%.

Two months after the end of the marketing year at the latest, if the actual level of production entails a reduction in the aid different from that which had been made on the basis of the estimate, the discrepancy - positive or negative - is carried over to the aid for the following marketing year. This correction is added to any reduction resulting from the application of the mechanism during the marketing year.

The reduction in the prices and aids resulting from the operation of the stabilizers in one year is not perpetuated in subsequent marketing years. In other words, the price reduction is not cumulative from one year to the next.

Example of the operation of the stabilizer for rapeseed: 1989/90 marketing year

1. Calculation of the correction resulting from the preceding marketing year 1988/89

a) Production estimated at the start of the marketing year: 5 300 000 t
Calculated overrun: 17.8%
Overrun used: 17%
Reduction applied in 1988/89: 17% x 0.45 = 7.65% of the target price
(for the 1988/89 marketing year the reduction coefficient was 0.45)

b) Actual production measured after the end of the marketing year: 5 200 000 t
Overrun which would have resulted from this: 15.6%
Overrun which would have been used: 15% x 0.45 = 6.75% of the target price

c) Correction to be carried forward for adjustment in the 1989/90 marketing year
6.75 - 7.65% = - 0.90% of the target price
i.e. - 45.02 x 0.9% = - 0.40 ECU/100 kg

2. Calculation of the reduction resulting from the 1989/90 marketing year

Estimated production: 4 900 000 t
Calculated overrun: 8.9%
Overrun used: 8%
Reduction: 8% x 0.5 = 4% of the target price
i.e. 4% x 45.02 = 1.80 ECU/100 kg

3. Final adjustment to be applied in 1989/90

1.80 - 0.40 = 1.40 ECU/100 kg

4. Olive oil

The maximum guaranteed quantity (MGQ) for olive oil is 1 350 000 t.

Where actual production recorded after the end of the marketing year falls short of the MGQ, the discrepancy is added to the MGQ for the following marketing year. The unit aid to eligible production for the marketing year is paid in full.

On the other hand, where actual production recorded after the end of the marketing year exceeds the MGQ - where appropriate, including a quantity carried over from the preceding marketing year - the unit aid to production for the past marketing year is reduced in proportion to the excess.

However, the unit aid paid to small growers (whose average production does not exceed 400 kg) is not affected by this reduction.

5. Wine

The purpose of the adjustments made to the wine market organization when the "stabilizers" were introduced was to foster adaptation of supply to demand and adjustment of production potential towards this target.

The purpose of the first set of measures is to penalize the highest yields by strengthening compulsory distillation as a deterrent:

- Where the total quantity for compulsory distillation does not exceed 10% of quantities marketed (normal disposals), the buying-in price for table wines sent for compulsory distillation is 50% of the guide price. Before the "stabilizers", this price had been ensured for a total quantity to be distilled not exceeding 12.5 m hl, which corresponded to about 12.6% of normal disposals.

- From the 1990/91 marketing year onwards, the buying-in price for the quantities for compulsory distillation exceeding 10% of normal disposals will be 7.5% of the guide price. From 1990/91 onwards, the average buying-in price will be based on a weighting between the prices paid for the quantities distilled within the 10% limit (50% of the guide price) and the prices paid for the quantities exceeding 10% of normal disposals (7.5% of the guide price).

Notional example of calculation of buying-in price for compulsory distillation

From 1990/91 onwards:

The quantity for distillation:

a) is less than 10% of disposals:
   price for compulsory distillation 0.5 x 35[1] = 17.5 ECU/hl

b) equals 25% of disposals:
   price for distillation for the 15% excess beyond 10%
   0.075 x 35 = 2.62 ECU/hl

Average price for entire quantity to be distilled =

$$\frac{10 \times 17.5 + 15 \times 2.62}{25} = 8.57 \text{ ECU/hl}$$

1 Notional guide price in ECU/hl.

With the adoption of the stabilizer mechanism a second set of measures was introduced to tighten up the arrangements for permanent abandonment, comprising:

- the extension of the scheme to all areas under vines (including quality wines),
- an increase in the single grubbing-up premium and the differentiation of the premium according to yields.

  . For areas under wine grape varieties exceeding 25 ares, the single grubbing-up premium is varied according to yield as follows:

hl per hectare	ECU
less than 20	1 200
20 - 30	2 800
30 - 40	3 500
40 - 50	3 800
50 - 90	5 250
90 - 130	7 150
130 - 160	9 200
more than 160	10 200

  . For other areas, the premiums are increased by up to 20% in relation to the amounts set[1]

  The Commission may authorize Member States not to apply the permanent abandonment scheme in certain areas, but only up to a limit of 10% of their wine-growing potential, under the conditions laid down[2].

- exemption from the compulsory distillation scheme for wine-growers accepting these arrangements. The growers will be wholly or partly exempted depending on whether they cut their table wine production potential by more than 50% or between 20% and 50%, but the reduction must be at least 50 hl,
- prompter payment of the premiums, which can in fact be made, at the grower's request, before actual grubbing up.

To complement this, it has been decided to cut the prices paid in respect of other compulsory distillation operations to ensure consistency with the other measures adopted in respect of wine. (This concerns by-products of wine-making and wine made from dual-purpose grapes).

1 Abandonment premiums: Regulation (EEC) No 777/85 of 26 March 1985, OJ L 88, 28.3.1985.

2 Permanent abandonment: Regulation (EEC) No 1442/88 of 24 May 1988, OJ L 132, 28.5.1988.

Finally, the aid to relocation and the special price support guarantee for long-term storage contract holders, initially set up to cope with short-term difficulties, were considered to be unsuited to a market on which the imbalance between supply and demand had assumed a structural character. Nor are they consistent with the arrangements intended to adjust wine-growing potential. The Commission has therefore discontinued the relocation aid and has gradually reduced the volume of wine qualifying for the special price support arrangement for long-term storage contract holders.

6. Tobacco

The action taken in respect of tobacco is designed to stabilize overall production and foster conversion to more popular varieties. The Council therefore establishes maximum guaranteed quantities by variety or variety group for which the prices and premiums are fixed, which together must not exceed the overall MGQ.

The overall maximum guaranteed quantity is 385 000 tonnes of leaf tobacco for each of the 1988, 1989 and 1990 harvests. Within this limit, the maximum guaranteed quantities for the varieties or variety groups are determined from year to year in the light of the production and market situations for these varieties and the specific requirements of certain "sensitive" Community regions.

Since 1989 the maximum guaranteed quantity by variety or variety group is fixed one year in advance. In addition the Council may share out this quantity over specific production areas, taking into account the differences in the quality of varieties as a result of soil characteristics and climatic conditions.

The maximum guaranteed quantities by variety and variety group for the 1989 and 1990 harvests (leaf tobacco) are the following:

(tonnes)

Groups and varieties	Maximum guaranteed quantities	
	1989	1990
Group 1		
3 Virginia D	10 500	11 000
7 Bright	44 250	46 750
33 Virginia P	3 500	4 000
31 Virginia E	14 500	16 000
17 Basmas	30 000	30 000
18 Katerini	23 000	23 000
26 Virginia EL	9 500	12 500
Total	135 250	143 250

Groups and varieties		Maximum guaranteed quantities	
		1989	1990
Group II			
2 Badischer Burley:			
- for zone A		7 000	8 000
- for zone B		4 300	4 300
8 Burley I E		42 500	43 500
9 Maryland		3 500	3 500
25 Burley EL		11 000	11 000
28 Fermented Burley	)	27 000	26 500
25 Burley E	)		
28 Burley P		2 000	2 500
Total		97 300	99 300
Group III			
1 Badischer Geudertheimer:			
- for zone A		4 300	4 300
- for zone B		7 700	7 700
4 Paraguay:			
- for zone A		20 000	18 000
- for zone B		2 700	2 700
- for zone C		2 000	2 000
5 Nijkerk	)		
6 Misionero	)		
27 Santa Fé	)	1 500	1 500
29 Havanna E	)		
10 Kentucky		10 000	10 000
16 Round Tip	)		
30 Round Scafati	)	250	250
Total		48 450	46 450
Group IV			
13 Xanti-Yakà	)		
14 Perustita	)	20 000	18 000
15 Erzegovina	)		
19 Kaba Koulak classic	)		
20 Kaba Koulak non-classic	)	36 000	33 000
21 Myrodata	)		
22 Zichnomyrodata	)		
Total		56 000	51 000
Group V			
11 Forchheimer Havanna	)		
12 Beneventano	)	18 000	17 000
23 Tsebelia	)		
24 Mavra	)	30 000	28 000
Total		48 000	45 000

Where the maximum guaranteed quantities are exceeded, the norm and intervention prices and premiums are reduced pro rata to the percentage of the overrun. Thus, for each 1% overrun of the maximum guaranteed quantity there will be a 1% reduction in the intervention price and the premium. The norm price is reduced by an amount corresponding to the amount of the reduction of the premium. However, any such reduction may not exceed 5% for the 1988 harvest or 15% for the 1989 and 1990 harvests.

7. Cotton

Since Greece joined the Community, cotton has been supported by a production aid scheme designed to underpin growers' incomes whilst ensuring supplies for processors at world market prices. There is no levy on imports from non-member countries.

The aid amount is reviewed from time to time on the basis of the difference between a guide price, set annually by the Council, and the world market price.

Since its inception, but especially in 1987, the scheme for cotton has been adapted on a number of occasions, both as regards the maximum guaranteed quantities and the methods used to deal with any overruns. The maximum quantity was also increased when Spain joined.

The arrangements in force since 1987/88 are as follows:

- before the beginning of each marketing year, the Council sets a maximum guaranteed quantity. This may not exceed 752 000 tonnes of unginned cotton for the Community as a whole;

- before each marketing year begins, the Commission makes an estimate of Community production of unginned cotton on the basis of harvest forecasts. Where the estimate exceeds the maximum guaranteed quantity, the aid is cut by an amount equivalent to 1% of the guide price for each 15 000 t[1] of overrun. The mechanism is activated for each 15 000 t "slice" or part thereof;

- at the end of each marketing year, the Commission reviews actual production of unginned cotton; where there is a discrepancy between estimated production and actual production, the maximum guaranteed quantity for the following marketing year is:

1 2% of the maximum guaranteed quantity.

- increased by the corresponding difference, if actual production falls short of estimated production,

- reduced by the difference in the opposite case, except where the difference has no effect on the penalties.

<u>Notional example of the operation of the stabilizer for cotton</u>

1. <u>Basic data</u>

Maximum guaranteed quantity:	752 000 tonnes
Production estimated at end August:	828 850 tonnes
Overrun of maximum guaranteed quantity:	76 850 tonnes

Actual production established at end August of the following year (hypothesis):
First scenario: 800 000 tonnes
Second scenario: 840 000 tonnes
Third scenario: 700 000 tonnes
Fourth scenario: 1 000 000 tonnes
Fifth scenario: less than or equal to 752 000 t

Guide price: 92.02 ECU/100 kg

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2. Operation of the stabilizer

a) Calculation of the cut in production aid from 1 September following:

<u>Total overrun</u> = <u>76 850 tonnes</u> = (5 "slices" of 15 000 t + 850 t:
15 000 tonnes i.e. 6 "slices")
reduction in the aid of 6% of the guide price =
0.06 x 96.02 = 5.761 ECU/100 kg

b) Adjustment of the maximum guaranteed quantity for the following marketing year:

First scenario: + 28 850 (828 850 - 800 000):
MGQ = 752 000 + 28 850
Second scenario: - 11 150 (828 850 - 840 000):
MGQ = 752 000 - 11 850
Third scenario: + 128 850 (828 850 - 700 000):
MGQ = 752 000 + 128 850
Fourth scenario: - 171 150 (828 850 - 1 000 000):
MGQ = 752 000 + 171 150
Fifth scenario: + 76 850 (828 850 - 752 000):
MGQ = 752 000 + 76 850

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3. Fixing the stabilizer for the following marketing years.
Each year the Council fixes the MGQ within the 752 000 t limit (EUR 12) of unginned cotton, as part of its decision on farm prices.

8. Fruit and vegetables

8.1 Fresh fruit and vegetables

The stabilization arrangements apply to the following products:

- fresh tomatoes
- oranges
- lemons
- satsumas
- mandarins
- clementines
- nectarines
- peaches
- apples
- cauliflowers

This list may be extended to other types of fruit and vegetable which are subject to the price and intervention scheme where market conditions for a given product entail heavy intervention. For fresh fruit and vegetables, the stabilization measures are based not on the volume of production, as for most other product groups, but on the quantity that may be withdrawn from the market. For this purpose, an intervention threshold is set before the beginning of the marketing year for the products concerned. Overruns entail cuts in the basic prices and buying-in prices applicable for the following marketing year. However, the reduction may not exceed 20%. Such a reduction in prices for a given marketing year is not taken into account in subsequent marketing years for the fixing of basic and buying-in prices. In other words, the reductions are not cumulative.

Under the Act of Accession, Spain and Portugal enjoy special arrangements during the transitional period.

The following table shows the main features of the stabilizers for the various fresh fruit and vegetable products.

Product	Intervention threshold	Penalization of overruns (applicable to the marketing year following that in which the quantity was overrun)	Limitation on reduction
Fresh tomatoes	EUR 12: 599 300 t	1% cut in basic and buying-in prices for each 30 800 t "slice" (EUR 12)	20%
Oranges and lemons	The thresholds will be calculated according to the following percentages in relation to the average production for the fresh market in the last five years: 1989/90: 13.5% 1990/91: 12.0% from 1991/92: 10.0% For oranges, the threshold is increased by the average quantity processed during the marketing years 1984/85 to 1988/89 (the same system is proposed for lemons from the 1990/91 marketing year)	1% cut in basic and buying-in prices for each 36 800 t excess "slice" for oranges (EUR 11) and 11 000 t for lemons. For oranges, the quantities processed with aid are added to the withdrawals for calculating the overrun (the same system is proposed for lemons from the 1990/91 marketing year)	20%
Satsumas, clementines and nectarines	Thresholds have been set at 10% of the average production for consumption fresh and, for satsumas and clementines, of the average quantity processed with aid in the last five marketing years for which figures are available	1% cut in basic and buying-in prices per excess "slice" of 3 100 t (EUR 11) for satsumas, 8 100 t (EUR 11) for clementines, 3 000 t (EUR 12) for nectarines. The quantities of satsumas and clementines processed with aid are added to the withdrawals for calculating the overrun	20%
Mandarins	The intervention thresholds are fixed at the following percentages of average production for consumption fresh or processed with aid in the last five years 1989/90: 35% 1990/91: 20% from 1991/92: 10%	1% cut in basic and buying-in prices for each excess "slice" of 2 800 t. The quantities processed with aid are added to the withdrawals for calculating the overrun.	20%
Peaches	The thresholds are calculated at the following percentages of average production of peaches for consumption fresh in the last five years 1989/90: 17% 1990/91: 15% from 1991/92: 12%	1% cut in basic and buying-in prices per excess "slice" of 23 000 t (EUR 12)	20%

Product	Intervention threshold	Penalization of overruns (applicable to the marketing year following that in which the quantity was overrun)	Limitation on reduction
Apples	The threshold is fixed at the following percentages of average production for consumption fresh in the last five years: 1989/90: 6% 1990/91: 4% 1991/92: 3% The threshold for 1991/92 will be re-examined before the end of 1990/91	1% cut in basic and buying-in prices per excess "slice" of 79 600 t (EUR 12)	20%
Cauliflowers	The threshold is fixed at 3% of average production for consumption fresh in the last five years	1% cut in basic and buying-in prices per excess "slice" of 18 700 t (EUR 12)	20%

In all the cases mentioned, the threshold overrun is assessed on the basis of withdrawals during the relevant marketing year.

8.2 Processed fruit and vegetables

Processed fruit and vegetable products which are now subject to stabilization mechanisms are the following:

- processed tomato products,
- dried grapes,
- Williams and Rocha pears preserved in syrup and/or in natural fruit juices,
- peaches in syrup and/or natural fruit juices.

The stabilization arrangements operating in this area are of two types, and vary from product to product:

a) establishment of a guarantee threshold, with overruns entailing production aid cuts in the following marketing year,

b) restrictions in the aid to certain quantities fixed in advance, an arrangement equivalent to a production quota system.

The first alternative applies to dried grapes and preserved peaches and pears and was used for processed tomatoes until 1988. It was decided to replace it temporarily (until 1990/91) by a quota scheme for processed tomatoes.

It is the Commission's wish that the second system restricting the production aid should remain transitional as the "quotas" ensuring a right to produce even for the least efficient growers are not necessarily an incentive to efficiency, either as regards production or as regards processing.

The table below lists the main procedures for operation of the stabilizers for processed fruit and vegetables.

Product	Guarantee threshold			Production quota (limitation of the aid for the current marketing year)		
	Level	Penalization of overruns (for following marketing year)	Remarks	Level	Penalization of overruns	Remarks
Processed tomatoes	EUR 11[1] – concentrates 3 331 194[2] – peeled: 1 508 978[2] – other 626 878[2] – total 5 467 050[2]	Aid reduction for the following marketing year on the basis of the threshold overrun and in proportion to the overrun of each of the quantities fixed. The overrun is calculated on the basis of the average quantity produced during the three marketing years preceding that for which the aid must be fixed. However, during the period of application of the production aid limitation scheme, the quantities to be referred to for purposes of determining any threshold overrun are those having attracted aid and not all quantities produced.	No aid reduction limitation.	Same quantities as those for the guarantee thresholds but broken down by producing Member States as follows (in t of fresh tomatoes) concentrated: F : 283 691 t GR: 987 003 t I : 1 655 000 t E : 425 000 t P : 662 945 t peeled: F : 58 628 t GR: 25 000 t I : 1 185 000 t E : 240 350 t P : 9 600 t other: F : 50 087 t GR: 21 593 t I : 453 998 t E : 101 200 t P : 22 192 t These quantities are equally distributed by the Member States among processing firms on the basis of the quantities produced by each of them during the 1987/88, 1988/89 and 1989/90 marketing years.	For each processing firm, the aid to be paid for its production, within the quantities assigned to it, is reduced on the basis of any overrun of the total of these quantities as compared with the fixed quantity. A 25% premium is paid to processors having concluded processing contracts with the POs[3]. This percentage must exceed a threshold set annually by the Council on the basis of total quantities processed.	One of the three transfer possibilities can be authorized for processing firms: – 20% of the peeled tomato quantities allocated to a firm to the quantities which have been allocated to it for tomato concentrates and other tomato products. – 5% of the quantities of concentrate to the other products. – 5% of the other products to concentrates.
Dried grapes	Currants: 68 000 t Sultanas: 93 000 t Moscatel: 4 000 t	Reduction in the minimum price to the producer for the following marketing year on the basis of overruns of each of the thresholds (1% overrun = 1% reduction). The overrun is calculated on the basis of the average quantity produced during the three marketing years preceding the marketing year for which the minimum price to be paid to the producer must be fixed. As regards moscatel grapes, the Community will not contribute to storage or disposal costs for products unsold at the end of the marketing year.				

1 Not including Portugal.
2 Volume of processed fresh tomatoes.
3 Producers' organizations.

Product	Guarantee threshold			Production quota (limitation of the aid for the current marketing year)		
	Level	Penalization of overruns (for following marketing year)	Remarks	Level	Penalization of overruns	Remarks
Williams and Rocha pears in syrup and/or natural fruit juice	102 805 t	Reduction in the aid for the following marketing year which is based on a three-year three-year production average				
Peaches in syrup and/or natural fruit juice	EUR11:582 000 t	Reduction in the aid for the following marketing year which is based on a three-year production average				

9. <u>Milk</u>

In April 1984, the Council introduced a production quota system[1]. This mechanism is based on an overall national quota broken down into:

- a quantity for deliveries to dairies;

- a quantity for direct sales by farmers.

Where reference quantities are overrun, an additional levy[2] must be paid by producers. It is 115% of the milk target price for "deliveries" to dairies, and 75% of this price for "direct sales". Despite the scheme, the persistence of milk production at levels well beyond needs compelled the Commission to propose a set of measures designed to restore order. Adopted by the Council in 1986 and 1987, they have three main aspects:

- reduced reference quantities, some being temporary reductions, and a more severe additional levy;

- adjustment of the intervention mechanisms;

- implementation of a programme to run down stocks, particularly of butter, with a view to eliminating the intervention stocks that have built up over preceding marketing years.

The Council's decisions yielded milk production cuts of about 9.5% as compared with 1986/87.

The additional levy on quantities delivered or sold directly exceeding the reference quantity has been renewed until 31 March 1992 as results obtained from the quotas have failed to achieve the original objective of adapting supply to demand by the end of the five-year period.

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1 cf "Milk: the quota system", Green Europe, No 203, Brussels, 1984.
2 The additional levy should not be confused with the co-responsibility levy, which was introduced in 1977 and is currently fixed at 1.4% of the target price of milk.

For the next two years of operation of the additional levy scheme (from 1 April 1990 to 31 March 1992), the overall guaranteed quantity is as follows:

('000 tonnes)

	Deliveries	Direct sales
Belgium	3 089.781	380.809
Denmark	4 686.720	0.970
FRG	22 519.080	93.100
Greece	555.520	44.620
Spain	4 664.000	677.500
France	24 708.640	747.780
Ireland	5 068.800	15.520
Italy	8 446.080	1 082.520
Luxembourg	254.400	0.970
Netherlands	11 499.840	92.150
United Kingdom	14 716.391	383.563

N.B. These figures do not allow for the temporary reduction in the reference quantities (delivery) of 4.5% from the 1989/90 period onwards and the additional quantities (502 233 t) allocated to the Member States in support of some priority producers for the same period.

The Council's decisions on the intervention mechanisms empower the Commission to curtail buying-in on the basis of the following criteria:

- suspension from time to time of the buying-in of skimmed milk powder (SMP), in respect of which the basic Regulation always limits buying-in to the period from 1 March to 31 August of each year. Also, the end of the buying-in period can be brought forward if quantities reach 100 000 tonnes. However, when there is suspension, private storage aids for SMP can be granted;

- suspension of the buying-in of butter as soon as the quantities sold to the agencies from 1 March 1987 onwards exceed 180 000 tonnes, which in fact happened at the end of June 1987. Since then intervention has been suspended and replaced by a tendering procedure for buying-in.

10. Beef/veal

Since 1989 the buying-in arrangements in this sector have been changed completely. As a result of these changes, there is an annual ceiling for purchases and the buying-in prices are determined by tendering procedures. In addition, if the conditions laid down are met, buying-in may be decided by the Commission.

The opening up and closure of intervention is determined by Community and national market price trends in relation to the intervention price fixed for the carcases of adult male bovine animals in class R 3[1] at ECU 344/100 kg of carcase weight. For intervention to be triggered in a Member State for one of the three conformation classes U, R or O of the carcase classification scale[1], the two following conditions must be fulfilled simultaneously over two consecutive weeks:

- the average Community market price for one conformation class must be less than 88% of the intervention price;

- the average market price of this conformation class in the Member State in question must be less than 84% of the intervention price.

Buying-in must not exceed 220 000 tonnes per year. This maximum quantity will be re-examined by the Council before 1 April 1991. Exceptions are provided for, allowing the maximum quantity to be exceeded:

- in cases where the intervention conditions are fulfilled and the circumstances are considered to be exceptional;

- in cases where the Community and national intervention thresholds are less than 84% or 80% of the intervention price respectively;

- in cases where in at least three Member States representing more than 55% of Community production the market price is less than 80% of the intervention price;

- in cases where the average Community market price is less than 78% of the intervention price. Here buying-in begins, as in the preceding case, in those Member States where the market price falls short of 80% of the intervention price.

The detailed rules for the tendering procedures are similar to those introduced for butter. There are two awards every month, on the second and fourth Wednesday of each month. Tenders must be submitted to the Commission in ECU per 100 kg of carcase of class R 3 and must cover at least 10 tonnes. In the light of the tenders received, a maximum buying-in price is fixed for each category (young cattle and steers) for class R 3. However, a different price may be fixed per Member State on the basis of the average market prices recorded. If the total of the quantities tendered at a price equal to or less than the maximum price exceeds the quantities that may be bought in, the quantities for which contracts are awarded may be reduced by applying a reduction coefficient.

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1 Council Regulation (EEC) No 1208/81 determining the Community scale for the classification of carcases of adult bovine animals, OJ L 123, 7.5.1981.

11. Sheep and goats

The Council sets a maximum guaranteed level. For the ewe flock, this is 63.4 million head. Because of the variable premium peculiar to Great Britain, the arrangement includes, within this quantity, a specific threshold of 18.1 million head for that region.

On each 1% overrun of the guarantee threshold, the basic price used for the calculation of the ewe premium and the guide level used for the calculation of the variable premium are cut by 1% for the relevant marketing year (without cumulative effect). The goat premium is altered in the same proportions.

The new basic Regulation on sheep and goats adopted by the Council in September 1989 confirmed the MGQ fixed in February 1988 (18.1 million head in Great Britain and 45.3 million in the rest of the Community). However, it also provides for the alignment of the stabilizer coefficient (% of reduction of the basic price) resulting for Great Britain and the coefficient for the rest of the Community. This alignment will take place gradually during the 1990, 1991 and 1992 marketing years, so that a single stabilizer coefficient can be applied for the whole of the Community from the 1993 marketing year onwards.

In addition, the report on the sheep stabilizer submitted to the Council with the 1990/91 price package proposes a new MGQ, applicable from the 1992 marketing year onwards, based on the number of animals declared in premium applications and not on the statistical flock as is currently the case.

IV. ACCOMPANYING STRUCTURAL MEASURES

Following the decisions taken by the European Council in February 1988, the Council adopted a Regulation introducing a system of arable land set-aside. This modifies the aid schemes for production extensification and conversion. At the same time, the Council adopted a regulation on the early retirement of farmers.

As devised, these schemes are designed to cover a number of objectives:

- their aim is to facilitate the effort that has to be made to adjust supply to demand, without replacing market schemes introduced for this purpose;

- they are intended to offset the income loss for farmers who experience difficulties during the adjustment period, because of market conditions and the price level they entail;

- they encourage farmers to allow more fully for environmental protection concerns. In compliance with the undertakings given, the Council adopted a direct income aid scheme in March 1989.

1. Set-aside

Each Member State must implement this scheme and give it the appropriate publicity. However, no farmer will be forced to take it up. The Member States may bar access to the scheme in certain regions or areas where there is a danger of depopulation or in which continued production in present conditions is needed to protect nature. For Spain, the exceptions can also be granted for particular socio-economic reasons. Portugal has been authorized to postpone application of the scheme until the end of 1994.

Aid is granted to farmers who undertake to set aside at least 20% of their arable land used to grow products coming under EEC market organizations. The undertaking is for at least five years with the possibility of cancellation after three years. In addition, farmers setting aside at least 30% of their arable land are exempted from the co-responsibility levies on 20 tonnes of cereals.

Land set aside must be left fallow (but may be used as part of a crop rotation scheme), planted with trees or used for non-farming purposes. It must be kept in good heart and the quality of the environment must be maintained (prevention of the leaching of nitrates and soil erosion, respecting the limits for the use of plant health products, etc.).

The Member States may offer farmers the possibility of using the land set aside for extensive stock farming (green fallow) or for the production of chickpeas, lentils and vetch (yellow fallow). In these cases aid is reduced by about 50%.

Applicants must have farmed the land themselves in order to be eligible for aid, and have the right to farm it during the period for which the undertaking is given.

The premiums are determined by the Member States on the basis of income losses. The premiums must ensure that the scheme is effective whilst avoiding overcompensation. The premium amounts are in a range from ECU 100 to ECU 600 per hectare per year (ECU 700 in exceptional cases).

The EAGGFs contribution to the scheme is graduated by aid band.

2. Extensification

This scheme is obligatory for the Member States but optional for farmers. Portugal has been authorized not to apply it until the end of 1994. This scheme is restricted to beef/veal and wine. Up to 31 December 1990, the Member States may restrict this scheme to experimental implementation in order to refine the technical and administrative procedures. Following this, the scheme will have to cover all products.

"Extensification" means a reduction by at least 20% of the output of the relevant product for five years or more. The cut in output in one sector may not be offset by an increase in another, unless the farm is increased in size. For beef/veal, the arrangements may stipulate that the number of livestock units must be cut by at least 20%. For wine, it is the yield per hectare which must come down by 20%.

It will be for the Member States:

- to determine the amount of aid on the basis of the fall in income,

- to determine the reference period serving as the basis for assessing the volume of production to which the reduction rate is applied.

Farmers give an undertaking that, in the case of extensification of stockfarming, the production capacity (building, installations, fixed equipment, etc.) released by extensification will not be used by himself or third parties to increase surplus production, including pig and poultry production.

He also undertakes to assign his fodder-growing areas to feeding animals on the farm.

The annual amounts of eligible aid may not exceed:

- beef/veal: ECU 210/LU, if the reduction arrangements provide for the number of LUs to be reduced by at least 20%, and ECU 65/LU if the reduction arrangements provide for reductions of less than 20%
- sheepmeat and goatmeat: ECU 185/LU if the number is reduced by 20% and ECU 55/LU in other cases
- cereals, rapeseed, sunflower, soya, peas, field beans, tobacco, cotton, vegetables (restricted to products covered by the MGQ): ECU 180/ha
- olive oil (specialized olive plantations): ECU 300/ha
- citrus fruit: ECU 900/ha
- other fruit: ECU 600/ha
- wine: ECU 600/ha

Without prejudice to the amounts of eligible aid fixed by the Commission, which represent compensation of about 30% of the average income per ha from the various products, the Member States may vary the amounts of aid to be granted at national level on the basis of various criteria: the type of product, the regional and local situation, the portion of the total farm area covered by the undertaking and the proposed method for reducing production, considered either in respect of the rate of reduction or the farming method selected.

25% of the eligible expenditure incurred by the Member States is reimbursed by the EAGGF Guidance Section.

3. Conversion of production

The purpose of this scheme is to encourage farmers to diversify, at least in part, into the production of items of which the Community does not already carry surpluses.

This scheme applies to the whole of the Community territory. The measures are obligatory for the Member States but optional for farmers. However, Portugal has been authorized not to apply the scheme until the end of 1994. The other Member States may be authorized to exclude some regions or zones where the natural conditions or the risk of depopulation make it inadvisable to reduce production. In addition, Spain may apply socio-economic criteria to postpone the scheme's implementation.

In order to be able to receive from this aid, farmers and the Member States must, when the choice is made, ensure that the following compulsory criteria as defined by the Council are adhered to:

- alternative production cannot be subsidized by EAGGF Guarantee Section measures,
- alternative production must have real outlet prospects,
- alternative production must not lead to the disruption of existing markets.

<u>However, it should be pointed out that this measure is still not operational in the absence of a Council decision on the Regulation on the detailed rules of application.</u>

4. <u>Early retirement</u>

The beneficiaries must be "main-occupation" farmers over 55 giving up farming of whatever kind for good.

The land must be left uncultivated for at least five years and until the normal retirement age. Such land can be fallowed, afforested or used for non-agricultural purposes. The quality of the environment must be maintained. The areas concerned may be brought into a land consolidation scheme designed to achieve a more rational pattern of land use.

Where a farmer qualifies for early retirement aid, his workers and family helpers may also qualify.

Farmers participating in the scheme receive an annual allowance. The amount that may be claimed from the EAGGF is ECU 3 000. For permanent farm workers and family helpers, the eligible annual allowance is ECU 2 000 per person in paid employment, with a limit of two allowances per farm, for not more than 10 years. Any aids granted will cease to be eligible for Community part-financing when the beneficiary has passed normal retirement age.

This early retirement scheme is optional. Member States may apply all or some of the measures provided for throughout or in part of their territory, or decide not to implement the scheme.

5. <u>Income aids</u>

As part of the wide range of aids provided for farmers, direct income aids are intended to help farmers to adapt to new market conditions. This scheme was introduced in 1989 to contribute, among other things, to:

(a) the maintenance of incomes at a fair level during a process of adjustment affecting the structure, organization or management of farms;

(b) lessening the burden which may be presented by financial obligations during the period of structural adaptation and reorientation of farms;

(c) supporting income levels in the event of diversification into non-agricultural activities.

The level of aid is determined on the basis of the disadvantage resulting, for potential beneficiaries, from the adjustment of the markets in the context of the reform of the Common Agricultural Policy and the adjustment of the common organizations of the markets. The Member State concerned may decide whether it is to be paid on a flat-rate or individual basis. Any aid granted must not stimulate production. The Community part-finances the scheme. This new instrument also puts the agricultural income aids granted at an exclusively national level into a single framework. The detailed rules for its application are laid down in a Commission Regulation adopted at the end of 1989.

<u>**Stabilizers and production thresholds**</u>

	1989/90 marketing year			1990/91 marketing year
	Quotas or MGQs fixed	Market situation	Exceeded	Quotas or quantites fixed/proposed
Cereals	MGQ: 160 m t	Estimated output 160.5 m t	Yes. No additional co-responsibility levy for the 1989/90 marketing year. 3% cut in prices for the 1990/91 marketing year.	The same as in 1989/90
Sugar	A quota: 10.539 m t B quota: 2.289 m t	Output (including carryovers) A quota: 10.266 B quota: 2.233 C sugar: 2.931 Total: 15.430	No foreseeable overrun	The same as in 1989/90
Isoglucose	A quota: 240 743 t B quota: 80 342 t	Estimated output: within the quota limits	No foreseeable overrun	The same as in 1989/90
Rapeseed	MGQ EUR 10: 4 500 000 t Spain: 12 900 t Portugal: 1 300 t	Estimated output: EUR 10: 4 900 000 t Spain: 12 800 Portugal: ——	EUR 10: 8.9% overrun entailing a cut in the target price of ECU 1.40/100 kg (-3.1%) Spain: No Portugal: No	The same as in 1989/90
Sunflower	MGQ EUR 10: 2 000 000 t Spain: 1 411 800 t Portugal: 75 700 t	Estimated output: EUR 10: 2 313 000 t Spain: 1 250 000 t Portugal: 47 000 t	EUR 10: 15.7% overrun entailing a cut in the target price of ECU 3.60/100 kg (-6.2%) Spain: No Portugal: No	The same as in 1989/90, except for Portugal (90 000 t) (Reg. 88(EEC)1100)
Soya	MGQ EUR 12: 1 300 000 t	Estimated output: EUR 12: 1 765 000 t	35.8% overrun entailing a cut in the guide price of ECU 10.78/100 kg for EUR 10 (-19.3%) and ECU 8 847/100 kg for Spain (-19.3%)	The same as in 1989/90
Peas, field beans, sweet lupins	MGQ EUR 12: 3 500 000 t	Estimated output: EUR 12: 4 080 000 t	16% overrun entailing a cut in the minimum price of ECU 2.62/100 kg for peas and field beans (10.2% for peas and 10.9% for field beans), ECU 2.88/100 kg for sweet lupins in Spain and ECU 2.90/100 kg for sweet lupins in the other Member States	The same as in 1989/90
Olive oil	MGQ EUR 12: 1 350 000 t	Production estimated in the six months after the end of the marketing year	No foreseeable overrun	The same as in 1989/90
Wine	Ceiling on voluntary distillation per producer. Compulsory distillation: unlimited volume, price depending on the total quantity to be distilled compulsorily as follows: volume equal to 10% of disposals (+/- 10 m hl) at 50% of the target price, remainder at 15% of this price		No overrun	

	1989/90 marketing year			1990/91 marketing year
	Quotas or MGQs fixed	Market situation	Exceeded	Quotas or quantites fixed/proposed
Tobacco	Overall MGQ: EUR 12: 385 000 t of leaf tobacco. Quantity broken down by variety	Foreseeable overall output: EUR 12: 400 000 t	Overrun foreseeable for some varieties	Overall: EUR 12: 385 000 t broken down by variety and variety group
Cotton	MGQ: 782 000 t (EUR 12)	Estimated output: EUR 12: 1 009 119 t	34.2% overrun. Cut in aid of ECU 17.284/100 kg	EUR 12: 782 000 t
Fresh tomatoes	Intervention threshold EUR 11: 574 500 t	Quantities withdrawn EUR 11: 47 380 t*	No overrun	EUR 12: 589 300 t
Cauliflowers	Intervention threshold EUR 11: 55 400 t	Quantities withdrawn EUR 11: 133 387 t	Price cut of 4%	EUR 12: 57 300 t
Oranges	Intervention threshold EUR 11: 1 240 500 t	Current marketing year		EUR 12: 1 204 000 t*
Lemons	Intervention threshold EUR 11: 158 300 t	Quantities withdrawn 183 384 t	Price cut of 2%*	EUR 12: 390 000 t
Satsumas	Intervention threshold EUR 11: 32 600 t	Current marketing year		EUR 12: 30 400 t*
Clementines	Intervention threshold EUR 11: 89 300 t	Current marketing year		EUR 12: 90 300 t*
Nectarines	Intervention threshold EUR 11: 46 800 t	Quantities withdrawn 82 473 t	Price cut of 12%*	EUR 12: 53 900 t
Mandarins	Intervention threshold EUR 11: 112 000 t	Current marketing year		EUR 12: 67 600 t*
Peaches	Intervention threshold EUR 11: 376 600 t	Quantities withdrawn EUR 11: 516 141 t	Price cut of 6%*	EUR 12: 338 900 t
Apples	Intervention threshold EUR 11: 478 000 t	Current marketing year		EUR 12: 318 500 t
Milk	Overall guaranteed quantity (including Community reserve and temporary reduction of +8.5% (Italy 3.13%) EUR 12: 97 392 089 t (excluding Portugal) + proposal before Council	Foreseeable cut in deliveries of 0.5% over 1988/89	Overall foreseeable overrun 500 000 t (0.5%)	Overall guaranteed quantity (including temporary reduction): 97 512 622 t + Community reserve
Beef/veal	Buying-in ceiling 220 000 t	Current marketing year		The same as in 1989/90
Sheepmeat	Maximum guaranteed level for ewe flock of 63 400 000 head of which 18 000 000 for Great Britain and 45 300 000 for EUR 11 and Northern Ireland	Estimated stock 1989 46 774 000 head for EUR 11 and Northern Ireland and 19 825 000 for Great Britain	Estimated overrun for EUR 11 and Northern Ireland 3.3% and 7.9% for Great Britain, entailing a fall in basic prices and prices of sheepmeat-based products of 3% and 7% respectivley from 2.1.1989 onwards	Same level as 1989/90 but price reduction coefficients will probably be fixed (in November) at 11% for Great Britain and 7.5% for the rest of the Community (following allgment). Foreseeable overrun of 12% for Great Britain and 7.5% for EUR 11 + Northern Ireland.

* Provisional.

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