

A
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COMMISSION PROPOSALS

on the fixing of prices for certain agricultural products
and on certain related measures (1981/82)

VOLUME I

(presented by the Commission to the Council)

COM(81) 50 final

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PRELIMINARY REMARKS

The Commission herewith presents to the Council its proposals concerning the fixing of prices for certain agricultural products for the 1981/82 marketing year together with a number of related measures.

It has developed its proposals in the light of its Reflections on the Common Agricultural Policy (Document COM(80) 800) and has taken account of the fact that Greece has become a Member of the Community at the beginning of 1981.

It has already presented to the Council on September 30, 1980 proposals concerning the market organization in the sugar sector (COM(80) 553). The Commission urges the Council to take an early decision on the outstanding issues in relation to its proposals with regard to agricultural structures (COM(79) 122) together with the additional structural measures proposed for Northern Ireland (COM(80) 327 and COM(80) 328), the French Overseas Departments (COM(80) 384) and for certain less favoured areas in the Federal Republic of Germany (COM(80) 700).

The attached proposals have been formulated in the light of the information contained in the 1980 Report on the Agricultural Situation in the Community (report published in conjunction with the Fourteenth General Report on the activities of the European Communities) and in the 1980 Report on the situation of Agricultural Markets (COM(81) 58).

The present document contains two volumes. Volume I includes the general explanatory memorandum and the explanatory memorandum for individual products, the table of price proposals, and the financial implications.

The legal acts relating to the price determinations for the 1981/82 marketing year, those concerned with related measures are included in Volume II.

INTRODUCTION

In presenting its proposals for the 1981 price package the Commission has sought to reconcile difficult objectives. In a period of economic difficulty, the price fixing has an importance going beyond the immediate future, since it represents the Community's commitment to the continued well being of its agriculture. In the present situation the maintenance of a dynamic agriculture demands an effort on prices. Three years of modest increases in Community support prices and other economic difficulties, in particular the level of general inflation have resulted in an important fall in real farm incomes in 1980, despite a very high level of agricultural production. At the same time real incomes elsewhere in the economy, notwithstanding severe economic problems, have continued to rise, albeit slowly. It is vital now to check the decline in farm incomes and to help farmers to improve their revenues in real terms. At the same time the Commission underlines that the budget constraints are real and the cost of higher support prices must be sustainable not only in 1981 but in subsequent years.

The Commission has already indicated in its document "Reflections on the Common Agricultural Policy" (COM(80) 800 of 5 December 1980) the way in which these objectives must be attained. Cost inflation and falling agricultural income cannot be left aside. The Community must respond to them by upward adjustment of support prices. For 1981 the Commission proposes increases which are generally in the range from 6% to 12%. But the market situation for certain products and the budget imperatives demand that there is a shared effect to maintain reasonable market balance and to avoid an uncontrolled increase in the Community's budget expenditure on agricultural support.

That is why the Commission has concluded that the real benefits of the policy, not only to farmers through secure prices and to consumers through secure supplies,

but also to European integration as a whole, can and must be maintained through the more general introduction of a "fourth principle", namely some element of financial responsibility of producers for the disposal of production in excess of an agreed quantity. In this way support price increases for basic quantities can more closely reflect the cost inflation in agriculture and farmers' revenue needs without stimulating further surplus production without upsetting the budget and without causing the Community to exhaust its financial resources. In a satisfactory market situation the arrangements are self-cancelling. The principle of producer responsibility has already been accepted and applied by the Council to milk and sugar. The Commission now makes proposals for its application in certain other sectors, in particular cereals.

The 1981/82 price proposals form a coherent whole with the Commission's communication to the Council of 5 December 1980 (COM(80)800) "Reflections on the Common Agricultural Policy" and make it possible to resolve some of the difficulties facing that policy without bringing its basic principles into question.

The Commission is still considering the other aspects of its communication and will propose, at the appropriate moment:

- a new policy for external trade in agricultural products, taking account of the changes in the balance of supply and demand and in world trading practices
- adjustment of the structural policy to help the hardest-hit regions and farms.

The proposals in the present document represent a package and, in the Commission's view, the balance between price increases and other measures must be retained, if a satisfactory result is to be achieved. The Commission will reconsider its proposal if there were a serious risk of this balance being disturbed.

A. GENERAL SURVEY

Economic background

1. The 1981/82 price proposals come against a difficult economic and financial background. The economic crisis has worsened. Economic growth has fallen from 3.4% in 1979 to 1.3% in 1980 and for 1981 growth is expected to be about 0%. The unemployment rate has reached 6.4% and could reach nearly 7% in 1981. One in fifteen of the Community's workers is now without a job (7 million). The total number of unemployed is substantially higher than the number of full-time workers in agriculture.

Inflation has increased and reached an average of 12% in 1980 (13.5% in December 1980) against 8.6% in 1979. The balance of payments has worsened reaching a deficit equivalent to 1.5% of GDP (- 0.5% in 1979). Many sectors of industry (steel, motor vehicles, textiles, construction, shipping for example) are threatened with plant closures and reduction in working time.

2. The common agricultural policy has managed to protect agriculture from the most serious consequences of this crisis. Without this policy, the imbalance between supply and demand for agricultural products would have resulted, a long time ago, in a serious deterioration in the terms of trade (ratio between the price of outputs and the price of inputs) in agriculture.

3. However, although it has been protected from the unemployment which has affected other sectors of the economy, agriculture is also beginning to feel more and more deeply the consequences of the economic crisis. These consequences are reflected in the fall in farm incomes expressed in real terms.

4. 1980 was a year of technical success in agriculture. Community agriculture had record harvests in many key sectors. The cereal harvest reached the historic record of more than 118 million tons. In spite of the co-responsibility levy and the announcement of an additional co-responsibility levy, milk production reached the record figure of 105 million tons and deliveries to dairies rose by 2.6%. Production of beef and veal was also at a record level. These sectors cover almost half of final agricultural production placed on the market outside the agriculture sector and about three quarters of all farms.
5. In 1980, Community agriculture was faced with a fresh spiralling in the price of inputs, a few years after overcoming difficulties resulting from, successively, the 1973 increase in feedingstuffs prices, the 1974 increases for energy and fertilisers and, finally, the effect on production of the exceptional drought in 1976. The increasing inflation in 1979, and particularly 1980, had a direct effect on all sectors of agriculture in all the Community countries. The result has been a very considerable increase in the price of inputs, reaching 12% in 1980 compared with 8.9% in 1979 and 2.1% in 1978.
6. During the period 1973-1978, the prices of agricultural products broadly increased slightly more than the price of inputs. As the persistent imbalance on some agricultural markets made it necessary to undertake a policy of moderation in common prices, production prices have recently not followed the increase in production costs. 1980, and to a lesser extent 1979, saw the beginning of a cost-price trend to the prejudice of agriculture: production prices rose by 7% compared with an increase in factors of production of 12% in 1980. These figures were 6% for farm prices and 8.9% for inputs in 1979.

7. The impact of the general economic crisis on agriculture has made itself apparent not only in the spiralling prices of inputs but also by stagnating demand for agricultural products and the slower fall in the agricultural labour force. (- 2.5% in 1979 against - 4.8% on average during 1968-1973.) The result has been a slow-down in the growth in productivity: the increase in labour productivity was + 2.3% from 1973 but had been + 7.8% during 1968-1973.

Agricultural incomes

8. The result of these economic trends was to reverse the trends observed in agricultural incomes. Real incomes in agriculture (measured by the index expressing net value added per labour unit, corrected for inflation) in the Community as a whole showed a rise until 1976, remained more or less steady until 1978 but then slipped by 1.8% in 1979 and fell by 8,9 % in 1980 (see chart).

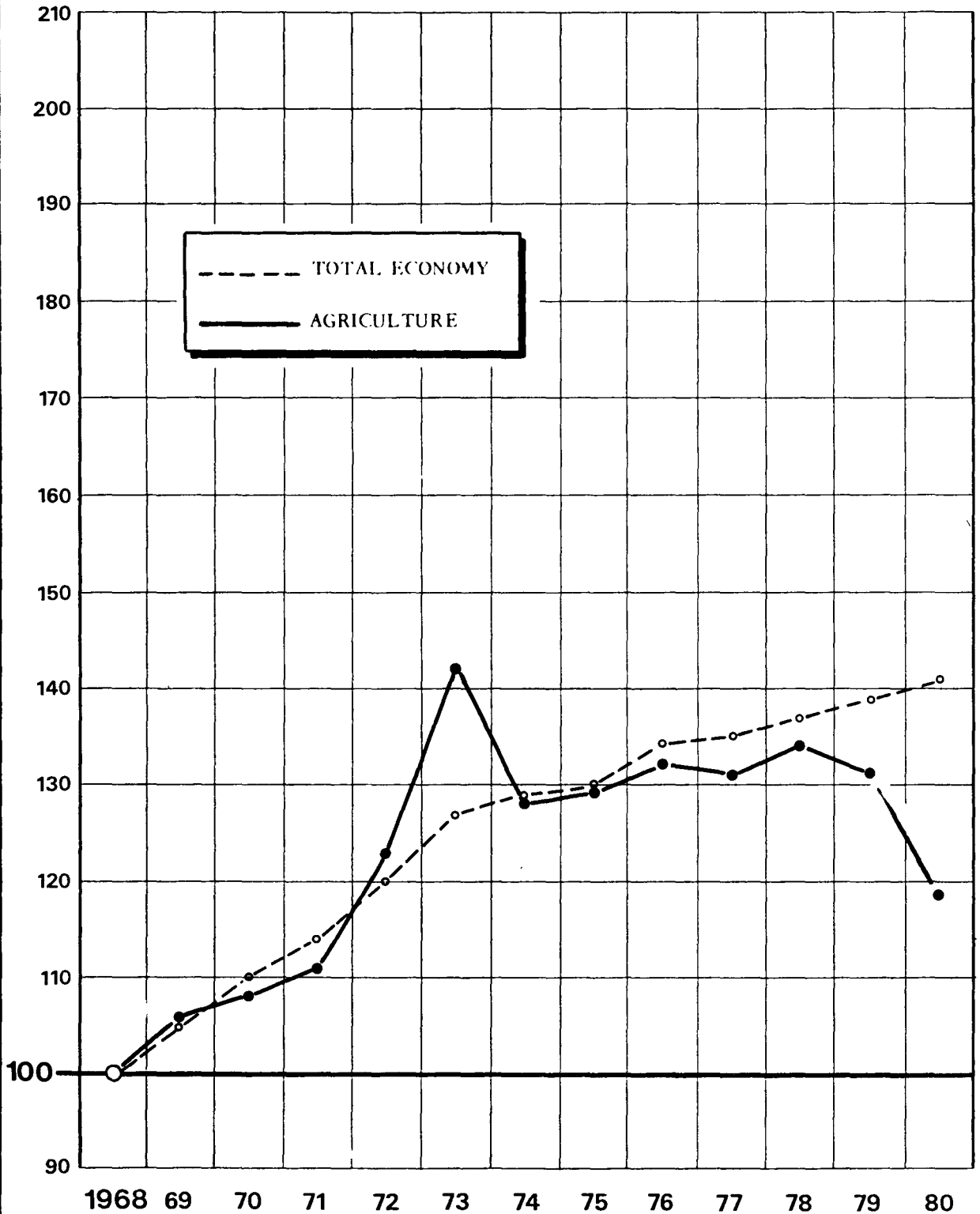
It seems that horticulture alone was less affected than other sectors.

This downward trend has meant that, particularly since 1978, agricultural incomes per labour unit are falling further and further behind incomes in the economy as a whole. Compared with the 1968 situation, the gap amounts to some 13% in 1980. It should be noted that, compared with that for salaried employees, the gap is greater still (18%).

1980 was the first year when agriculture was confronted with a real drop in farm incomes in all member states.

EEC

DEVELOPMENT OF REAL INCOME * PER HEAD IN THE ECONOMY AND IN AGRICULTURE



Sources : Services of the Commission

* Income in the Community is represented by the development of Net Value Added at factor cost deflated by the implicit price of GDP and expressed as an index per person occupied (1967, 1968, 1969 = 100). Income in the agricultural sector is represented by the development of Net Value Added at factor cost deflated by the implicit price of GDP and expressed as an index per unit of labour input (1967, 1968, 1969 = 100).

9. The decline in real terms of agricultural incomes in the Community of about 9% is hiding considerable differences between member states. The rates of decrease range from 4 - 12%, but Ireland is a special case since real farm income, which rose quickly until 1978, has decreased by as much as - 20% in 1980 after a fall in 1979.

In time, real agricultural incomes show the following tendencies:⁽¹⁾

- falling trend since 1976: Germany, Netherlands, Belgium, United Kingdom
- falling trend since 1978: Luxembourg, Denmark, Ireland
- falling trend since 1979: France, Italy.

10. The substantial fall in real farm income in 1980 followed a smaller fall in 1979 and three years of moderate price policy in the face of considerable cost inflation. During this period the Community's agricultural policy has made an importance contribution to the restraint of inflation by holding down basic food prices. Average Community farm price increases in national currency were first about equal to Community inflation and then below it. Common agricultural prices in real terms stayed stable in 1977/78, rose by 1% in 1978/79 and fell by 2.8% and 1.4% in 1979/80 and 1980/81. Producer prices rose by 2.9%, 6% and 7% respectively in 1978, 1979 and 1980 but consumer prices for food and drink rose by 6.8%, 8.4% and some 11% respectively.

(1) The Commission intends to provide information on Greece as soon as it is available.

11. Levels of farm income differ widely between regions, types of farming and farms of different size.

- regions with low farm incomes cover almost half of the Community's total agricultural area and half of the agricultural population, but produce only one third of the total value added by agriculture
- average incomes show important differences between regions. This is mainly due to differences in types of farming and less to differences in farm size
- differences in farm size within the same type of farming lead to important discrepancies in income but, in general, specialised cropping, horticulture and permanent crops show much higher levels of farm income than mixed farming combining cattle and arable crops.

Some of these disparities will be accentuated by the enlargement of the Community to include Greece. It is important, however, that the Community's concern to close the gap between the poorest and richest agricultural regions should not lead to misrepresentation of what has been achieved. Notwithstanding recent difficulties farm incomes have risen most strongly over a period of years in the member states with the poorest and the highest number of farmers. The graph shows that since 1968 Community farm incomes have risen by 22% in real terms. In this period incomes in Italy, Ireland and France have risen most quickly, at about twice the Community average.

12. Although it can be seen that the gap has closed at national level, regional differences in farm incomes are very wide.

There, therefore, remains an important need to strengthen the agricultural structure policy, backed up by other policies. The Commission regrets that there has not yet been wider acceptance of the important changes in the orientation of structural policy which it has initiated. It is of the view that, in order to respond to the current needs of the Community, it is necessary for some elements of the structural policy to be selective, in particular integrated regional development.

programme. A cost-effective structural policy cannot give equal benefits to all member states, because the needs are not equally spread. The Commission urges the Council to make quick decisions on the structural policy proposals which it first put forward in 1979. The cost of these measures is not great but they can and should help to take some of the pressure off the price policy.

Agricultural production and prospects

13. Final production in the agricultural sector rose in 1980 by 7%. This average is strongly influenced by the high level of production in Italy. The Community's farmers have broken production records for almost all agricultural products. The record cereal harvest was over 118 million tonnes and production of wheat was about 30% above a comparatively recent average. The colza crop was the highest ever at about 2.05 million tonnes. Sugar production, about 12.04 million tonnes, was close to its highest recorded level. Milk deliveries to dairies rose by about 2.6% above the previous year's peak. Beef production hit its highest point at about 7 million tonnes. Pigmeat and poultrymeat are both expected to have reached record output levels in 1980. The output of processed fruit and vegetables, particularly tomatoes, again increased.
14. Output is at record or near record levels in 1980 for almost all the principal commodities - not only those for which the Community is in surplus but also those for which the Community is in deficit or has viable commercial export markets. Exports are also at or near record levels for almost all the principal commodities to the benefit of member states' balances of payments. The Community is making an increasingly important contribution to feeding the hungry.
15. Despite this surge of production, the public intervention stock situation has remained under control. The intervention stock of cereals is about 5 million tonnes of wheat, 1 million tonnes of

barley and about 1/2 million tonnes of rye. These figures are somewhat higher than desired but measures are already in train to reduce them before the next campaign. The public intervention stock of butter and skimmed milk powder continued its decline to the lower and more satisfactory levels of 140,000 tonnes and 230,000 tonnes respectively at 1 January 1981: this also is a consequence of the market management policy launched in 1979 and has been accompanied by a decline in the unit rate of other aids and refunds. The beef intervention stock has been held to a level of about 350,000 tonnes with difficulty. A useful contribution was made by the Commission's decision to suspend the purchase of forequarters in the autumn of 1980; this decision which was part of a package of management measures reduced the volume of intervention purchases by about two-thirds but did not have an adverse effect on market prices generally.

16. The relative success of the disposal policy in 1980 should not be allowed to obscure the problems associated with the continued rise in the output of those products which are already in structural surplus such as milk or for which market outlets within or outside the Community can only be found with difficulty or at excessive cost. The cost of the cereals sector is rising. The Commission presents proposals for some financial responsibility of producers in the cost of disposal. The cost of the milk/beef sector is too high. Milk and beef together account for more than one-third of the Community's marketed agricultural output and affect more than two-thirds of Community farms, among which are the smallest and poorest. The two products are closely linked: 80% of beef and veal has its origin in dual-purpose and dairy herds. About one-eighth of the life-time income of a dairy cow comes from the beef market. The markets for both milk and beef depend heavily on EAGGF funds - accounting between them for 53% of Guarantee expenditure. The Commission remains convinced that this difficult problem can be successfully tackled by a combination of an element of producer responsibility for milk product disposal and by a more market-oriented

policy of support for beef. It presents in this package its proposals on the milk co-responsibility levy and on the Community grid for beef, while indicating how it intends to operate more flexibly the beef intervention system.

17. Lasting solutions to problems of over-supply in particular sections will only be achieved if the Community is willing to recognise that

- farmers should not be separated too far from market realities by guarantees that do not adequately reflect market factors. Milk producers have been paid full prices for an extra 9 million tonnes of milk in the last four years, despite the fact that not one kilo was required by the full-price internal market. Market support systems are in some cases too rigid. Inflexibility in the beef market organisation has favoured pork and poultrymeat where the market organisations are extremely light with the consequence that beef stocks build up.
- the search for high levels of output may lead to quality deterioration. Much wheat, for example, of low quality still receives support suited to high-quality breadmaking wheat. The breadmaking test now in force to determine quality is too lax. The Commission proposes new standards.
- the difference between internal prices and "world" prices stimulates the search for substitutes. Community animal feed manufacturers, for example, substitute manioc, maize gluten and citrus pulp for the more expensive home-grown cereals. The Commission has made proposals to contain the level of manioc imports.
- sometimes these price differences are due to an incoherence in the Community's own system of external protection. Community producers of butter and of olive oil can rightly point out that they are competing in the market with a substantial volume of other oils and fats which enter the Community with a very low or no import protection.

18 The Commission is of the opinion that the package of measures now presented, together with the proposals already put forward on manioc and the modifications of the *acquis communautaire* which the Commission will shortly present in the context of the further enlargement of the Community, do represent substantial progress towards mastering the present and potential budgetary problems resulting from structural surplus or unbalanced markets.

19. With rising production and with almost static consumption in the Community, however, exports will continue to rise. It is, therefore, right to question whether the Community's export instruments are adequate for the medium term. The Community is making progress in controlling the budgetary cost of surpluses through some financial responsibility of producers themselves. It is also necessary now to reconsider our export policy, including longer term contracts or arrangements on credit, in order to decide whether too great a dependence on the export refund alone may not be a disadvantage, both in terms of competition and the budget. This is a task for the 1980's.

Agri-monetary measures

20. Compared to the mid-1970s exchange rates between Community currencies have been stable in 1980. Only the L sterling, which does not constitute a part of the European Monetary System, has seen strong movements, the currency rising strongly against the ECU. The impact of this for the agricultural policy has been that monetary compensatory amounts - except for sterling - have diminished during the year due to green rate adaptations decided at the time of the 1980/81 price fixing.

<u>Monetary compensatory amounts</u>	<u>31.12.1979</u>	<u>16.2.1981</u>
United Kingdom	- 3.5	18.2
Germany	9.8 (1)	8.8 (1)
Benelux	1.9 (2)	1.7 (2)
Denmark, Ireland	0	0
France	- 3.7	0
Italy	- 2.3	- 1
Greece	-	0

(1) dairy products respectively 10.8 and 9.8

(2) dairy products respectively 2.4 and 2.2

21. The fixing of 1981/82 farm prices should allow the Community to make a further considerable step towards re-establishing the unity of the agricultural market. The reduction in positive monetary compensatory amounts is also an important element in controlling the growth of production and reducing the budgetary cost, since this growth is due in part to the maintenance over too long a period of support prices at above the Community level in certain Member States*. The Commission proposes a reduction of 5 points in the positive mca's applied in Germany and in the United Kingdom, in addition to a realignment of green rates applied to the milk sector. It also proposes the abolition of the positive mca's in the Benelux countries.

Community spending on agriculture

22. In presenting its proposals the Commission knows that it must be able to convince the Council and Parliament that these measures can be financed without breaking the limit of own resources and without damaging other Community policies. It is convinced that this package takes proper account of the budgetary constraints.

23. On account of the financial significance of the annual farm price adaptation and the adjustments to the market support mechanisms aimed at achieving better control over agricultural production and, accordingly, of expenditure, the financial effect of these proposals should be assessed in the general budget context for 1981 and 1982.

24. The appropriations for the guarantee section of the EAGGF for 1981, as adopted on 23 December 1980, are as follows:

*This reduction is needed to correct distortions in competition in trade and, in real income terms, to achieve a more equitable situation between producers in the different Member States.

MECU	
	Appropriations
- Common market organisations	12,420.5
- Reserve set up on the initiative of the European Parliament	254.5
SUB TOTAL	12,675.-
- Agricultural appropriations in the general budget reserve	195.-
TOTAL GUARANTEE, WITHOUT FISHERIES	12,870.-
- Common organisation of fisheries	27.5
GRAND TOTAL, EAGGF - GUARANTEE	12,897.5

This appropriation represents 67% of payment appropriations in the 1981 budget and the VAT rate for the current year amounts to 0.8906%.

25. After an average rise in expenditure of 23% from 1975 to 1979, 1981 will be the second successive year in which there is a slowdown in the rise in expenditure. The rise in 1980 was 10.2% over 1979 and, in 1981, appropriations are up by 1,390 million ECU or 12% (including appropriations entered in Chapter 100). This slowdown in the increase in expenditure should be underscored all the more as, in 1981, the appropriations include additional burdens caused, in particular, by Greek accession and the full application of the new common organisation of the market in sheepmeat.

The share of FEOGA Guarantee expenditure in total Community expenditure will fall from 71% in 1980 to 67% in 1981. (1)

This slowdown is the result not only of the short-term world trend for several products but also of the Council decisions, particularly increasing the milk co-responsibility levy, and, especially, the many decisions taken by the Commission in respect of market management which

(1) Excluding the measures in favour of the United Kingdom, the percentage will be 71.6 in 1980 and 72 in 1981.

have resulted in a reduction in the level of some aids, avoidance of an automatic rise in others and reduction in the level of some refunds. (1)

26. The financial implications of these Commission proposals should be assessed both against the current year and over twelve months (2). As a result of the dates when the farm marketing years commence and the time lag in payment, the effect on the current financial year is always substantially less marked than the effect on a twelve month period. These financial repercussions are as follows :

Million ECU

		12 MONTHS	
		Own Resources	Own Resources
:	: Effect on the part of the	:	:
:	: 1981/82 marketing year	:	:
:	: falling in the 1981 financial	:	:
:	: year	:	:
:	: Expenditure	:	:
:	:	:	:
:	Repercussion: + 245	:	+ 825
:	:	:	:
:	:	:	:
:	NET COST : + 180	:	+ 490
:	:	:	:
:	:	:	:

(1) The refund rates in force at the beginning of 1981 are substantially lower than those 1 year ago, as follows : wheat - 15 % ; barley - 50 % ; flour - 20 % ; malt - 73 % ; butter - 33 % ; skimmed milk powder - 36 % ; sugar : the refund has been abolished and replaced by an export levy protecting the consumer against price increases and providing substantial revenue for the budget ; eggs - 29 % ; poultrymeat - 40 % . Expenditure in the most costly sector, milk products, is expected to drop in 1981.

(2) Each 1 % linear increase in agricultural prices involves an additional net cost of some 50 million ECU in 1981 and of 130 million ECU for a complete year.

27. It is important to emphasise that the financial repercussions given in the above table are a net figure produced by increases in expenditure and by economies resulting from the Commission's proposals. These two items may be stated as follows:

				million ECU		
: Repercussions	:	Expenditure	:	Economy	: Difference	:
: Over 12 months	:	1.547	:	- 722	: 825	:
: On the part marketing	:		:		:	:
: year falling in the	:		:		:	:
: 1981 financial year	:	549	:	- 304	: 245	:
:	:		:		:	:

These economies are basically produced by measures increasing producer participation in financing disposal of increased production in milk products, cereals, colza, olive oil and processed fruit and vegetables.

The economies in respect of these measures, as proposed by the Commission, are assessed at some 475 million ECU for 12 months.

In fact, these proposals will, finally, involve greater economies still, since they encourage restriction on production.

The agri-monetary measures which bring about the abolition of monetary compensatory amounts in Benelux and the reduction of five points in Germany and the United Kingdom also provide a net economy of some 176 million ECU over 12 months.

Finally, economies are expected through a more flexible approach to the intervention system which the Commission intends to implement in the beef and veal sector (70 million ECU).

28. The cost of the proposed measures over the part of the 1981/82 marketing year falling within the 1981 financial year, 245 million ECU, can be easily covered by the economies amounting to some 400 million ECU. Part C of this document provides the impact of these measures compared with the 1981 budget.

29. These economies result from the extension in 1981 of the management measures taken by the Commission in recent months, as follows :
- suspension of intervention buying-in for forequarters of beef, applied since November 1980, amounting to 32 million ECU ; furthermore, the Commission intends to continue to make the intervention system more flexible in this sector ;

- maintaining some aids at the same level (skimmed milk for feeding calves) or even reduction in some aid (casein), in spite of the increase in the milk price decided upon for 1980/81; the economy may be estimated at 174 million ECU;
 - maintaining or even reducing some aid for butter used for certain purposes, 29 million ECU;
 - the obligation introduced in November 1980 to pay for butter and milk powder delivered to intervention only after a period of 2 months, 13 million ECU;
 - the sharp reduction in December 1980 in the refund rates for butter and skimmed milk powder, made possible by a stock reduction policy which involved an upturn in the world market, 150 million ECU.
30. The present world situation is better than forecast when the last budget forecast was drawn up in September 1980 for several significant products and the monetary trend is also favourable, so that, if these conditions continue, further economies may be expected in 1981.

These possible economies may be explained as follows:

- a sharp rise in the Pound has resulted in a substantial increase in the rate of monetary compensatory amounts levied on imports into the United Kingdom from other Member States: these levies are deducted from EAGGF guarantee expenditure in respect of monetary compensatory amounts;
- continuing good rates on the world sugar market, avoiding the need for granting refunds and even leading to the imposition of export levies, which constitute a part of own resources;
- quite good rates on the world cereals market, in spite of a large harvest in the Community, whereby it has been possible to grant lower refund rates than those adopted for drawing up the 1981 budget.

Apart from the economy of ^{some} 400 million ECU in respect of market management, there are prospects of short term economy, upon which it is difficult to put a figure, on account of the speed and scale of the changes which affect currencies and markets.

31. As for the 1982 budget prospects, it will be possible to contain agricultural expenditure within reasonable limits on account of the proposed measures for increasing producer participation in financing the disposal of increased production.

The financial effect over 12 months of this proposal is assessed at 825 million ECU (and at 490 million ECU taking account of the impact on own resources which results) and may provide an indication of the increase to be borne by the 1982 budget in respect of the guarantee section, provided that in the short term policies, prices and hypotheses remain constant.

In this way, the rate of growth in EAGGF guarantee expenditure, including a sufficient margin for continuing the annual price adjustment for 1982/83, should remain close to or, if possible, below the rate of increase in own resources.

The search for all possible economies resulting from the short term economic situation and from the continuing adaptations allowed by the market situation must also contribute to achieving this objective.

Summary and Conclusion

32. As in 1979, the Community is faced with conflicting requirements. Budgetary restraint and the situation on some markets make it necessary to maintain a moderate price policy; however, the spiralling prices of inputs and the considerable real fall in farm incomes require a considerable increase in farm prices.
33. In the absence of a price policy which takes greater account of the alarming fall in real farm incomes, the Community runs the risk of experiencing very severe social and economic consequences in the farm sector, which would worsen the general economic situation and threaten the future of the common agricultural policy. As a result of the

moderate farm price policy pursued in the past, agriculture has already contributed towards the struggle against inflation. This contribution towards overcoming inflation must nevertheless be maintained within reasonable limits and must not exceed the point where appropriate social and economic conditions can be ensured in agriculture. When fixing the prices for 1981/82, the Community must take account of these requirements and ensure that agriculture can continue to contribute to the interests of the economy as a whole. In many Member States agricultural exports play a very substantial part in the trade balance and it is this trade balance which has worsened considerably since 1978.

34. The 1981/82 price proposals are based on adoption of the new principle of co-responsibility for producers in the financial cost of market support (as proposed by the Commission in its document "Reflections on the Common Agricultural Policy" (COM(80)800 of 5.12.1980)). This principle will make it possible to reconcile budgetary and market restraint with the requirements of agricultural incomes.
35. Final agricultural production rose strongly in 1980 by 7%. Cost inflation was rapid (+ 12%). Product prices rose by 7%. Farm income fell back substantially in real terms (- 8.9%), leaving farmers substantially worse off than other sectors of the economy (farm income since 1968 + 22%, other incomes + 41%). The Commission's proposals are intended to respond to the need for higher support prices in order to lift farmers' revenues while establishing new or improved safeguards against an uncontrolled increase in expenditure. The main features of the proposals are
 - increases in support prices and aids which are generally in the range 6-12% and which can be financed in the limits of own resources and without upsetting budget balance
 - measures involving an element of financial responsibility of producers in the cereals, oilseed, olive oil, milk, beef, processed fruit and vegetable and tobacco sectors (such a measure is already included in the revised regime for sugar)
 - a further step to align green rates with commercial rates by reductions in positive monetary amounts.

Table of price proposals for individual products

Product	Category of price or amount	1980/81		1981/82 proposals		Period of application of the proposed prices	Greece (1)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1980/81 ECU/tonne	Proposals 1981/82 ECU/tonne
1	2	3	4	5	6	7	8	9
Common wheat	Target price	214,01	6,3	231,13	8	1.8.81 - 31.7.82	C.P.	C.P.
	Common single intervention price	155,88	4,5	165,23	6		C.P.	C.P.
	Reference price for bread-wheat (average quality)	179,27	4,5	190,03	6		-	-
	Reference price for bread-wheat (minimum quality)	175,20	4,25	182,21	4		163,02	172,08
Durum wheat	Target price	294,71	6,3	311,83	5,8(2)	1.8.81-31.7.82	C.P.	C.P.
	Intervention price	260,33	4,5	271,09	4,1(2)		232,80	248,21
	Aid	79,24/ha	2,5	85,18	7,5(3)		-	-
Barley	Target price	194,32	6,2	211,81	9	1.8.81-31.7.82	C.P.	C.P.
	Common single intervention price	155,88	4,5	165,23	6		C.P.	C.P.
Rye	Target price	197,31	2,5	211,81	7,35	1.8.81-31.7.82	C.P.	C.P.
	Intervention price	163,82	2,5	169,20	3,28		156,37	163,04
Maize	Target price	194,32	6,2	211,81	9	1.8.81-31.7.82	C.P.	C.P.
	Common single intervention price	155,88	4,5	165,23	6		C.P.	C.P.
Rice	Target price - husked rice	408,16	6,8	257,08	10	1.9.81-31.7.82	C.P.	C.P.
	Intervention price - paddy rice	233,71	6,9				C.P.	C.P.
Sugar	Minimum price for sugarbeet	33,10	4,0	-	-	1.7.81-30.6.82	C.P.	C.P.
	Basic price for sugarbeet	-	-	35,58	7,5			
	Intervention price for white sugar	432,70	5,3	465,20	7,5(8,6)			

Product	Category of price or amount	1980/81		1981/82 proposals		Period of application of the proposed prices	Greece (1)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1980/81 ECU/tonne	Proposals 1981/82 ECU/tonne
1	2	3	4	5	6	7	8	9
Olive oil	Production target price	2479,70	5,5	2727,70	10	1.11.81-31.10.82	C.P.	C.P.
	Intervention price	1801,20	4,0	1909,30	6		1663,00	1791,90
	Production aid	558,10	5,5	600	7,5		111,60	120,00
Oilseeds	Target price						X	X
	- Colza and rape seed	386,90	6,3	425,60	10	1.7.81-30.6.82		
	- Sunflower seed	426,30	7,5	477,50	12	1.9.81-31.8.82		
	Basic intervention price							
	- Colza and rape seed	367,70	4,0	397,10	8	1.7.81-30.6.82		
	- Sunflower seed	400,50	4,0	440,60	10	1.9.81-31.8.82		
	Guide price							
	- Soya seed	420,50	6,5	462,60	10	1.11.81-31.10.82		
- Flax seed	421,80	6,0	464,00	10	1.11.81-31.7.82			
- Castor seed	543,70	5,5	598,10	10	1.10.81-30.9.82			
Minimum price soja seed	386,90	-	416,30	7,6	1.11.81-31.10.82			
Minimum price castor seed	517,80	5,5	569,60	10	1.10.81-30.9.82			
Dried fodder	Fixed rate aid (6)	6,51	1,7	7,03	8	1.4.81-31.3.82	126,5	1,41
	Guide price	134,62	6,5	148,08	10			140,93
Peas and beans	Activating price	375,90	7,5	418,30	11,3	1.7.81-30.6.82	X	X
	Minimum price	226,60	5,5	244,70	8			
Flax and hemp	Fixed rate aid (per ha)					1.8.81-31.7.82	-	59,30
	- Fibre flax	264,71	6,5	296,48	12			53,85
	- Hemp	240,41	6,5	269,26	12			

Product	Category of price or amount	1980/81		1981/82 proposals		Period of application of the proposed prices	Greece (1)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1980/81 ECU/tonne	Proposals 1981/82 ECU/tonne
1	2	3	4	5	6	7	8	9
Seeds	Aid (per 100 kg)			(7)	(7)	(7)		(7)
	- Monoecicus hemp	12,9	1,6	14,2		1.7.82-30.6.83 and 1.7.83-30.6.84	-	2,6
	- Fibre flax	17,8	1,7	19,6	10		-	3,6
	- Linseeds	14,1	1,4	15,5		on	-	2,8
	- Grasses	12,3-50,3	1,7-9,6	13,3-63,6		average	-	2,5 - 11,1
	- Leguminous	4,9-36,8	2,1-8,6	5,4-47,0			4,9-10,0	1,2 - 11,9
- Rice	12,1	-	13,3			-	2,4	
Table wine								
Type RI	Guide price	2,68	5,5	2,95	10	16.12.81-15.12.82	2,41	2,71
RII	(per degree/hl or per hl	2,68	5,5	2,95	10		2,41	2,71
RIII	according to type)	41,79	5,5	45,97	10		C.P.	C.P.
AI		2,51	5,5	2,70	7,5		C.P.	C.P.
AII		55,69	5,5	61,26	10		C.P.	C.P.
AIII		63,60	5,5	69,96	10		C.P.	C.P.
Raw tobacco	Guide price Intervention price	(8)	4,0 on average	(8)	8 on average	1.1.81-31.12.81	-	C.P.
Fruit and vegetables	Basic price	(9)	5,6 on average	(9)	8 - 10	1981 - 1982	-	(9)

Product	Category of price or amount	1980/81		1981/82 proposals		Period of application of the proposed prices	Greece (1)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1980/81 ECU/tonne	Proposals 1981/82 ECU/tonne
1	2	3	4	5	6	7	8	9
Milk (10)	Target price for milk	222,60	4,0	236,00 240,40	6 8	1.4.81-15.9.81 16.9.81-31.3.82	C.P.	C.P.
	Intervention price							
	- for butter	2916,00	2,3	3091,00 3144,60	6 7,8	1.4.81-15.9.81 16.9.81-31.3.82		
	- for skimmed-milk powder	1215,10	4,9	1288,00 1308,70	6 7,7	1.4.81-15.9.81 16.9.81-31.3.82		
	- For cheese							
	. Grana padano 30-60 days	2896,10	3,6	3069,90 3117,60	6 7,6	1.4.81-15.9.81 16.9.81-31.3.82		
	. Grana padano 6 months	3498,50	3,2	3708,40 3758,90	6 7,4	1.4.81-15.9.81 16.9.81-31.3.82		
. Parmigiano-Reggiano 6 months	3807,40	2,9	4035,80 4086,30	6 7,3	1.4.81-15.9.81 16.9.81-31.3.82			
Beef and veal (10)	Guide price for adult bovines (live weight)	1607,60	4,0	1704,06 1752,28	6 9	6.4.81-6.12.81 7.12.81-4.4.82	C.P.	C.P.
	Intervention price for adult bovines (live weight)	1446,80	4,0	1533,61 1577,01	6 9	6.4.81-6.12.81 7.12.81-4.4.82		
	Aid for suckling cows	20	-	21,60	8	6.4.81-4.4.82		
Sheepmeat	Basic price (slaughter weight)	3450,00	-	3657,00	6	6.4.81-4.4.82	C.P.	C.P.
Pigmeat	Basic price (slaughter weight)	1587,21	5,5	1730,06	9	1.11.81-31.10.82	C.P.	C.P.
Silkworms	Aid per box of silk seed Aid to recognized producer groups (per box)	71,21	5,5	78,33	10	1.4.81-31.3.82	58,79	62,70

- (1) Prices for which the level is different from the common price level. C.P. = Common price.
- (2) The same absolute amount as for common wheat.
- (3) Provisional, the final amount and the criteria of application to be determined in the light of the report being submitted by the Commission on this product.
- (4) The actual increase in 1981/82 will be 8.6 % because of a proposed change in the basis of the storage levy/reimbursement scheme.
- (5) The aid for cotton seed will be replaced at the beginning of the year 1981/82 by a regime defined in Protocol n° 4 attached to the Act of Accession of Greece concerning cotton.
- (6) For dried potatoes the fixed aid will be 13.41 ECU/tonne (+ 3 %). For Greece : 2.68 ECU/tonne.
- (7) The proposals refer to marketing years 1982/83 and 1983/84. The aids for 1981/82 have already been fixed (column 3). For Greece, the proposed aids are as follows :

	<u>1982/83</u>	<u>1983/84</u>
- Monoecious hemp	3.6	4.7
- Fibre flax	4.9	6.5
- Linseeds	3.9	5.2
- Grasses	3.3-15.9	4.4-21.2
- Leguminous	1.7-14.3	2.2-16.5
- Rice	3.3	4.4

- (8) Twenty six varieties of tobacco, the prices for which apply to the calendar year.
- (9) Products in Annex II of the Council Regulation of 18 May 1972 and periods varying according to the products.

Cauliflowers (+ 10 %) :	1.5.1981 to 30.4.1982	Table grapes (+ 10 %) :	1.8.1981 to 31.10.1981
Tomatoes (+ 8 %) :	11.6.1981 to 30.11.1981	Apples (+ 9 %) :	1.8.1981 to 30.6.1982
Peaches (+ 10 %) :	1.6.1981 to 30.9.1981	Mandarines (+ 9 %) :	16.11.1981 to 28.2.1982
Lemons (+ 10 %) :	1.6.1981 to 31.5.1982	Sweet oranges (9 %) :	1.12.1981 to 31.5.1982
Pears (+ 10 %) :	1.7.1981 to 30.4.1982		

In the case of Greece lower prices are to be fixed for tomatoes, peaches, **lemons**, mandarines and oranges and higher prices for pears and table grapes.

The common prices are applicable for cauliflowers and **apples**:

- (10) Price increase in two steps. The % price increase for the second period includes the % price increase for the first period (column 6).

CEREALS

(other than Rice)

PRICE PROPOSALS

1. Cereal production and the Community market for cereals are in full expansion. The "silo" support price system has been successful in meeting the sector's requirements, but some improvements are needed. The approach to the price proposals for cereals needs to take specific account of the following problems which continue to arise in connection with the management of the cereal market
 - competition on the animal feed market from products which are not subject to the same level of import charges as cereals. The other side of this problem is the need to conclude formally the agreement with Thailand on imports of manioc and, in relation to other exporters of this product, to bring to a satisfactory conclusion as soon as possible the negotiating mandate given to the Commission by the Council on 16.12.1980.
 - the rapid increase in the volume of cereals production, particularly cereals of the easiest and most profitable kinds; in 5 years, production (in million tonnes) has risen from:
 - . 33.7 (in 1975/76) to 47.5 (in 1980/81) for common wheat
 - . 32.5 (in 1975/76) to 40.3 (in 1980/81) for barley;
 - rapidly rising yields, combined with a trend towards lower quality, especially for common wheat;
 - the insufficient increase in the amount of Community cereals used in animal feed, particularly as a result of the appreciable rise in the consumption of the products referred to in the first indent. In five years, the total quantity (in million tonnes) of Community cereals used in animal feed has increased:
 - . from 28.9 to 32.8 (+3.8) for common wheat (production was up 13.8)
 - . from 16.7 to 20.2 (+3.5) for barley (production was up 7.8).
2. Accordingly, the economic policy to be followed is very clear. The cost of cereal exports should be reduced and consumption within the Community should be encouraged, particularly for use as animal feed. These objectives must be pursued by means of a small adjustment in the price ratios in the "silo" system and in the context of a measure of producer co-responsibility.

- i) even if the target price for feed grain can be increased by 9% , and for wheat by 8%, the rise in the common intervention price should be slightly less (6%) in order to encourage sales on commercial markets within the Community and elsewhere,
 - ii) the Commission urges the need for a clearer distinction between common wheat which is truly of bread-making quality and other qualities and the advantages of establishing a well-defined medium quality. Accordingly, it is proposing an increase of no more than 4% in the reference price (minimum quality) in order to limit the difference between this price and the common intervention price, as requested by all branches of the trade on the occasion of a meeting of the Advisory Committee on Cereals. It is worth recalling that some 5 million tonnes of wheat of minimum bread-making quality have been bought-in, including 3 million tonnes in the first three months of the 1980/81 marketing year.
3. The key elements of the 1981/82 price proposals for cereals are therefore:
- i) the granting of an increase of 9% in target prices for the whole of the feed grain market, on which supplies fall short of demand;
 - ii) limiting that rise to 6% in respect of the general intervention guarantee (the common single intervention price);
 - iii) further limiting that rise in respect of guaranteed prices exceeding the common single intervention price: 4% for common wheat of minimum bread-making quality and 3.28% for rye. It should be noted that the price proposal for rye is in accordance with Council Regulation (EEC) No 1870/80 of 15 July 1980 (OJ No L 184 of 17.7.1980, page 1);
 - iv) limiting the increase for common wheat of medium bread-making quality (the one used for calculating the target price) to 6% , i.e. the same as for the common single intervention price. There is a case - in order to maintain the relationship between medium bread-making quality and feed-grain quality - for making the increase the same in both cases so as to encourage the market to give preference to the better quality.

- v) in view of the specific additional limit on the increase proposed for common wheat of minimum bread-making quality and for rye, it is possible to propose an increase of about 8% in the target price for common wheat and 7.35% for rye;
- vi) the proposal to leave unchanged the special premium for rye of good bread-making quality corresponds to an increase, for that quality, of 3.18% (174.64 as against 169.26 ECU/tonne);
- vii) for durum wheat the Commission proposes increases in the intervention and target prices by the same amount, in absolute terms, as that proposed for the reference price for common wheat of bread-making quality and for the target price for common wheat, namely 10.76 ECU/tonne for the former and 17.12 ECU/tonne for the latter;
- viii) the scale of aid for durum wheat and the criteria for granting it need to be reworked so as to ensure that aid is granted only in the areas where it is indispensable. The provisional proposal is for a 7.50% increase;
- ix) the proposed monthly increases assume the reimbursement of storage costs as calculated by the Commission, namely 0.96 ECU/tonne, plus a standard amount per month for financing. The resulting proposal is for a monthly increase of 2.24 ECU/tonne for all cereals except durum wheat, for which a monthly increase of 2.40 ECU/tonne is proposed to provide a rise comparable to that for other cereals.

4. The adjustment to the prices applicable in Greece are in accordance with Article 59 of the Act of Accession of Greece (1).

(1) OJ No L 291 of 19.11.1979, p. 17

Related measures: co-responsibility in accordance with the Commission policy set out in document COM(80)800.

5. It is advisable to establish within this sector a system of co-responsibility for the marketing of cereals such as will set a limit on EAGGF financial commitments.

6. In view of the fairly high price level and the improved cropping techniques in this sector, production is expected to rise, resulting in an increase in exports and possibly in budget expenditure. Markets can doubtless be found but if this involves any budget expenditure, it is proposed that producers be called upon to bear some of the cost, as follows:

i) basic quantities, in terms of production, would be fixed for:

- . durum wheat
- . common wheat,
- . all the other cereals together

account being taken of the different levels of support for cereals.

These quantities would have to be fixed now and remain applicable for a given period. Accordingly, it is proposed that they be laid down for a three-year period, on the occasion of the fixing of the 1981 prices. There would be full EAGGF support if these basic quantities are not exceeded. After the three years are over, the Council, acting on a proposal from the Commission, would decide whether to maintain or revise the basic quantities.

On the basis of the average cereal production in the last three campaigns, it is proposed that the basic quantities be fixed as follows:

- 4.4 million tonnes for durum wheat
- 46.9 million tonnes for common wheat,
- 69.6 million tonnes for all other cereals

ii) if production exceeds these basic quantities, the intervention prices and, in the case of common wheat, the support given for wheat of bread-making quality at the reference price would both be reduced. Given the market's normal tendency to respond to changes in the support prices, there will be a corresponding decrease in export refunds and the two main costs involved in disposing of surpluses (intervention and export refunds) will be reduced.

Thus, the quantities bought-in at the beginning of a marketing year will be paid for at a provisional rate, the final payment occurring when the actual volume of production and the intervention price, adjusted in the light of that volume, are known.

Using recent disposal costs for cereal exports as a basis, the Commission has calculated that if the Community's production exceeds the basic quantity by 1% (1.21 million tonnes), the additional budget expenditure would be offset by a 1.7% fall in the intervention and reference prices. For the sake of moderation, the Commission proposes that if production exceeds the basic quantity by 1%, the intervention and reference prices should be decreased by 1%, with a maximum overall decrease of not more than 5%.

Other related measures

8. The most important of these measures is aimed at defining common wheat of medium bread-making quality. Formally, this definition is required since application of Article 4 of the basic Council Regulation No 2727/75 is still in abeyance. The definition, which plays a major role in the completion of the system for cereals, is proposed in terms of the three internationally recognised criteria (protein content, Zeleny index and Hagberg fall time). This proposal replaces the one still before the Council (Doc. COM(80)10 Final, Vol. II of 15.12.80, p. 9).

It should be noted that the definition of medium bread-making quality is not necessarily intended for buying-in purposes, but mainly as a basis for the reference price which, as its name implies, is merely a factor for the calculation of a guide price which allows the development of a sufficient market price for good quality.

9. It is also necessary to clarify the present definition of minimum quality in terms of the Hagberg test and to complete it by adding a protein test.

The proposal is therefore:

- to specify that a 160-second Hagberg fall time corresponds to a fall number of 220 including the 60-second preparation time,
- to complete the definition by adding a protein content criterion of not less than 11%.

10. The method of calculating the carry-over payment must reflect to a greater extent the way in which the Community's internal market operates. At present this payment must not exceed the difference between the guide prices at the beginning and at the end of the marketing year. However, as the payment is intended to compensate for the price break between two marketing years, the difference between the intervention prices is more representative of the price break on the Community market than the difference between the guide prices. Also, it is normal to provide for the financing of a carry-over stock in the context of the price stabilization policy, taking into account the missing increases for June and July, so as to avoid penalizing holders who have to carry over stocks required for the normal operation of the market.

Accordingly, the carry-over payment could be, at most, the difference between the intervention price for the first month of the marketing year, plus 11 monthly increases, and the intervention price for the following marketing year.

11. In view of the present situation on the Community market it is proposed that the carry-over payment should not exceed the difference indicated in the second subparagraph of paragraph 10, for common wheat, for rye delivered to the mills and for maize in areas where there is a surplus.

12. Starch. The Commission is preparing further proposals on the arrangements for starch and related products. These proposals, which will result in a reduction of direct expenditure in this sector, will be presented separately.

C E R E A L S

PRICE PROPOSAL FOR 1981/82

	1980/81 Price	Proposed Increase	1981/82 Proposal
1. Common intervention price	155.88	+ 6%	165.23
2. Target price for feed grain	194.32	+ 9%	211.81
3. Reference price for bread wheat			
. <u>EEC 9</u> - medium quality	179.27	+ 6%	190.03
- minimum quality	175.20	+ 4%	182.21
. <u>Greece</u> - medium quality	-		-
- minimum quality	163.02	+ 5.56%	172.08 (1)
4. Target price for common wheat	214.01	+ 8%	231.13
5. Intervention price for rye			
. <u>EEC 9</u> (Reg. (EEC) No 1870/80 165.23 + 3.97 = 169.20)	163.82	+ 3.28%	169.20
. <u>Greece</u>	156.37	+ 4.26%	163.04 (1)
6. Special increase for rye of bread-making quality	5.44		5.44
7. Target price for rye (aligned on target price for feed grain)	197.31	+ 7.35%	211.81
8. Intervention price for durum wheat			
. <u>EEC 9</u>	260.33	+ 4.13%	271.09
. <u>Greece</u>	232.88	+ 6.58%	248.21 (1)
9. Target price for durum wheat	294.71	+ 5.81%	311.83
10. Direct aid for durum wheat			
. <u>EEC 9</u>	79.24	+ 7.50%	85.18 (2)
. <u>Greece</u> a)	50.24	+13.91%	57.23(1)(3)
b)	0	-	17.04(1)(4)

(1) Taking account of the first alignment of prices

(2) The criteria for granting, and the definitive amount of, direct aid for durum wheat will be fixed later after amendment and reworking in the light of the report on that cereal

(3) Region of Greece already in receipt of national aid

(4) Region which has not previously received national aid

RICE

1. The production of rice in the Community in 1980 was slightly down compared with the previous year. The fall would have been greater had particularly high yields not offset an appreciable decrease in the area sown.

Accordingly, a rise in the intervention price is justified, not only to maintain rice production at its present level, but also to take account of the substantial inflation of producer prices in Italy (96% of the Community's production) during the past marketing year.

2. It is therefore proposed that the intervention price for paddy rice (round and long) be raised by 10%.

The guide price, in accordance with Article 4 of Regulation (EEC) No 1418/76, is derived from the intervention price and is based on several technical factors such as the cost of processing paddy rice into husked rice and the cost of transport between Vercelli (area of surplus) and Duisburg (area of deficit). These still have to be updated but point to an increase of % in the guide price for the 1981/82 marketing year.

3. It is proposed that the monthly increases be similar to those for cereals, in other words, an increase of 2.77 ECU in respect of the intervention price and 3.47 ECU in respect of the guide price.

S U G A R

1. In 1980/81 sugar production in the Community has again been marked by a very good harvest. The area under beet has been reduced by growers in the United Kingdom, the Netherlands and Ireland but increased elsewhere, especially in Italy. Thanks to the excellent autumn weather the sugar yield per hectare was 11% above the normal Community yield. Production thus attained 12.0 million t, compared with 12.3 million t in the 1979/80 sugar year, and exceeded foreseeable consumption by 2.6 million t. These figures point to a self-supply rate of 128%. The total quantity available for export, allowing for imports of 1.3 million t of preferential sugar and a normalization of stock levels, will exceed 4 million t, of which 1.1 million t of C sugar will be exported without refunds.

2. In contrast to the Community's sugar situation, world production in the 1980/81 sugar year will fall short of foreseeable world consumption for the second year running. Assuming consumption in 1980/81 stays at around the level reached in 1978/79 (90 million t), the production shortfall will be on the order of 3 million t, following one of 5.4 million t in the previous sugar year. The low level of production in the last and current sugar years is mainly attributable to very bad harvests in the USSR and Cuba as a result of the weather.

Stocks, after reaching a record level of 31.4 million t at the end of the 1978/79 sugar year, are expected to reach around 23 million t at the end of the present sugar year, with no reserves above what is strictly necessary to maintain supplies until the next harvest.

3. Sugar prices on the world market had already more than doubled in 1979/80 in response to changes in the supply situation. In May 1980 they overtook Community price levels. Since then the spot price for raw sugar in New York has fluctuated between 25 cts and 43 cts/lb, compared with a Community f.o.b. price of 24 cts/lb. The movement of world market prices in the next few months will largely depend on prospects for the next harvest of 1981/82. In the medium term the situation will be increasingly influenced by the secondary use of cane to produce fuel alcohol and by the rise in isoglucose production.

4. With regard to Community prices for 1981/82, the Commission's proposals must be based on its proposal for a Council Regulation on the common organization of the market in sugars (doc. 10 009/80, COM(80)553).

Taking this as its starting point, the Commission proposes:

- (a) fixing the basic price for sugar-beet at 35.58 ECU/t, that is 7.5% more than the 1980/81 minimum price for sugar-beet;
- (b) fixing linked intervention prices for white sugar and raw sugar at 46.52 ECU/quintal and 38.58 ECU/quintal respectively, that is 7.5% more than the present intervention price;
- (c) increasing the reimbursement of storage costs by 0.12 ECU, i.e. from 0.46 to 0.58 ECU/quintal/month, to take account of the rise in interest rates;
- (d) increasing the threshold price for molasses by 7.5% to offset at least partially the increase in world market prices and in selling prices obtaining in the Community.

OLIVE OIL

PRICE AND AID PROPOSAL

1. Taking into account the co-responsibility measures described in paragraph 2 below and on the assumption that they will be applied from 1 November 1981, the Commission proposes the following prices:

a) Production target price

This price is fixed at a level which is fair to producers, account being taken of the need to keep Community production at the required level. The Council fixed this price at 247.97 ECU/100 kg for the 1980/81 marketing year. It is proposed that it be fixed at 272.77 ECU/100 kg for 1981/82, an increase of 10 %.

The increase takes account of the general price increase proposed by the Commission and of the effect of harvesting costs on total production costs.

b) Production aid

This aid, which is intended to contribute to the attainment of a fair income for producers, is fixed taking into account the effect which consumption aid has on only part of production.

The Council fixed this aid at 55.81 ECU/100 kg for the 1980/81 marketing year. It is proposed that it be fixed at 60 ECU/100 kg for 1981/82. This represents an increase of 7.5%. The proposal takes account of certain problems in connection with control and has been made pending an improvement in the present situation to be achieved as a result of the efforts undertaken in the major producer Member State.

In addition, under Article 5(4) of Regulation No 136/66/EEC the Council may allocate a percentage of the production aid to the financing of regional measures to improve the quality of olive oil production.

This provision has not yet been implemented.

Since disposal problems have arisen in some producer regions, mainly as a result of production conditions, and since it is in the producers' interest that general steps should be taken to eliminate certain factors which are influencing the quality of the oil produced,

the Commission feels that the time has come to propose measures which are intended to improve product quality without involving an appreciable increase in the volume of production.

It is therefore proposed that the Council set aside 3% of the production aid granted in Italy and France for 1981/82 for carrying out the above measures in those countries.

The Commission, as appropriate, will present to the Council as soon as possible proposals for the introduction of the measures provided for in Article 5(4) of Regulation No 136/66/EEC.

c) Intervention price

The intervention price is equal to the production target price less the production aid and less an amount which takes into account market fluctuations and the cost of transporting olive oil from production areas to consumption areas.

The Council fixed it at 180.12 ECU/100 kg for the 1980/81 marketing year. The proposal for 1981/82 is 190.93 ECU/100 kg, an increase of 6 %.

Since 1975/76, in spite of the fact that the Community has an olive oil deficit, large quantities of this product have been offered for intervention. This is explained by the fact that the difference between the production target price, less the production aid, and the intervention price is insufficient to ensure the necessary market fluidity. The Council increased the difference for 1980/81, but the Commission feels that the increase decided on then is insufficient and that a further increase is therefore required.

d) Monthly increases

In view of the trend in storage costs and the need to ensure the smooth disposal of produce, it is proposed that the monthly increases be raised by the same percentage as the production target price, i.e. 10 %.

e) Greece

Pursuant to Articles 79 and 81 of the Act of Accession of Greece, it is proposed that the intervention price and the production aid applicable in Greece for 1981/82 be fixed at 179.19 ECU/100 kg and 12 ECU/100 kg respectively.

RELATED MEASURES: CO-RESPONSIBILITY

2. In its Communication to the Council entitled "Reflections on the common agricultural policy" (COM(80)⁸⁰⁰/final of 5 December 1980) the Commission set out the general case for the introduction, in various market organizations, of the notion of co-responsibility of producers beyond a certain volume of production. In the case of olive oil there are specific reasons which also justify co-responsibility from the 1981/82 marketing year onwards.

In the first place, the enlargement of the Community to include Greece will appreciably alter the balance of the olive oil market, transforming it from a market with a structural deficit into one which, at least in good years, may well show a surplus.

Secondly, in spite of the changes made in 1978 to the market organization and to the responsibilities of producers' organizations, which are now involved in the management and control of production aid, the Commission has reached the conclusion that the problems motivating the changes have not been completely solved. The difficulties attendant upon checking that the production aid is granted only in respect of actual production seem to persist, in spite of the efforts made. Such a situation must not be allowed to continue. Moreover, similar difficulties can be expected to arise in Greece, where about 300 000 producers will have to be monitored.

3. The Commission therefore proposes that the following changes be made to the common organization of the market in olive oil:
- a) based on production over the last three campaigns for which definitive information is available, a maximum volume of production would be fixed, taking account of the alternate harvests characteristic of the crop; for the next three marketing years maximum production could be fixed at 700 000 tonnes;
 - b) production aid would be granted, within the limits of the quantity referred to in a), at a rate fixed by the Council;
 - c) where the quantity receiving aid during a marketing year was less than the maximum quantity referred to in a) the difference between the maximum quantity and the quantity for which aid was granted would be carried forward to the next marketing year;
 - d) where the quantity receiving aid during a marketing year exceeded the maximum quantity plus, where appropriate, the quantity carried over from previous marketing years the rate of aid would be multiplied by a coefficient obtained by dividing the maximum quantity plus, where appropriate, the quantity carried over from previous marketing years by the quantity which received aid;

e) an advance not exceeding a percentage to be determined of the rate of aid fixed by the Council would be granted during the marketing year, the balance (if any) to be paid only after the total quantity receiving aid had been ascertained.

. The Commission emphasises that the problem of olive oil must also be considered within the general policy on oils and fats, particularly in view of a further enlargement of the Community. This will be the guideline for a comprehensive study in the coming months. The Commission recalls in this respect its position in its communication to the Council concerning the Spanish accession negotiations (cf. COM(80) 55 final, Part I, 26.3.1980, pp. 9 and 10).

OILSEEDS

I. Colza, rape and sunflower seed

PRICE PROPOSAL

1. When it fixed the agricultural price for the 1980/81 marketing year, the Council, by Regulation (EEC) No 1585/80 (1), decided to introduce a single intervention price system for colza and sunflower seed throughout the Community from the 1982/83 marketing year and, to that end, to fix the basic intervention price for the 1981/82 marketing year at a level which would permit a smooth transition to the single intervention price system which will be established for 1982/83.

In addition, the difference between this price and the target price must be sufficient to assure free movement of these oilseeds in the Community under natural conditions.

To that end, the Commission is of the opinion that the difference between the target price and the basic price should be further increased.

2. In the light of the foregoing and of the co-responsibility measures described in paragraph 4 below, supposing that they will enter into effect on 1 July 1981 for colza seed, the Commission proposes the following prices:

a) Target price:

This is to be fixed at a level considered fair to the producer, account being taken of the need to keep Community production at the required level. For the 1980/81 marketing year the Council fixed the target price at 38.69 ECU/100 kg for colza seed and 42.63 ECU/100 kg for sunflower seed.

It is proposed that it be fixed for the 1981/82 marketing year at 42.56 ECU/100 kg and 47.75 ECU/100 kg, respectively. These prices represent increases of 10 % and 12 %, respectively.

This increase for colza seed reflects the general increase in prices proposed by the Commission. As regards sunflower seed, the larger increase proposed also reflects the fact that there is no difficulty in selling products processed from sunflower seed: both oil and oilcake are sought after. Proof of this is to be found in the fact that to satisfy its needs the Community imports about 1 million t of sunflower seed per year. This figure should be seen in comparison with Community production of about 350 000 t in 1980.

(1) OJ No L 160, 26.6.1980, p. 2

In the southern regions of the Community, where oilseed production is relatively little developed, the prospects for sunflower seed are therefore better than for colza seed. Consequently, the Commission considers that there are valid reasons for encouraging sunflower seed production and proposes an above-average increase in the target price for these products.

b) Basic intervention price:

The Council fixed this price for the 1980/81 marketing year at 36.77 ECU/100 kg for colza seed and 40.05 ECU/100 kg for sunflower seed. In the light of the criteria referred to in paragraph 1 above, it is proposed that the basic intervention price be fixed at 39.71 ECU/100 kg and 44.06 ECU/100 kg, respectively. These prices represent increases of 8% and 10% respectively for both products.

c) Monthly increases:

The monthly increases are to be fixed taking into account average storage costs and interest charges in the Community. For the 1980/81 marketing year the monthly increases were fixed at 0.404 and 0.478 ECU/100 kg for colza and sunflower seed respectively.

For the 1981/82 marketing year it is proposed that the monthly increases be raised to 0,452 ECU/100 kg for colza seed and 0,535 ECU/100 kg for sunflower seed, i.e. a 12 % increase for both products. This increase should be adequate to cover the rise in costs which may have occurred in most regions of the Community. In order to take account of the increase in production, it is further proposed that the monthly increases for colza be applied for eight months.

RELATED MEASURES: "CO-RESPONSIBILITY"

3. Colza and sunflower seed had for years accounted for almost all oilseed production in the Community.

Since the common organisation of the market in oils and fats was established in 1966, production of these seeds has developed substantially, as is shown by the following figures:

Production in the Nine ('000 t)

	1967	1972	1979	1980
Colza seed	650	1 100	1 200	2 050
Sunflower seed	25	90	225	350

Whereas for sunflower seed the development of production raises no problems, it is a different story for colza, particularly since 1980. During the period from 1972 to 1979 production of colza seed more or less stabilised at between 900 000 and 1 200 000 t. In 1980, however, production rose sharply, as a result of an increase in the area sown and a particularly high yield per hectare caused by favourable weather conditions. Production is thus estimated at 2 050 000 t, i.e. 70% more than in the previous year. Although the increase in production applies to all the main producer Member States, it was greatest in France, the largest producer in the Community: from 510 000 t in 1979 to 1 150 000 t in 1980.

Although it cannot be claimed that the sudden increase in production has led to major difficulties of disposal, there are indications that there are some problems. In the past sales of colza seed to the intervention agencies accounted for only a minute fraction of the harvest and only ever once exceeded 1% of total production. At the end of 1980, however, 90 000 t from the 1980/81 marketing year were bought-in and there is a possibility that further quantities may follow. It is also forecast that, given normal weather conditions, production in 1981 will again increase. In fact at the end of 1980 about 20% more winter colza was sown than in 1979. Consequently, in view of the "Reflections on the common agricultural policy" (1) by the Commission, consideration should be given to whether the development of colza seed production in the Community does not need to be better adapted to the requirements of the Community and world markets. For a study to be complete it must take account not only of colza seed as such but also of the oil and oilcake obtained by processing the seed. Indeed, it is the possibility of finding outlets for colza oil and oilcake at economically viable prices that determines whether production of colza seed is excessive or not.

As regards colza oilcake, there have so far been no real problems of disposal, mainly because the Community has a large deficit of proteins (oilcake). Production of oilcake from colza of Community origin accounts for scarcely 4% of the Community's total oilcake requirements.

(1) COM(80)800 final, 5.12.1980.

The prospects for the sale of colza oil at an economically viable price, on the other hand, are not unlimited. The fact is that different types of vegetable oil (sunflower, soya, groundnut, palm, etc.) can be substituted for one another to a limited extent only and not as easily as in the case of oilcake. Both technical and commercial factors restrict the interchangeability of these oils. Thus, although consumption of colza oil in the Community accounts for only about 11% of total vegetable oil consumption in the Community, the Community has to export a substantial amount of its production (about 170 000 t/year during the period from 1976 to 1979).

A major change in this situation seems unlikely in the near future.

In conclusion, the factor limiting the sale of colza seed production in the Community at present is the limited ability of the Community market to absorb the colza oil available. On the world market competition from other oils (palm, soya) means that our exports cannot easily be increased.

4. Given this imbalance between supply and demand for Community colza oil, which is likely to worsen if production increases excessively, the Commission considers that a system of producer co-responsibility beyond a certain volume of production must be introduced in this sector as well.

Such a system would entail the following amendments to the common organisation of the market in colza seed:

- a) a maximum production figure would be fixed for each marketing year in the light of the outlets for the products obtained by crushing the seed; for the next three marketing years the figure could be fixed at 2 200 000 t (i.e. the average of the last three campaigns, with an addition of 50%);
- b) where, during a given marketing year, production marketed exceeded the maximum production figure referred to in a), aid and prices payable would be reduced by an amount to be determined for each percentage point by which the figure has been exceeded. The amount would be calculated in such a way that producers were sufficiently deterred from expanding colza production beyond the target figure, but it would be subject to a ceiling to be determined. For the 1981/82 marketing year the ceiling figure for the reduction applicable to aid and prices could be fixed at 1.93 ECU/100 kg.
- c) an advance on aid and prices would be paid during the marketing year and the balance would be paid only after the overall quantity placed on the market had been determined.

Other related measures

In its report to the Council on the situation in the Community colza market (1) the Commission pointed out that the varieties of colza of the "00" type yielded a much better quality of oilcake and that the Community should encourage that source of high-quality protein for animal feed to develop.

To that end the Commission announces its intention to propose, when the quality increases and reductions applicable to colza seed offered for intervention during the 1981/82 marketing year are fixed, a special quality increase for colza seed of type 00. Such an increase would enable producers using type 00 colza to charge a higher market price for their products. There would be no major problem of control and there should be no additional expenditure for the EAGGF.

In view of the Community preference provided for in the aid system, the Commission does not think that such a measure would lead to an increase in the quantities offered for intervention.

(1) COM(80)66 final, 22.2.1980

II. Soya

1. By its Regulation (EEC) No 1614/79 (1) the Council adopted a new system of aid for soya beans, which entered into force on 1 November 1980. Under the new system a guide price (prix d'objectif) is to be fixed each year, at a level considered fair to producers, taking into account the supply requirements of the Community.

When the guide price exceeds the world market price, aid equal to this difference is paid to any purchaser who fulfils certain conditions and in particular has paid the producer of soya beans a price at or over the minimum price.

The minimum price must also be fixed annually, at a level which is as close as possible to the guide price, but which allows for market fluctuations and transport from production zones to the areas of use.

2. For the 1980/81 marketing year the guide price for soyabeans was fixed at 42.05 ECU/100 kg. The minimum price was 38.69 ECU/100 kg.
3. In view of the marked Community deficit of soya oilcake it is desirable that producers' renewed interest in soya growing be maintained. It is therefore proposed that the guide price be increased by 10% to 46.26 ECU/100 kg.

It is also proposed that the minimum price be fixed at 41.63 ECU/100 kg, equal to 90% of the guide price. The necessary fluidity of the market should thus be ensured.

(1) OJ No L 190, 28.7.1979, p. 8

III. Flax

1. Under Article 1 of Regulation (EEC) No 569/76 (1) the Council fixes a guide price (prix d'objectif) each year for flax seed, in order to ensure a fair income for producers.

For the 1980/81 marketing year this price was fixed at 42.18 ECU/100 kg. It is proposed that it be increased for the 1981/82 marketing year to 46.40 ECU/100 kg. This represents an increase of 10 %.

With this increase taking account, as it does, of the increase proposed for other competing crops, the Commission hopes that Community growers will maintain their interest in the growing of flax and in particular in the growing of seed flax, which has declined substantially in recent years.

(1) OJ No L 67, 15.3.1976, p. 29

IV. Cotton seed

The system of aid in respect of cotton seed introduced by Regulation (EEC) No 1516/71 (1) is to be replaced with effect from the 1981 harvest by a system of aid for cotton growing established by Protocol 4 to the Act of Accession of Greece (2). The Commission is therefore not making further proposals on aid for cotton seed.

As certain technical and economic data required for fixing the guide price (prix d'objectif) for cotton that has not been ginned and the quantity referred to in paragraph 3 of the Protocol in question are not available, the Commission is not in a position to make proposals on the matter at this stage.

(1) OJ No L 167, 17. 7.1971, p. 1

(2) OJ No L 291, 19.11.1979, p. 17

V. Castor seed

1. Article 1 of Regulation (EEC) No 2874/77 (1) provides for a guide price (prix d'objectif) to be fixed annually for castor seed at a level considered fair to producers, taking into account the supply requirements of the Community. Article 2 of that Regulation provides that a minimum price shall be fixed each year at a level which guarantees castor seed producers that sales take place at a price which is as close as possible to the guide price, taking into account market fluctuations and the cost of transport of the seed from the production areas to the processing areas.

For the 1980/81 marketing year these prices were fixed at 54.37 and 51.78 ECU/100 kg, respectively. It is proposed that they be increased for the 1981/82 marketing year to 59.81 and 56.96 ECU/100 kg. This represents an increase of 10 %.

2. This increase takes account of the average increase allowed for other products and the fact that for another marketing year producers will be eligible for supplementary aid of 12.09 ECU/100 kg. The difference between the guide price and the minimum price having caused no problems, it is proposed that the minimum price be increased by the same percentage as the guide price, so as to maintain the required fluidity of the market.

(1) OJ No L 332, 24.12.1977, p. 1

PROTEIN CROPS

I. Peas and field-beans

1. Article 1 of Council Regulation (EEC) No 1119/78 laying down special measures for peas and field-beans used in the feeding of animals⁽¹⁾ provides for an aid activating price to be fixed annually in this sector. This price is to be fixed for soya meal at a level which permits peas and field-beans to be used in feed under conditions of normal competition with oilcakes.

When the world market price for soya meal is lower than the activating price an aid equal to 45% of the difference is granted to the feed manufacturer. Article 2 of the same Regulation specifies that the granting of aid is conditional upon the producer having received a price not less than the minimum price - and this minimum price must also be fixed annually, and is intended to ensure a fair return to producers of peas and field-beans, allowing for market fluctuations and the cost of transport from producer to processor.

2. For the 1980/81 marketing year the minimum price was fixed at 22.66 ECU/100 kg and the aid activating price was equal to 37.59 ECU/ 100 kg. The minimum price proved adequate to ensure the expansion of production. It should be noted that in 1979/80, the second year of application of this system, the quantity of peas and field-beans used in connection with it was 250 000 t against 165 000 t in 1978/79.

3. To maintain a satisfactory rate of expansion in this sector it is proposed to increase the minimum price to the producer by 8% to 24.47 ECU/100 kg.

The aid activating price is derived from the minimum price in the sense that once the latter is determined the former must be fixed at a level which ensures that the aid will be adequate for peas and field-beans purchased at the minimum price to be transported to the areas of use and there to compete with oilcake purchased at the world market price.

In order to maintain the necessary equilibrium, the increase of 1.81 ECU in the minimum price gives rise to an increase of 4.24 ECU/100 kg in the aid activating price. It is therefore proposed to fix this price at 41.83 ECU/100 kg.

(1) OJ No L 142, 30.5.1978, p. 8

II. Dried fodder

1. Council Regulation (EEC) No 1117/78 on the common organization of the market for dried fodder⁽¹⁾ provides for a flat-rate aid to be fixed annually for the products concerned, with the aim of improving the supply of protein products to the Community. A guide price is also to be fixed annually, at a level considered fair to the producers. When the world market price is below the guide price, aid amounting to a set percentage of this difference is granted.
2. For the 1980/81 marketing year the flat-rate aid was fixed at 6.51 ECU/per tonne, the guide price was fixed at 134.62 ECU/tonne, and the percentage of the difference between the guide price and the world market price was set at:
 - 80% for dehydrated fodder and protein concentrates
 - 45% for fodder products otherwise dried and ground.
3. For this sector energy costs represent a significant part of the costs of production. It is undeniable that the production of dried fodder requires a higher input of energy than does the processing of most other products of agricultural origin.

In certain Member States, however, considerable efforts have recently been made to find ways of reducing fuel consumption in drying plants and encouraging results have already been obtained. Other aspects of the sector must also be taken into account.

Dried fodder is after colza the most important protein crop of Community origin. It provides the highest yield in protein per hectare, and is the most efficient way, from the point of view of animal nutrition, to use lucerne, as well as involving the least wastage. Lucerne is a crop of particular interest to the producer agronomically, since it improves the quality of the soil, thus benefiting the crops which follow it; and the dried fodder industry absorbs the produce of approximately 170 000 ha of lucerne and grass annually.

¹ OJ No L 142, 30.5.1978, p. 1

It should also be mentioned in this context that the cost of support for this product is relatively low.

4. The rules in force state that from 1 July 1981 the dried fodder support system will no longer cover dehydrated potatoes. When this decision was taken it was hoped that the Council would be able to adopt the common organization of the market in potatoes in time for it to become operative on this date. The Commission considers that, in view of the present state of advance of discussions, the support system should include dehydrated potatoes for another year.
5. It is therefore proposed to increase the guide price by 10 % to 148.08 ECU/tonne. For the flat-rate aid, increases of 8 % to 13.41 ECU/tonne for dried potatoes and to 7.03 ECU/tonne for the other products appear appropriate.
6. For Greece the guide price will be 140.93 ECU/tonne and the flat-rate aid 2.68 and 1.41 ECU/tonne respectively.

TEXTILE FIBRES

I. Fibre flax

1. Article 4 of Regulation (EEC) No 1308/70 (1) provides that every year a flat-rate aid for fibre flax shall be so fixed as to ensure an even balance between the volume of production required and the quantity that can be sold. For the 1980/81 marketing year, the aid was fixed at 264/71 ECU/ha, 7.94 ECU/ha (3%) of which were not paid to the beneficiaries but earmarked for the financing of the promotion provided for in Regulation (EEC) No 2511/80 (2).
For 1981/82 it is proposed that the flat-rate aid per hectare should be increased by 12 % and that that part of the aid earmarked for the financing of the measures referred to above should be increased to 14.82 ECU/ha (5%).
The resulting gross aid is 296.48 ECU/ha, of which 281.66 ECU would be paid directly to the beneficiaries.
2. The Commission takes the view that a 12¹/₂ increase in the aid, higher than the average proposed for other products, should ensure that the cultivation of fibre flax remains a profitable proposition; it also feels that an increased financial participation by producers in measures to encourage use of the product is fully justified, since they are indirectly the beneficiaries.
3. In accordance with its statement included in the minutes of the Council meeting of 30 September 1980, the Commission proposes that the estimated cost of the promotion measures provided for in Regulation (EEC) No 2511/80 should be fixed at 1 200 000 ECU. Of this sum, an amount of 856 000 ECU will be provided by that part of the aid diverted from the beneficiaries (assuming that areas sown remain the same, at 57 800 ha). The balance is to be financed by the Community.
4. Pursuant to Article 68 of the Act of Accession of Greece, it is proposed that the aid applicable for Greece should be fixed at 59.30 ECU/ha (20% of the aid applicable in the other nine countries) and that that part of the aid intended in Greece for measures to encourage use of flax fibres should be fixed at 2.97 ECU/ha, matching the percentage subtracted from the flat-rate aid in the other nine countries (5%).

(1) OJ No L 146 of 4. 7.1979, p. 1

(2) OJ No L 256 of 1.10.1980, p. 61

II. Hemp

1. Article 4 of Regulation (EEC) No 1308/70 (1) provides that every year a flat-rate aid per hectare for hemp shall be so fixed as to ensure an even balance between the volume of production required and the quantity that can be sold. For the 1980/81 marketing year, the aid was fixed at 240.41 ECU/ha. For 1981/82, it is proposed that the aid be raised to 269.26 ECU/ha, an increase of 12%.
2. The Commission takes the view that an increase in the aid exceeding that proposed for other agricultural products plus the expected increase in the selling price (almost all the output is under contract) should offset income losses suffered by growers having difficulty in disposing of seed and tow.
3. Pursuant to Article 68 of the Act of Accession of Greece, it is proposed that the aid applicable in Greece should be fixed at 53.85 ECU/ha (20% of the aid applicable in the other nine countries).

(1) OJ No L 146 of 4.7.1970, p. 1

III. Silkworms

1. Article 2 of Regulation (EEC) No 845/72 (1) provides that an aid shall be fixed each year (per box of silk seed used) in such a way as to help ensure a fair income for silkworm rearers. For the 1980/81 marketing year, the aid was fixed at 71.21 ECU per box. For 1981/82 marketing year, it is proposed that this should be raised to 78.33 ECU/box, an increase of 10%.
2. The Commission hopes that this aid, together with the price which the rearer can expect to obtain in view of the current and foreseeable market situation, will permit the objective pursued to be attained.
3. Pursuant to the provisions of Article 68 of the Act of Accession of Greece, it is proposed that the aid applicable in Greece should be fixed at 62.70 ECU/box (alignment by one-fifth of the difference of 19.54 ECU between the aid granted in the other nine countries and the aid granted in Greece).

(1) OJ No L 100 of 27.4.1972, p. 1

WINE

1. Apart from the markets policy it administers, the Community has always attached special importance to the pursuit of a structural policy in the wine sector. This is shown by the many radical changes made in common agricultural policy instruments in the sector between 1970, which saw the institution of a full-blown common market in wine, and 1980, when the 1980-86 programme of action for the wine sector was adopted.
2. In formulating its price proposals in this sector for 1981/82, the Commission must therefore take account not only of the present market situation of the sector, but also of the conclusions recently arrived at by the Council on a new wine policy and its general thinking regarding the common agricultural policy.
3. As regards the present market situation, Article 2(2) of Council Regulation (EEC) No 337/79 of 5 February 1979 on the common organization of the market in wine provides that the guide price be fixed on the basis of the average prices for each type of wine during the two wine-growing years preceding the date of fixing and on the basis of price trends during the current wine-growing year.
4. Prices for wine in the EEC (on the basis of communications from Member States under Regulation (EEC) No 337/79 have moved as follows:

Wine-growing year	R I ECU/°/hl	R II ECU/°/hl	R III ECU/hl	A I ECU/°/hl	A II ECU/hl	A III ECU/hl
1977/78	2.490	2.558	47.06	2.158	38.34	46.36
1978/79	2.680	2.605	57.29	2.151	47.11	58.88
1979/80	2.209	2.156	54.18	1.828	47.61	71.37
1980/81 ⁽¹⁾	2.327	2.132	68.35	1.783	55.71	76.43

⁽¹⁾ from 2 September to 16 December 1980

5. For most types, prices recorded during the 1979 wine-growing year were lower than those of the previous wine-growing year, namely R I (-17.5%), R II (-17.2%), R III (-5.4%), A I (-15%), the exceptions being white wines of types A II (+1%) and A III (+21.2%).

Observation of trends in the first few months of the present wine year shows that quotations have changed very little for wines of type R II (-1%) and have risen for wines of types R I (+5.3%), R III (+26.2%), A II (+ 17%) and A III (+7.1%). Quotations for white wines of type A I, by contrast, have fallen once again (-3.5%).

6. A comparison of current market prices (averaged over the period 2 September to 15 December) with present guide prices makes the situation even clearer:

<u>Type</u>	<u>In % of guide price</u>
R I	91.6
R II	84
R III	172.6
A I	74.9
A II	105.5
A III	126.8

7. This situation has arisen because of the exceptionally good harvest in 1977 (177 million hl compared with an average of 144 million hl over the previous five years) which has not been entirely absorbed in spite of the major intervention measures instituted by the Community by way of distillation. The 1980 harvest (150 million hl) has been added to the already very large stocks existing at the start of the year, leading to extremely high reserves indeed. The Community has therefore been led to introduce market relief measures at the outset of the marketing year (preventive distillation and more particularly price guarantees for storers). Price quotations have not reacted to these measures in the same way for the different types of wine, as the above figures show. In the case of the most important types, while red wine quotations have held up quite well, white wines have fallen more sharply than before. This has already led the Council, acting on a Commission proposal, to widen the difference between guide prices and activating prices for white wines. At this stage it would seem necessary to make an even sharper distinction between guide prices for white wines and those for reds from southern regions.
8. Given these considerations, the Commission proposes an increase of 10 % in guide prices for all wines except A I, for which the Commission proposes an increase of 7.5 %.

Related "Co-responsibility" measures

9. It should also be stressed that the current price situation, while it will probably not change significantly in the immediate future, should tend towards greater stability following the inception of the 1980-86 programme of action for the wine sector, which is aimed at medium-term equilibrium between production and demand.

10. The policy introduced by the Council of strictly controlling new plantings in the wine-growing sector already represents a contribution by producers to the campaign to reduce surpluses.

It is hence necessary to exercise caution in respect of guide prices, since over-large increases would risk reducing the effectiveness of the structural measures designed to adjust production potential to market requirements.

11. Fairly substantial alterations in the basic Regulation may, however, still be necessary to achieve a better coordination of the different support measures. Proposals to this end will be drawn up in which account will be taken, among other points, of the new outlook for the wine sector resulting from the enlargement of the Community.

FRESH FRUIT AND VEGETABLES

The intervention system applicable to fresh fruit and vegetables covers only a limited number of products and does not represent a price guarantee because the withdrawal prices for producer groups are well below normal market prices. The buying-in prices to be applied by public agencies are even lower. Consequently, it does not seem necessary to ask producers to bear part of the responsibility for the cost of the common market organization.

PROPOSED PRICES AND PREMIUMS

Basic and buying-in prices

1. Under Article 16 of Council Regulation (EEC) No 1035/72 of 18 May 1972 on the common organization of the market in fresh fruit and vegetables, the Commission is required to propose each year basic prices and buying-in prices for the products listed in Annex II to that Regulation, namely tomatoes and cauliflowers, apples, pears, peaches, table grapes, oranges, mandarins and lemons.
2. Although for some of these products there is no need for a price increase other than that adopted for agricultural products in general, for others it would be prudent to adopt a less substantial increase. This is true, for instance, in the case of apples, production of which fairly regularly exceeds market requirements and should not therefore be encouraged; it is also true in the case of oranges and mandarins, where unduly high intervention prices might work against measures to encourage growers of these fruits to switch to other crops. The Commission proposes a price increase of 9 % for these three products.

3. In the case of tomatoes, for which there is a real risk of surplus due to the short vegetative cycle and aid to processing, it is proposed that prices be increased by not more than 8% .
4. The average increases proposed for each product will be spread on a linear basis over the entire period of application of the basic prices and buying-in prices, with maintenance of the buying-in prices, in relation to the basic prices, within the ranges specified in Article 16(3) of Regulation (EEC) No 1035/72.
5. The prices adopted for the Community of Nine for cauliflowers and apples will apply to Greece as well; for the other products, the prices applicable in Greece are to be established in accordance with the provisions of Article 59 of the Act of Accession.

Marketing premiums for oranges, mandarins, clementines and lemons

6. Article 7 of Council Regulation (EEC) No 2511/69 of 9 December 1969 laying down special measures for improving the production and marketing of Community citrus fruit requires that the amount of the marketing premium for oranges, mandarins and clementines, and, up to the end of the 1980/81 marketing year, lemons, be fixed taking account of the preceding level of the amount itself and of changes in the basic and buying-in prices for the product concerned.
7. For the 1981/82 marketing year, it is proposed that the marketing premium be increased by 9% for oranges, mandarins and clementines, and that the marketing premium for lemons be maintained, but at the higher level of 10% (see related measure below). The effect of granting the marketing premium at the proposed levels will be that the reference price will be maintained at the present level.

8. Pursuant to Article 68 of the Treaty of Accession, the marketing premium to be granted in respect of Greek products is to be one-fifth of the premiums granted in respect of products of the Community of Nine, since this financial compensation will rank as aid not granted in Greece under the national system prior to accession (Article 76 of the Treaty of Accession).

OTHER RELATED MEASURES

Marketing premium for lemons

9. It is proposed that the marketing premium for fresh lemons should again be granted in the 1981/82 marketing year.

This premium, since its introduction in October 1975, has definitely helped Italian exports to other Member States, particularly in respect of the proportion of Class I products within the overall total exported by Italy, as the following table shows:

Italian exports to other Community countries (tonnes)

Year	Total quantity	Class I	Class II
1973/74	76 900	42 000	34 200
1974/75	108 100	43 500	64 300
1975/76	105 400	91 700	13 400
1976/77	106 400	96 700	9 700
1977/78	85 300	82 900	2 400
1978/79	85 781	84 167	1 361
1979/80	80 077 (1)	78 978 (1)	505 (1)

(1) end may 1980

Maintenance of the premium during the next marketing year should permit a further improvement.

10. However, Regulations (EEC) No 2511/69 and No 1035/72 must be amended before the amount of the premium can be fixed.

Adjustment of the system of preventive withdrawals of apples and pears

11. During the two years of operation of the system of preventive withdrawals of apples (1979/80 and 1980/81 marketing years), it has been found that the price condition laid down by the Council for the authorization of these withdrawals (first indent of Article 15a(1) of Regulation (EEC) No 1035/72) constituted an obstacle to the effective working of the system. For instance, the price condition was met between 12 and 25 September 1979 and between 26 September and 2 October 1980, with the result that preventive withdrawals were authorized only towards mid-October, whereas the possibility of this happening should have been known earlier in the season if the measure was to be fully effective.
12. It is therefore proposed that this particular condition be abolished and that preventive withdrawals be authorized on the sole basis of a review of the market situation, in particular of the volume of production of apples and pears and the foreseeable risk of market collapse and heavy withdrawals.
13. The Commission thinks that this arrangement could be made permanent but feels that it is preferable to wait at least until the end of the second apple marketing year during which preventive withdrawals have been authorized before making specific proposals to this effect.

PRODUCTS PROCESSED FROM FRUIT AND VEGETABLES

PROPOSED PRICES AND AID

1. During recent years output of products processed from fruit and vegetables, for which there is a system of aid to processing, has been as follows in the Community of Nine and in Greece.

('000 tonnes, including immediate packing)

Year	1977			1978			1979		
	EEC Nine	Greece	Total Ten	EEC Nine	Greece	Total Ten	EEC Nine	Greece	Total Ten
Tomato concentrate	182	95	277	296	172	468	432	180	612
Whole peeled tomatoes	754	25	779	873	26	899	1 223	30	1 253
Peeled tomato pieces	55	-	55	30	-	30	44	-	44
Tomato juice	59	12	71	35	11	46	47	15	62
Frozen tomatoes	7	-	7	8	-	8	10	-	10
Tomato flakes	0.5	-	0.5	0.3	-	0.3	0.2	-	0.2
Peaches in syrup	77	87	164	95	130	225	159	130	289
Williams pears in syrup	59	-	59	70	0.1	70.1	77	0.4	77.4
Cherries in syrup									
- Bigarreaux	16	0.1	16.1	25	0.1	25.1	30	0.1	30.1
- Morello	40	-	40	38	2.4	40.4	51	4.2	55.2

2. Production of prunes, also aided, was 1 000 tonnes in the Community of Nine in 1975, 27 000 tonnes in 1976, 7 000 tonnes in 1977, 23 000 tonnes in 1978 and 25 000 tonnes in 1979. Greek production is about 200 tonnes a year.
3. The figures show that the most spectacular rise occurred in production of tomato concentrate, i.e. an increase of 120% for the Community of Ten between 1977 and 1979. A result of this is that the market for this product has been seriously disturbed in recent marketing years.

Increases of production were also observed in the Community of Ten for whole peeled tomatoes (+ 60%) and peaches in syrup (+ 75%). However, the output is disposed of on the market and at present there are no large structural surpluses. Production of peeled tomato pieces, frozen tomatoes and tomato flakes is of minor importance compared with the production of other tomato-based products and does not present a market problem.

The figures also show that production of prunes is roughly cyclical in character. But the scale of actual output is not large and it does not seem that production surpluses are likely in the medium term.

RELATED MEASURES - CO-RESPONSIBILITY

Since the figures as a whole show a substantial increase in output for products which are eligible for processing aid, there is a case for limiting such aid to specific quantities of output (except for prunes). The quantities should be determined on the basis of the average annual production in the last three years. The following figures represent the average of 1977-79. They will be revised when the 1980 figures are available before the Council's decision.

For the major tomato products the quantities are as follows. For tomato concentrate, aid would be granted for the volume of tomatoes sufficient to produce 450,000 tonnes of concentrate (including immediate packings). Aid would be granted for the volume of tomatoes sufficient to produce 975,000 tonnes of whole peeled tomatoes.

Pears and cherries in syrup are already subject to a limit on aid in the Community of Nine. In future, it is planned to limit the quantities eligible for aid to the quantities aided in the present marketing year, plus Greek output.

TOBACCO

PROPOSAL FOR 1981 PRICES AND PREMIUMS

1. Article 2 of the basic Regulation (Regulation (EEC) No 727/70) on the common organization of the market in raw tobacco provides that prices for leaf tobacco must be fixed by 1 August of every year for each of the Community-produced varieties.

As it has done in recent years, the Commission is also forwarding to the Council its proposals for the fixing of premiums and derived intervention prices for the 1981 crop. The enlargement of the Community to include Greece means a big change in balance and market outlook. An average production of around 120 - 150 000 tonnes will be added to the Community of Nine's average production of 180 000 tonnes and the self-supply rate will rise from 25% to 45%.

2. The trend of world production and consumption has been more or less in equilibrium for the last few years, with the exception of Oriental tobaccos (structural imbalance between supply and demand aggravated by very large stocks in the major producer countries) and of brown tobaccos, particularly Kentucky and Paraguay (stagnation of consumption).
3. At Community level, where production now covers 45% of requirements, marketing is becoming increasingly difficult. The tariff reductions granted by the Community under GATT and the agreements in favour of developing countries (generalized preferences and the Lomé Convention) will further aggravate the situation.

The proportion of Community tobacco used in manufactured products produced in Europe is in constant decline.

4. Another very important factor that must be taken into account in assessing the market situation is the present rapid increase in production costs in the two biggest producers, Italy and Greece, whose inflation rates are also among the highest in the Community. To be justifiable from the point of view of producer incomes, the Commission proposals must take account of this situation.

5. The provisional figure for quantities offered for intervention for the 1979 harvest is approximately 16 500 tonnes for the Community of Nine, compared with 10 000 tonnes for the 1978 harvest. For the past few years the annual amount bought in by the Greek Government has been some 30 000 tonnes.

It should be noted that:

- in the case of Oriental tobaccos the Council in 1979 decided under Article 13 of Regulation (EEC) No 727/70 on a 10% reduction in the intervention price for the 1979 and 1980 crops of two varieties (Perustitza and Erzegovina); this action has not produced the full effect intended, the quantities of Oriental tobacco from the 1979 crop offered for intervention being approximately 11 000 tonnes (46% of production).

It must be remembered, however, that marketing of Oriental tobaccos is still handicapped by the low-price policy being practised by the major producer/exporter countries, Turkey in particular;

- worldwide overproduction of Kentucky and the subsequent substantial drop in prices (Malawi in particular) have caused serious disposal difficulties despite the fall in Community production. Offers for intervention for the 1979 crop are around 2 500 tonnes.

Consequently, in line with its general policy on producer "co-responsibility" the Commission is, as part of the related measure for 1981 price proposals, submitting a report to the Council on the application of Article 13 to the Oriental varieties and to Kentucky.

6. The situation set out above could easily be used to justify an increase in prices and premiums for the 1981 harvest of less than the general average. For certain varieties however (Paraguay, Bright, Burley) a bigger increase in the premium is required in order to cushion the weakening of Community preference, improve marketing and forestall recourse to intervention. To maintain the coherence of the system it is indispensable to maintain present marketing prospects by granting an adequate increase in the premium, as a further erosion of Community preference would have serious consequences as regards intervention.

7. The Commission is proposing an across-the-board increase in prices and premiums (the amount varying however in accordance with the market situation) with smaller increases for varieties where there is a structural imbalance between supply and demand (Orientals, Kentucky). The Commission is also proposing a number of changes in the reference qualities, to specify more closely the characteristics proper to each variety so as to help the programme for strengthening the contract system that it is planning (see paragraph 9).

RELATED MEASURES: "CO-RESPONSIBILITY"

8. Quantities of Oriental varieties and Kentucky offered for intervention from the last two harvests have exceeded by a substantial margin the ceiling fixed by the Council (Regulation 1469/70 as last amended by Regulation 1580/79). These varieties have expanded much more than the real marketing possibilities. The Commission is therefore proposing, under Article 13 of Regulation (EEC) No 727/70, measures to reduce quantities offered for intervention progressively over three years and a reduction in the intervention price.

The aim is to attain at the end of the three-year programme a balance between intervention and production commensurate with actual marketing possibilities.

From the budgetary point of view the end of the operation should see expenditure remaining at its present level, with the savings due to the drop in intervention expenditure being transferred to the previous side.

The following effects are to be expected:

- an improvement in competitiveness of offer prices,
- easier disposal,
- an increase in producer prices (this indirect increase in incomes justifies ruling out compensatory measures as provided for in Article 13(7)).

9. The Commission considers that the best medium-term prospects for progressively increasing producer incomes lie in seeking market equilibrium within a joint-trade framework. The action described above can be expected to impel producers to move towards more effective production planning and thus prepare the ground for a sectoral agreement.

which can also be used to plan market outlets. With this in view the Commission will shortly be proposing a reinforcement of the contract system to be undertaken jointly with the various sectors of the industry concerned.

This will help towards genuine planning of areas to be sown (overall and by variety), of the most suitable production and treatment techniques and thus of the production of quantities and qualities that can be readily marketed.

10. Finally, with a view to the progressive re-establishment of a better relationship between Community production of all varieties of tobacco and market requirements and the reduction of the heavy cost to the Community of substantial surpluses, the Commission proposes redefining the minimum price at which producers can dispose of products which have not been placed on the market. The Commission therefore proposes reducing the ratio between the intervention and norm prices from 90% to 85% for all Community varieties as from the 1981 harvest.

SEEDS

1. Regulation (EEC) No 2358/71 of 26 October 1971, as last amended by Regulation (EEC) No 2878/79 of 17 December 1979, concerning the common organization of the market in seeds, lays down in Article 3 that, where the situation on the Community market for one or more of the products listed in the Annex, and its foreseeable development, are such that producers will not receive an equitable income, an aid shall be fixed every two years before 1 August for the marketing year beginning in the following year and for the subsequent year. This proposal therefore concerns the marketing years 1982/83 and 1983/84.
2. The proposal is based on the following conditions:
 - i) The estimate of the 1980 harvest of herbage seeds (+ 2,242.000 qx) shows an increase in comparison with 1979 (+ 1,878.000 qx). However, this increase is only due to an estimated significant increase in the production of *Vicia faba* (partim) and *Pisum sativum* (partim) (+ 600.000 qx), as the production of most other herbage species was well below the average and the quality not up to the normal standard required for eligibility (certification norms) for the production aid. Taking into account the demand for seeds of *Vicia faba* (partim) and *Pisum sativum* (partim) (+ 325.000 qx) and the possibility for alternative use (fodder) of these seeds, the final production of certified seeds may be significantly reduced. The production of oil seeds for sowing shows a certain stabilization (+ 105.000 qx) and the production of rice seeds has increased satisfactorily to + 305.000 qx (+ 50%).
 - ii) With a total stock level for all seeds at + 922.000 qx, the Community's available supplies for 1980/81 are + 3,574.000 qx. With a normal consumption at + 2,263.000 qx there is a good balance in the market and reasonable prices. The production forecast up to 1983/84 shows a certain stabilization; however, increasing competition from other lower-risk crops (wheat, sugar beets and rape) may influence this situation.

3. In conclusion, and considering that this proposal concerns two marketing years (1982/83 and 1983/84), with a possibility of modification for the second year, the Commission's position is as follows:

- i) the aid in general should be increased above the average increase for agricultural products
- ii) in deciding the aid, particular attention should be given to certain species which encounter specially difficult marketing conditions
- iii) in view of the good balance in this sector, no special measures of "coresponsibility" are proposed.

M I L K

Introduction: milk production and disposal

1. The efficiency of the Community's milk production, the variety of its products and its marketing effort within the Community and throughout the world are major achievements and a major asset. It is essential that this should not be prejudiced by failure to control too rapid a growth in output. The year 1980 has been marked by a continuing increase in production but the Community is now reaping the benefits of the management policy followed by the Commission in recent years; substantially larger volumes of milk products are being disposed of at a much lower unit cost to the Community budget.
2. Information from member states indicates that milk deliveries have increased by about 2.6% in 1980 when compared with deliveries in 1979. The intervention stock of butter and skimmed milk powder, however, has been reduced to a much lower level. The world market for all dairy products has continued to strengthen, partly as a reflection of the Community's reduced stocks. Exports of all dairy product groups from the Community reached record levels at considerably reduced refunds. In spite of the increase in milk output, production of butter and skimmed milk powder declined by 2% and 2½% respectively, while production of cheese, cream, liquid milk and whole milk powder all increased, reflecting a strong domestic demand together with the strong export performance.

Prices and aids

3. Even if milk output has increased, it is clear that dairy farmers' incomes have fallen in most member states. Thus, while from the market point of view price increases should be kept to a minimum, the producer income situation must also be reflected in product price changes. Hence the Commission proposes that the target price for milk be increased by 6% from the beginning of the new marketing year and by a further 2% from 16 September. The staging of the increase in this way will help to avoid too abrupt an effect on consumer prices and on the budget. The target price changes should be reflected directly in the threshold and intervention prices while leaving unchanged the ratio of fat: non fat (55.4 : 44.6) in the price formation. Because of decisions already taken, notably concerning the delays in payments for intervention products, the present market balance between the products should be maintained.

4. It must be recognized that processing costs will also have increased during this marketing year and hence it is proposed to increase the manufacturing margins taken into account in the calculation of the intervention prices by 6%, i.e. the same percentage as the increase in the target price at the beginning of the campaign.

5. The milk price proposed and the related intervention prices are thus as follows -

Milk price and intervention prices

	ECU/100 kg		
	1980-81	1981-82 (beginning of campaign)	1981-82 (from 16 September 1981)
target price	22.26	23.60	24.04
intervention prices			
butter	291.60	309.10	314.46
skimmed milk powder	121.51	128.80	130.87
Italian cheeses			
Grana Padano cheese			
- of an age of between 30 to 60 days	289.61	306.99	311.76
- of an age of at least six months	349.85	370.84	375.89
Parmigiano-Reggiano cheese of an age of at least six months	380.74	403.58	408.63

6. Taking account of the substantial reduction which has been achieved in the average cost of disposing of milk products in export markets, the Commission considers that the maximum effort must also now be made to make economies in the large number of surplus disposal schemes in effect in the internal market, without prejudicing the major objective of retaining important outlets for the Community's production

7. The public intervention stock of butter is now at a low level. It is to be expected that some savings can be made in the schemes of disposal for butterfat in bakery products and ice cream and for the armed forces. The general consumer butter subsidies under regulation 1269/79 will continue, however, at unchanged levels of aid.

8. It is proposed that the aid for school milk, which has been widely welcomed, should be increased to cover the costs associated with the increase of the target price for milk at the beginning of the marketing year.

In addition, an assurance that the Community would contribute, for a period of at least five years from the start of the 1977/78 milk year, to member states' programmes for school milk was

given at the time of the introduction of this scheme. It is now proposed that a further assurance for a period of five years from the start of the 1981/82 season should be given on the Community contribution.

9. The fourchette for aid for skimmed milk powder utilized in milk replacers presently stands at 52-64 ECU/100 kg and the actual aid is 54 ECU. Taking account, in particular, of the views of the European Parliament, the Commission proposes a fourchette of 50-64 ECU/100 kg. Only if the market situation justifies it will the actual aid be adjusted at the beginning of the marketing year. In that event the aid would account for the same proportion of the intervention price as is presently the case. The rate after 16 September will be decided in the light of the market and disposal situation at the time.
10. In order to give adequate assurance to exporters of all dairy products, the Commission will propose at an appropriate time that prefixed refunds should be adjusted at the beginning of the new campaign such that the refund shall amount to the same proportion of the intervention or equivalent price before and after the beginning of the campaign, thereby maintaining a balance between the internal and external price increases. For butter and skimmed milk powder the adjustment will apply to products manufactured and exported after the beginning of the campaign. In view of the long period of notice, there will be no automatic adjustment of prefixed refunds in order to take account of the price increase on 16 September.
11. The Council at the time of fixing prices for 1979/80 adopted a resolution with a view to increasing commitments for butteroil in food aid from 45,000 tonnes to 55,000 tonnes annually. In view of the clear need for this product in developing countries the Commission asks the Council to confirm its view on this matter. The same situation does not arise in skimmed milk powder as annual commitments are presently at 150,000 tonnes with a considerable backlog still to be shipped.
12. The budgetary consequences of changing milk prices and associated aids have been calculated on the basis of the above proposals.
13. Co-responsibility levy. The co-responsibility levy is fixed at 2% of the target price for the marketing year 1980/81, with certain total or partial exemptions, and the Commission proposes that the basic levy apply at this level and with the same exemptions for the marketing year

1981/82. The Commission will shortly put forward a programme, in the form of a fifth communication to the Council on the use of levy funds, after it has obtained the advice of the Milk Advisory Committee.

14. The Council has already agreed that "if, by comparing the quantity sold during the 1979 calendar year, it is established that the quantity of milk sold by Community producers in the form of milk and certain milk products has increased by 1.5% or more, an additional levy shall be fixed for 1981/82 in accordance with rules to be determined, so as to cover the costs incurred by the Community for the disposal of additional quantities of the milk." It is clear that milk deliveries in 1980 have surpassed those of 1979 by more than 1.5%. At the same time the costs associated with the disposal of additional quantities have also reduced significantly. It will be recalled that, at the time of its proposal last year, the Commission suggested that the difference between milk fat and milk protein prices and vegetable fat and vegetable protein prices respectively should determine disposal costs. In the present market circumstances and with export markets becoming of increasing significance it seems reasonable to propose that the butter and skimmed milk powder refunds be taken as the basis of establishing the disposal costs associated with increased milk output. The expected 2.6% increase in milk deliveries in 1980 amounts to 2.4 million tonnes of milk or 104,000 tonnes of butter and 208,000 tonnes of skimmed milk powder. At recent levels of refund the additional costs can be calculated at 213 MECU. When applied to the additional milk this gives a disposal cost of about 8.8 ECU per 100 kg.

15. The Commission remains of the view that this additional levy should be operated in such a way as to ensure that it provides a real disincentive to further increases in milk output. This implies that the additional levy should be applied to the additional milk delivered to a dairy in the next campaign. At the same time the Commission recognizes that, although the majority of member states supported the Commission's broad approach last year, there are differences of view about the application of the additional levy in the different circumstances within member states or regions of the Community.

16. The Commission proposes that

- i) the additional levy decided by the Council should apply in 1981/82 at a rate of 8.8 ECU per 100 kg to any additional milk delivered to a dairy in the marketing year 1981/82 by comparison with the average volume delivered for the same period in the marketing years 1979/80 and 1980/81
- ii) the additional levy would not be charged, however, if the dairy could demonstrate that the extra milk had been used for increased production of milk for liquid consumption or for certain other fresh products
- iii) the existing exemptions for mountain areas and for areas covered by article 1.4 of Regulation (EEC) No 1822/77 should also apply to the additional levy.

17. The Commission proposes the additional levy for unconditional application in 1981/82 only. It appeals to member states and to producers to ensure that the conditions can be fulfilled so that co-responsibility levies remain a temporary measure. The rise in milk production is clearly slowing down in large areas of the Community. The conditions for some self-restraint can be obtained.

18. With this perspective the Commission considers it essential to look ahead for more than one year and to encourage producers to respond to the market situation over a reasonable period -

- i) in its decisions last year the Council of Ministers agreed that an additional levy would be applied if milk deliveries rose by more than 1.5% in 1980 by comparison with 1979. The Commission now proposes that this trigger level should be retained but be increased by a further 1.5% for 1981. This means that the additional levy would only be applied in 1982/83 if milk deliveries in 1981 are 3% or more higher than those in 1979
- ii) in view of the impact of the increase in milk output associated with the ever increasing utilization of concentrate feed, the time has

come to reflect this element in the levy policy. It therefore proposes that the basic levy of 2% should be charged at

three times this rate in respect of milk from farms from which deliveries exceed 15,000 kg of milk per hectare of forage area.

19. At the same time the Commission suggests that during 1981 it would be right to reflect whether for the medium term the market balance and the protection of producers' incomes is best assured by the system of co-responsibility levies, including a basic levy which is a direct reduction of the income of the majority of dairy farmers, or whether in due course the levy should be abolished and the intervention price be correspondingly adjusted, with a more certain effect on market balance and possibly a less direct effect on farmers' incomes.

BEEF AND VEAL

A. PRICES

Guide price and intervention price

1. For the 1980/81 marketing year the guide price for adult bovine animals was fixed at 160.76 ECU per 100 kg liveweight and the intervention price at 144.68 ECU per 100 kg liveweight (1).
2. For the 1981/82 marketing year, the Commission proposes that the guide price and the intervention price should be increased by 9 %, of which 6 % would apply as from the beginning of the marketing year and the remainder as from the beginning of December 1981.

This would mean a guide price of 170.40 ECU per 100 kg liveweight as from the beginning of the marketing year and 175.22 ECU as from the beginning of December 1981 and an intervention price of 153.36 ECU per 100 kg liveweight as from the beginning of the marketing year and 157.70 ECU as from the beginning of December 1981.

3. The Commission considers that these increases are justifiable. It would emphasize, however, that in 1981 the prime objective must be to improve incomes and not to place too much stress on official prices. Consumers have shown that they are reluctant to accept more substantial increases in the intervention price. This has to be taken into account. If, however, intervention were to be administered along more flexible lines (see "Intervention measures"), it would be possible, in the Commission's opinion, to support producers' incomes more effectively without engendering additional difficulties on the markets.

(1) Council Regulation (EEC) No 1358/80 (OJ No L 140, 5.6.1980, p. 4)

CO-RESPONSIBILITY

Intervention measures

4. The Commission considers that the system of intervention buying is too rigid and not applied selectively enough. The entirety of the beef and veal produced could be marketed in a normal manner, without average prices on the Community market being appreciably affected, if more restricted use was made of intervention buying.
5. The Commission takes the view that, in the case of beef and veal producers, co-responsibility (as described in doc. COM(80) 800 final) should take the form of more selective and judicious intervention buying during periods when the market can be left to the normal interplay of supply and demand.
6. The Commission is therefore informing the Council that it proposes to administer the market, through the Management Committee and subject to market developments, along the following lines: only the meat from male animals will be bought-in; only forequarters will be bought-in during the period May-July 1981; only hindquarters will be bought-in during the period from November 1981 to the end of March 1982; purchases of carcasses will be authorized during the other months of the marketing year.
7. During the periods when intervention buying is restricted, however, the Commission proposes to introduce private storage aid, where necessary.
8. For the 1981/82 marketing year, it would also be appropriate to maintain, in their present form, the rules governing the introduction and discontinuance of intervention measures.

Community grading scale for carcasses of adult bovine animals

9. In the context of producer co-responsibility, improved management of the market will also require the implementation of the Community grading scale.

Council Regulation (EEC) No 1358/80 provided that the necessary technical procedures for implementing a Community grading scale for carcasses of adult bovine animals should be adopted before 31 January 1981. The Commission is requesting the Council to adopt, as part of this price package and before the beginning of the marketing year, the proposal for a regulation establishing the Community grading scale for adult bovine animals, on the basis of the version annexed to Doc. 11.991/80 of 4 December 1980.

10. The Commission considers that prices should continue to be recorded by the method currently applicable in the Community and that, at the same time, prices should be recorded per 100 kg of carcass weight and for the categories of carcass graded according to the said Community scale.
11. The simultaneous recording of these latter prices should enable the Community carcass-grading scale to be applied effectively, either in the coming marketing year or in early 1982/83 at the latest, in respect of intervention measures and, where possible, the recording of prices.

Thus, the same intervention price (in ECU) will be paid for all carcasses belonging to the same category and having the same characteristics.

B. RELATED MEASURES

1. Premium for maintaining suckler cows

The Commission proposes that the premium, expenditure on which is charged to the EAGGF, should be fixed at 21.60 ECU per suckler cow kept by a producer who sells no milk or milk products originating on his holding .

Experience with the implementation of Council Regulation (EEC) No 1357/80 (2) indicates, however, that a Community list of beef breeds should be added to this Regulation.

The Member States are also authorized to grant, at national level, an additional premium of equal value in respect of the same cows, provided that the national premium does not give rise to any discrimination.

2. Premiums for the birth of calves

The Commission proposes that the calving premium of 42.948 ECU currently granted in Italy pursuant to Council Regulation (EEC) No 1667/80 (3) should be gradually phased out over the next three marketing years. It thus proposes that, for the

(2) OJ No L 140, 5.6.1980, p. 1

(3) OJ No L 166, 1.7.1980, p. 10

1981/82 marketing year, a premium of 32 ECU should be paid per calf born in Italy.

The most recent statistics on cattle numbers and beef and veal production in Italy show that the factors which have justified the granting of this premium over the last six years are not now so strongly in evidence.

S H E E P M E A T

A. PRICES

1. Reference prices

Pursuant to Article 3(4)(ii) of Regulation (EEC) No 1837/80¹ and having regard to the Council's decision that a single Community price should be achieved by the convergence of national reference prices in equal annual steps over four years, the difference between the reference prices fixed by the Council for the 1980/81 marketing year has to be reduced by one quarter at the beginning of the 1981/82 marketing year. To that end the Commission proposes that the prices fixed for regions 2 (France) and 6 (Greece) for 1980/81 marketing year, i.e. 345 ECU/100 kg, be taken as "central" reference prices, i.e. as the basis for the annual adjustments.

In addition, in view of the fact that the common organization of the market and the present reference prices have been in force only since 20 October 1980, the Commission proposes that these prices be increased by 6% once the abovementioned adjustments have been made. It therefore proposes that the reference prices be fixed at the following levels:

Region 1 (Italy)	389.55 ECU/100 kg
Region 2 (France)	365.70 ECU/100 kg
Region 3 (Denmark, Benelux, Federal Republic of Germany)	341.85 ECU/100 kg
Region 4 (Ireland)	337.88 ECU/100 kg
Region 5 (United Kingdom)	324.36 ECU/100 kg
Region 6 (Greece)	365.70 ECU/100 kg

2. Basic price

For the same reasons the Commission proposes that the basic price be raised by 6 %, i.e. to 365.70 ECU/100 kg. Consequently, the intervention price, determined pursuant to Article 7(6) of Regulation (EEC) No 1837/80, would be 310.85 ECU/100 kg; this price would also be the guide level referred to in Article 9 of that Regulation.

The Commission also proposes that the derived intervention price applicable in region 4 (Ireland) be fixed at 293.85 ECU/100 kg. It proposes that the basic and intervention prices be seasonally adjusted along the same lines as in 1980/81.

• RELATED MEASURES

During the 1980/81 marketing year a number of measures have been taken on a transitional basis under article 33 of Regulation (EEC) No 1837/80 and certain arrangements agreed with third countries on import levies on live animals have been implemented by a regulation under article 113 of the Treaty. The Commission considers that the basic regulation should now be amended in order to make provision for the actual situation, in particular, in respect of

- 1) the premium arrangements for region 3 (Benelux, Denmark, Federal Republic of Germany)
- 2) restrictions on levies applied to imports of live animals.

In addition, the Commission considers it necessary to clarify in the immediate future the operation of the ceiling on the basic premium where a variable slaughter premium is also applied.

PIGMEAT

Prices

1. Under Council Regulation (EEC) No 2759/75⁽¹⁾, the Commission is required to propose a basic price for pig carcasses. The basic price is fixed taking into account the sluice-gate price and the levy applicable from 1 August each year.

For the 1980/81 marketing year the basic price was fixed at 1587.21 ECU/tonne and it was brought into force on 1 November 1980.

2. It is necessary to fix the basic price at a level at which it will help to stabilise market prices and at the same time avoid causing structural surpluses in the Community.

The overall trend of the various cost factors entering into the production of pig carcasses calls for an adjustment of the basic price for this product by 9% for the forthcoming marketing year.

3. Consequently, to enable the price system to contribute stability to the pigmeat market by mitigating the cyclical fluctuations in production and prices, in view of the desired increase in the general level of common agricultural prices and of the agri-monetary measures, it is proposed that the basic price be fixed at 1730 ECU/tonne for the 1981/82 marketing year. This price will enter into force on 1 November 1981.

(1) Council Regulation (EEC) No 2759/75 of 29 October 1975 on the common organization of the market in pigmeat (OJ No L 282 of 1.11.1975).

HONEY

1. Besides a direct aid to bee-keepers paid from the 1976 Community budget (2,5 Mio U.A.), the Community has granted denaturing premiums for sugar to be used for the winter feed of bees between 1968 and 1974 as well as between 1977 and 1980. These ad hoc arrangements have led to some uncertainty and it is now proposed to put the Community's aid to bee-keeping on a revised and more permanent basis.
2. Bee-keeping in the Community has to compete with a number of difficulties inherent to its environment, in particular the unfavourable weather conditions prevailing in parts of the Community and the risks to bee colonies from the chemical treatment of agricultural crops.
3. In various regions in the Community, it is in the interest of agriculture to keep small-scale bee-keeping alive for on it depends the successful cultivation of a number of crops.
4. Therefore the Commission proposes that specific measures be taken for three successive years, to assist bee-keepers through a difficult period and to work out solutions to their general problems. The system of aid envisaged does not only provide for the purchase of feed sugar at reduced prices, but puts the emphasis on actions in the general interest of bee-keepers. The Commission believes that an intensification of these actions to be carried out by the bee-keepers' associations would serve to make the long-term future of bee-keeping more assured.

C. FINANCIAL CONSEQUENCES

The budgetary context of the Commission proposals is set out in paragraphs 22 to 31 of the "General Survey" and paragraph 26 shows the financial repercussions for the 1981 financial year and for twelve months:

				Million ECU							
				: Effect on the part of :							
				: 1981/82 falling in the :							
				: 1981 financial year :							
				:-----:-----:-----:-----:-----:-----:							
				: Expenditure :		: Own :		: Expenditure :		: Own :	
				: resources:				: resources:			
				:-----:-----:-----:-----:-----:-----:							
: Gross repercussions :		+ 1.547 }	+825 :	+ 335 :	+ 549 }	+ 245 :	+ 65 :				
: Net cost :		- 722 }	+ 490 :		- 304 }	+ 180 :					
:-----:-----:-----:-----:-----:-----:											

This section is intended to provide details of these repercussions in respect of the sectors in question, showing the different impact of each of the following types of measure:

- prices
- agri-monetary measures
- associated measures.

Table I recalls the 1979 expenditure and the 1980 and 1981 appropriations, in order to be able to assess the expenditure in the various sectors.

Table II gives the effect on a twelve month period.

Table III gives the effect on the part of 1981/82 falling in the 1981 financial year.

Table IIIa shows how these effects have repercussions on the budget; this table differs from Table II in respect of co-responsibility and the use of the reserves in chapters 79 and 100.

Table IV shows the cost of each of the associated measures over twelve months and in 1981.

Tables V and VI show the trend in effect on the various agricultural own resources, also over twelve months and for 1981.

Table IIIa shows that the 1981 budget will have to bear, under chapters 60 to 78, a gross increase in expenditure of 282 million ECU. For the purposes of the budget, this amount can be partly covered by the provision of 254.5 million ECU entered in chapter 79. It should nevertheless be noted that the 282 million ECU are in fact financed by the management economies stated in § 29 of the General Survey.

- TREND IN EAGGF-GUARANTEE EXPENDITURE -

Million ECU

Chapter:	Sectors	1979 expenditure:	1980 appropriations:	1981 appropriations:
a	b	c	d	e
60	Cereals	1.565,6	1.646,4	2.205,00
61	Rice	42,7	65,0	62,72
62	Milk and milk products:			
	- Expenditure before co-responsibility	4.615,6	5.152,6	4.811,78
	- Basic levy	- 94,2	- 223,0	- 327,32
	- Additional levy	-	-	- 171,50
	Sub-total (Chapter 62)	4.521,4	4.929,6	4.312,96
	(Arrears Chapter 100: butter consumption)			(135)
	TOTAL MILK with Chap.100	4.521,4	4.929,6	(4.447,96)
63	Olive oil	388,6	367,0	571,34
63	Oilseeds	217,7	320,0	404,74
64	Sugar	939,8	596,5	739,90
65	Beef and veal	747,8	1.378,0	1.353,38
66	Pigmeat	104,3	107,0	127,40
67	Eggs and poultrymeat	79,5	94,0	101,92
68	Fruit and vegetables	441,5	699,0	730,10
69	Wine	61,3	303,0	456,68
70	Tobacco	225,5	292,0	333,20
71	Sheepmeat	-	50,0	258,72
72	Alcohol	p.m.	p.m.	p.m.
73	Other sectors or products	120,2	116,0	193,06
74	Non-Annex II products	252,2	230,0	294,00
75	A.C.A.	1,1	1,0	24,50
78	M.C.A.	708,3	291,0	250,88
	Sub-total (Chaps.60 to 78)	10.417,5	11.485,5	12.420,50
79	Estimated appropriations, EAGGF-Guarantee	-	-	254,5
Total	- Title 6 and 7 without agri- Chapter 100	10.417,5	11.485,5	12.675,-
guaran- tee	. Chap.100: Butter alcohol	-	-	135,- 60,-
	- With Chapter 100	10.417,5	11.485,5	12.870,-
	Arrears fisheries, not included in above figure	17,0	22,0	27,5

TABLE II - EFFECT ON EXPENDITURE OVER 12 MONTHS

Million ECU

Chap.	Sectors	Prices	agri- monetary	associated CMO	Total
a	b	c	d	e	f
60	Cereals	+ 85		- 71	+ 14
61	Rice	+ 15		(2)	+ 15
62	Milk and milk products				
	- Expenditure before co-responsibility	+ 413		+ 231	+ 644
	- Basic levy	- 21		- 111	- 132
	- Additional levy	-		- 123	- 123
				- 234	- 255
				(3)	
	-----	-----	-----	-----	-----
	TOTAL MILK	+ 392		- 3	+ 389
63	Olive oil	+ 96			+ 96
63	Oil seeds	+ 104		(2)	+ 104
64	Sugar	+ 196			+ 196
65	Beef and veal	+ 130		- 7	+ 123
66	Pig meat	+ 9			+ 9
67	Eggs and poultry meat	p.m.			p.m.
68	Fruit and vegetables	+ 16		- 166	- 150
69	Wine	+ 29			+ 29
70	Tobacco	+ 36		p.m.	+ 36
71	Sheep meat	+ 70			+ 70
72	Alcohol	-			-
73	Other sectors or products	+ 35		+ 5	+ 40
74	Non-annex II products	+ 30			+ 30
75	ACA and Grece	-			-
78	MCA	-	- 15		- 15
-	New CMO	-			-
	-----	-----	-----	-----	-----
	* Variation refunds following variation MCA		+ 76		+ 76
	* Variation double rate on CMO		- 237		- 237
			- 161		- 161
	TOTAL	+ 1,243	- 176	- 242	+ 825

(1) The cost of each associated measure is given in table IV following.

(2)-On the basis of 1981/82 harvest forecasts, the effect of co-responsibility would be - 71 million ECU over 12 months and - 14 million in 1981 for cereals and 0 for colza in 1981/82.

-If actual production increases in 1981/82 to 105% of the basic quantities of cereals and 106.4% of the basic quantity of colza, the support price for cereals would drop up to - 5% and the colza price by up to - 19.3 ECU/t: the effect of co-responsibility would then reach about - 194 million ECU for cereals and - 45 million for colza over 12 months and about - 39 million and - 18 million respectively for the 1981 financial year.

-If actual production were to increase further, prices would continue to be reduced by the same amounts, at the overall effect of co-responsibility, on larger quantities, would continue to increase.

(3) This figure takes account of the exemption from additional levies for further quantities of milk intended for increased production of drinking milk and of certain cheeses; the effect of this exemption is assessed at 27 million ECU over 12 months and 13 million ECU for 1981.

TABLE III - effect on part of 1981/82 falling in the 1981 financial year

Chap.	Sectors	Prices	agri-monetary	associated CMO	Total
a	b	e1	e2	e3	e=e1+e2+e3
60	Cereals	- 22 ⁽¹⁾	+ 18	- 14 ⁽²⁾	- 18
61	Rice	p.m.		-	p.m.
62	Milk and milk products:				
	- variation of expenditure before coresponsibility	+ 206		+ 135	+ 341
	- variation of expenditure following change in:				
	. basic levy	- 12		- 70	- 82
	. additional levy	-		- 62	- 62
	Sub total (chap. 62)	+ 194		+ 3	+ 197
	(- Arrears chapter 100 butter consumption)	-		(- 135)	(- 135)
	(TOTAL MILK with chap. 100)	(+ 194)		(- 132)	(+ 62)
63	Olive oil	-		-	-
63	Oil seeds	+ 40		(2)	+ 40
64	Sugar	+ 52			+ 52
65	Beef and veal	+ 71		- 62	+ 9
66	Pig meat	p.m.			p.m.
67	Eggs and poultry meat	p.m.			p.m.
68	Fruit and vegetables	+ 4		p.m.	+ 4
69	Wine	p.m.			p.m.
70	Tobacco	p.m.		-	p.m.
71	Sheep meat	+ 42			+ 42
72	Alcohol	-		-	-
73	Other sectors or products	+ 13		+ 5	+ 18
74	Non-annex II products	+ 15			+ 15
75	ACA				
78	MCA		- 43		- 43
-	Variation refunds following variation MCA		+ 35		+ 35
-	Variation double rate on CMO		- 106		- 106
	Sub total (chapters 60-78)	+ 409	- 96	- 68	+ 245

(1) The effect on cereals expenditure in the 1981 financial year is negative as the 1981-82 price increase reduces the "price break" on 1.8.81 and, accordingly, storage expenditure for that year (- 22 = 18 - 40).

(2) See footnotes (2) and (3) to Table II.

(3)

TABLE IIIa: EFFECT ON EXPENDITURE IN THE 1981 FINANCIAL YEAR

Million ECU

Chap.	Sectors	Prices	agri-monetary	associated CMO	Total
a	b	e1	e2	e3	e=e1+e2+e3
60	Cereals	- 22 ⁽¹⁾	+ 18	- 14 ⁽²⁾	- 18
61	Rice	p.m.			p.m.
62	Milk and milk products: ⁽³⁾				
	- variation of expenditure before coresponsibility	+ 206			+ 206
	- variation of expenditure following change in:				
	• basic levy	- 12		- 70	- 82
	• additional levy	-		110	+ 110
				+ 40	+ 28
	Sub total (chap. 62)	+ 194		+ 40	+ 234
63	Olive oil	-		-	-
63	Oil seeds	+ 40		(2)	+ 40
64	Sugar	+ 52			+ 52
65	Beef and veal	+ 71		- 62	+ 9
66	Pig meat	p.m.			p.m.
67	Eggs and poultry meat	p.m.			p.m.
68	Fruit and vegetables	+ 4		p.m.	+ 4
69	Wine	p.m.			p.m.
70	Tobacco	p.m.			p.m.
71	Sheep meat	+ 42			+ 42
72	Alcohol	-		-	-
73	Other sectors or products	+ 13		+ 5	+ 18
74	Non-annex II products	+ 15			+ 15
75	ACA				
78	MCA		- 43		- 43
-	Variation refunds following variation MCA		+ 35		+ 35
-	Variation double rate on CMO		- 71		- 71
-			- 106		- 106
	Sub total (chapters 60-78)	+ 409	- 96	- 31	+ 282
79	Provisional appropriations EAGGF, Guarantee	- 254,5	-		- 254,5
	Total - effect of prices and related measures on the 1981 budget	+ 154,5	- 96	- 31	+ 27,5

(1) The effect on cereals expenditure in the 1981 financial year is negative as the 1981-82 price increase reduces the "price break" on 1.8.81 and, accordingly, storage expenditure for that year (- 22 = 18 - 40).

(2) See footnotes to Table II.

(3) The extension of the general butter consumption subsidy (135 million ECU - see tables III and IV) proposed for 1981/82 has no repercussions on the 1981 budget since appropriations are entered for the same amount in chapter 100; they will accordingly be available after transfer.

TABLE IV
EFFECT OF THE ASSOCIATED MEASURES

	Million ECU	
	12 MONTHS	1981
1. Cereals: coresponsibility	- 71	- 14
2. Milk and milk products (chap. 62)		
- Variation before coresponsibility		
. Extension of the general butter consumption aid	+ 231	+ 135
- Variation in expenditure as a result of variation in:		
. Basic linear coresponsibility (2) (Increase of 0,5% in the levy compared with budget hypothesis)	- 111	- 70
. Additional coresponsibility: (3)	- 123	- 62
	- 3	+ 3
3. Beef and veal		
- Suspension of buying in		
. Public storage	- 113	- 94
. Private storage	+ 42	+ 32
- Extension of the calf premium at the rate of 32 ECU/head	+ 64	p.m.
	- 71	- 62
4. Fresh fruit and vegetables		
- Extension of the penetration premium for lemon	+ 4	p.m.
Processed fruit and vegetables		
- Establishment of quota	- 170	p.m.
	- 166	
5. Tobacco	p.m.	
6. Aid for bee-keeping	+ 5	+ 5
TOTAL	- 242	- 68

(1) Appropriations of 135 MECU were provided in chapter 100 of the 1981 budget for this extension

(2) The variation stated corresponds to an increase of 0.5% compared with the required minimum for 1981/82 (1.5%) adopted for the 1981 budget for the part of that financial year covered by 1981/82.

The potential increase in receipts from co-responsibility, owing to the increase in the levy for farms producing more than 15 000 kg of milk per ha is not included in this table on account of difficulty in assessment and the probability that these farms, on account of this very measure, will keep their production within these limits.

(3) 150 million ECU = 88 ECU/t x 1.4 million t (supposed increase for 1981/82 over the average for 1979/80 and 1980/81 less exemptions). If the increase in question were equal to that of 1980 over 1979, namely 2 400 000 t., receipts would be 213 million ECU without taking account of exemptions.

62 million ECU is the fraction of 123 million ECU corresponding to the part of 1981/82 falling in the 1981 financial year.

TABLES V AND VI

EFFECT OF THE PROPOSALS ON OWN RESOURCES OVER 12 MONTHS

Million ECU

	Prices	agri- monetary	Total
<u>I. LEVY</u>			
a) Cereals	+ 235		
Rice	+ 21		
Sugar	+ 7		
Other	+ 64		

b) - Variation in the effect of the dual rate on levies		- 56	
- Variation in levies following variation in the MCA affecting them		- 68	- 124

Sub total, levies	+ 327	- 124	+ 203
<u>II. SUGAR CONTRIBUTIONS</u>			
a) . Production	+ 64		
. Storage	+ 80		
	+ 144		+ 144

b) Effect on the variation in the dual rate on the contribution:			
. Production		- 5	
. Storage		- 7	
		- 12	- 12

Sub total, contributions	+ 144	- 12	+ 132

GRAND TOTAL	+ 471	- 136	+ 335

EFFECTS OF THE PROPOSALS ON OWN RESOURCES IN THE 1981 FINANCIAL YEAR

Million ECU

<u>I. LEVY</u>			
a) Cereals	+ 59		
Rice	+ 4		
Sugar	+ 2		
Other	+ 18		

b) . Variation in the effect of the dual rate on levies		- 31	
. Variation in levies following variation in the MCA affecting them		(124: 4)	

Sub total, levies	+ 83	- 31	+ 52
<u>II. SUGAR CONTRIBUTION</u>			
a) . Production			
. Storage	+ 14		

b) Effect on the variation in the dual rate on the contribution:			
. Production		- 1	
. Storage		- 1	
		- 1	- 1

Sub total, sugar	+ 14	- 1	+ 13

GRAND TOTAL	+ 97	- 32	+ 65

