

EUROPEAN COMMUNITY

# NEWSFLASH

GREEN EUROPE

## European Community Commission proposes agricultural prices for 1985/1986



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## PRELIMINARY COMMENTS

1. Each year the Commission submits to the Council and Parliament proposals for the annual fixing of prices and related measures. In the calendar of the common agricultural policy, the price decisions occupy a special place, for they represent:
  - a series of economic signals for the agricultural sector (decisions on prices);
  - an occasion for adaptation of the market regulations and other elements of the agricultural policy (decisions on related measures).
  
2. The new Commission set itself as a priority the task of adopting the proposals for the 1985/86 marketing year by the end of January so as to enable Parliament to deliver its opinion as soon as possible and the Council to take a decision, as it is required to do, by 1 April. The proposals for the 1985/86 marketing year have been drawn up in special circumstances:
  - 1984 saw profound changes in the agricultural policy, decided by the Council in the context of the 1984/85 prices;
  - 1986 is to welcome the accession of Spain and Portugal as new members of the Community.
  
3. In its present proposals the Commission wishes to maintain a continuity in the development of the agricultural policy, and to assist Europe's agriculture to make the necessary transition to the challenges which it must face in the second half of the 1980s.
  
4. What are those challenges? The continued - and even accelerating - increase in agricultural productivity, made possible by the application of modern equipment and techniques, is not matched by an increase in demand for food from a population which is growing only slowly. Having passed self-sufficiency for most of the principal agricultural products, the Community now relies more and more on world markets for its outlets. Because of the inelasticity of demand, subsidies for disposal on the Community's internal markets are expensive. New uses for agricultural products in the fields of biotechnology, industry or energy, although promising, are still at the development stage. Meanwhile, in the difficult economic situation, public financial resources for support of agriculture, both at the Community level and the national level, are limited.
  
5. With the reforms of the common agricultural policy made in the course of 1984, Europe's agriculture has already begun the process of adaptation to those challenges. But the choices faced by the agricultural population are difficult: to adapt farm enterprises to new limitations - for example, milk quotas; to convert to other sectors of production - but difficulties exist in practically all sectors; to improve the structure of farms - which requires additional capital; or to find employment outside agriculture - at a time when unemployment is high.

6. There is no miracle solution for these problems. The problems already described by the Commission in its memorandum on the CAP of 29 July 1983 (Doc. COM(83)500) remain unchanged. Since that time, the situation on the markets has not improved and, in some cases, has even deteriorated. In the short term there can therefore be no alternative to:

- pursuing a price policy more adapted to the realities of the internal and external markets but taking account of the Community's obligations to the agricultural population;
- continuing to apply guarantee thresholds in the agricultural policy in accordance with the guidelines already defined by the Council so that, when Community production exceeds certain limits, the financial responsibility is shared by producers;
- reorganizing the policy on structures in the manner proposed by the Commission more than a year ago.

7. However, the Commission is aware of the fact that the agricultural population needs medium and long-term prospects. If the Common Agricultural Policy did not provide farmers with the hope of a better future for the next generation, within the spirit of Article 39 of the Treaty, the agricultural policy would inevitably be renationalized with all the attendant consequences for European integration. The Commission therefore intends to provoke a debate before the middle of 1985 in the context of the Community bodies and with the professional organizations concerned in order to define the future prospects for European agriculture. Every possible channel must be explored with a view to achieving the following goals:

- the creation of a modern and efficient agriculture which continues to exploit its potential to improve productivity in the interests both of farmers and consumers but which, at the same time, respects the environment and conserves the priceless heritage of landscape and species of Europe.
- taking up the double challenge of outlets for agricultural production, i.e. the outlets on the European markets - with the prospects for new developments offered by advances in the fields of biotechnology and energy - and the outlets on the external markets - with the challenge of competition in world trade and the moral imperative of providing food aid;
- increasing integration of agriculture into the economy as a whole, which implies that the rural population must be assisted in improving its economic and social situation not only through the policy on agricultural structures but also by means of other policies and instruments such as the Integrated Mediterranean Programmes.

The Commission is convinced that an approach of this nature will enable the Community to arrive at a clearer definition of the framework and instruments which are necessary if the Common Agricultural Policy is to fulfil its objectives in the medium and long term in the spirit of the Treaty and of Article 39 in particular.

## 1. GENERAL ECONOMIC SITUATION

8. Despite the serious uncertainty and concern which persist with regard to the economic and social situation in the Community, there is a good deal of evidence that its economy is at last beginning to emerge from the longest period of recession it has known since the end of the war. The 1984 growth rate was admittedly still quite modest: the Gross Domestic Product (GDP) probably increased in volume by about 2,2% for the Community as a whole, a rate falling well short not only of those achieved in the United States and in Japan but also of the Community average for 1971 to 1980 (2,9%). But it should not be forgotten that the Community growth rate averaged only 0,9% in 1983, and that for the 1981-83 period growth totalled a bare 1%.
9. It is also encouraging to note that in contrast with developments in 1983, all the Member States shared, at least to some extent, in the recovery: the real GDP growth rate probably exceeded 2% in most of the countries and was probably at least 1,4% in the rest, whilst in 1983 some member countries had suffered actual negative growth.
10. Another achievement in 1984 was the steady decline in inflation rates: for the Community as a whole, it is estimated that the GDP deflator fell in 1984 to 4,7%, compared with 6,4% in 1983 and an average of 10,7% per year in the 1973/81 period. At the same time the convergence of inflation rates in the various Member States was strengthened, since the most spectacular progress in the control of inflation was achieved by those Member States which had had the highest inflation rates in the early eighties.

For, apart from Greece, which still has a very high inflation rate, inflation in the Member States in 1984 ranged from about 2% (Germany) to 10,5% (Italy), whereas the range was from 4,3% to 20,6% in 1980.

Inflation rates converged in this way largely because of the greater exchange rate stability within the EMS and because of the economic and monetary policies pursued in recent years in the Member States in which inflation was strongest.

11. The progress made both in the increase of national product and in inflation control is, however, still overshadowed by rising unemployment in the Community: 12,8 million at the end of October 1984, compared with

12,2 million in October 1983. The unemployment rate can therefore be put at an average of 11% for 1984, as against 10,4% in 1983. This is, however, entirely a matter of an increase in the labour force, as it is thought that the decline in the number of jobs over recent years came to a halt in 1984.

12. A number of internal and international factors helped to spur on and consolidate the recovery in 1984 (recovery in investment and private consumption, rebuilding of stocks, etc.). A particularly important factor was the sharp increase in world trade (by about 9% in terms of volume, according to tentative estimates). The Community probably benefited substantially from the heavy increase in world demand, since Community exports increased by an estimated 6,4% in 1984, a rate well above that for previous years. It must, however, be added that the contribution to GDP growth made by Community exports, although large, was to a great extent offset by the appreciable increase in imports (by about 6%).
  
13. The outlook for 1985 broadly endorses the situation which has now developed. However, it would be a mistake to expect, at any rate for 1985, an increase in the Community growth rate: GDP should grow - in volume - practically at the same rate as for 1984 (an average of 2,3%), as the net result of the slowdown in the exceptional growth of world trade in 1984 on the one hand and the persistence of the fairly moderate rate of growth of private consumption in the Community on the other (an average of 1,3%). Inflation should also continue to decline, and the average Community rate (in terms of the GDP deflator) is put at about 4,1% for the year. Unemployment must be expected to increase further, to reach an average 11,4%, but its rate of growth, having lost momentum in 1984, will go on declining.

## 2. AGRICULTURAL SITUATION

14. Although the farm sector is being dovetailed ever more closely into the rest of the economy, agricultural output and income are influenced at the present time - as elsewhere - by factors which depend not only on changes in the key macroeconomic variables (gross national product, private consumption, investment, etc.) but also - in fact mainly - on the situation and peculiar features of agriculture itself and the agricultural markets. For example, agriculture is the industry by far the most directly influenced by climate, either favourably or unfavourably, not only in respect of the producing countries but often also in respect of

the major importing countries. It is also a commonplace that the instability of the world markets in agricultural products, especially where machinery such as that set up under the Common Agricultural Policy is not available to protect farmers from fluctuations, may often curtail receipts and as a result affect the incomes of farmers. Proof of this, if proof were needed, is the spectacular decline in farm incomes in recent years in a number of major exporting countries.

15. In many producing countries, including those of the Community, agriculture now faces largely the same basic problems and is subject to the same constraints, in particular:

- a relatively modest increase, and indeed in some countries a stagnation or even decline of domestic demand for agricultural and other food products, partly because the populations are growing so slowly and partly because nutritional needs for most individuals are fully met;
- the fact that effective world demand, apart from the unforeseeable variations referred to above (which may revive the world market briefly from time to time, or disrupt it completely) is by no means developing, in terms of the underlying trend, at a rate sufficient to enable all the quantities supplied to be sold at reasonable prices;
- steadily increasing expansion of agricultural production, largely due to improved yields and production techniques.

a) Community production and agricultural prices

16. Against this background, the main feature of 1984 in the Community was the relatively sharp increase over 1983 in the final production of agriculture, especially crop production. There were record crops of cereals and oilseeds (about 150 million tonnes of cereals and more than 4,5 million tonnes of oilseeds). On the livestock production side, the increase in the production of beef/veal was probably about 4% and that of sheepmeat was probably 3%. The introduction of the milk quota system on 1 April 1984 should, however, have curtailed deliveries of milk in the second half of the year.

17. The growth - sometimes spectacular - in the supply of certain agricultural products was bound to depress farmgate prices in the second half of 1984. The relative improvement in the input/output price ratio throughout the first half of the year was thus not only tempered but even became a

relative deterioration in the second half: it is estimated that in 1984 farmgate prices probably increased by about an average of 6,1% for the Community as a whole, whereas the prices of inputs probably increased by an average of 6,6%.

b) Farm incomes

18. The net effect of these two opposing factors (increase in the output of most agricultural products but a deterioration in the input/output price ratio) should have yielded a relative improvement in real terms in average farm incomes in the Community after the appreciable decline farmers suffered in 1983.

Tentative estimates made by the Commission in mid-December 1984 on the basis of data sent in for this purpose by the Member States suggest that the traditional farm income indicator (net value added at factor cost per work unit) for 1984 increased on average by 3,8% in real terms for the Community as a whole, whereas in 1983 it had declined by about 6%. This relative improvement in individual incomes in agriculture was probably achieved in most of the Member States, except Italy (-0,8%), Belgium (-7,0%) and Luxembourg (-1,3%). The increase was relatively larger for Denmark (+20,2%), Greece (+11,4%) and the United Kingdom (+9,7%). It was also above the Community average in the Netherlands (+7,6%), Ireland (+6,4%) and Germany (+4,9%), and the figure for France was 1,6%.

These figures must be seen in a context longer than a single year. In particular, it should be remembered that farm incomes had declined very sharply in 1983 in most Member States, following the appreciable improvement in 1982. Figure 1 shows farm incomes in the Community and in the various Member States since 1974.

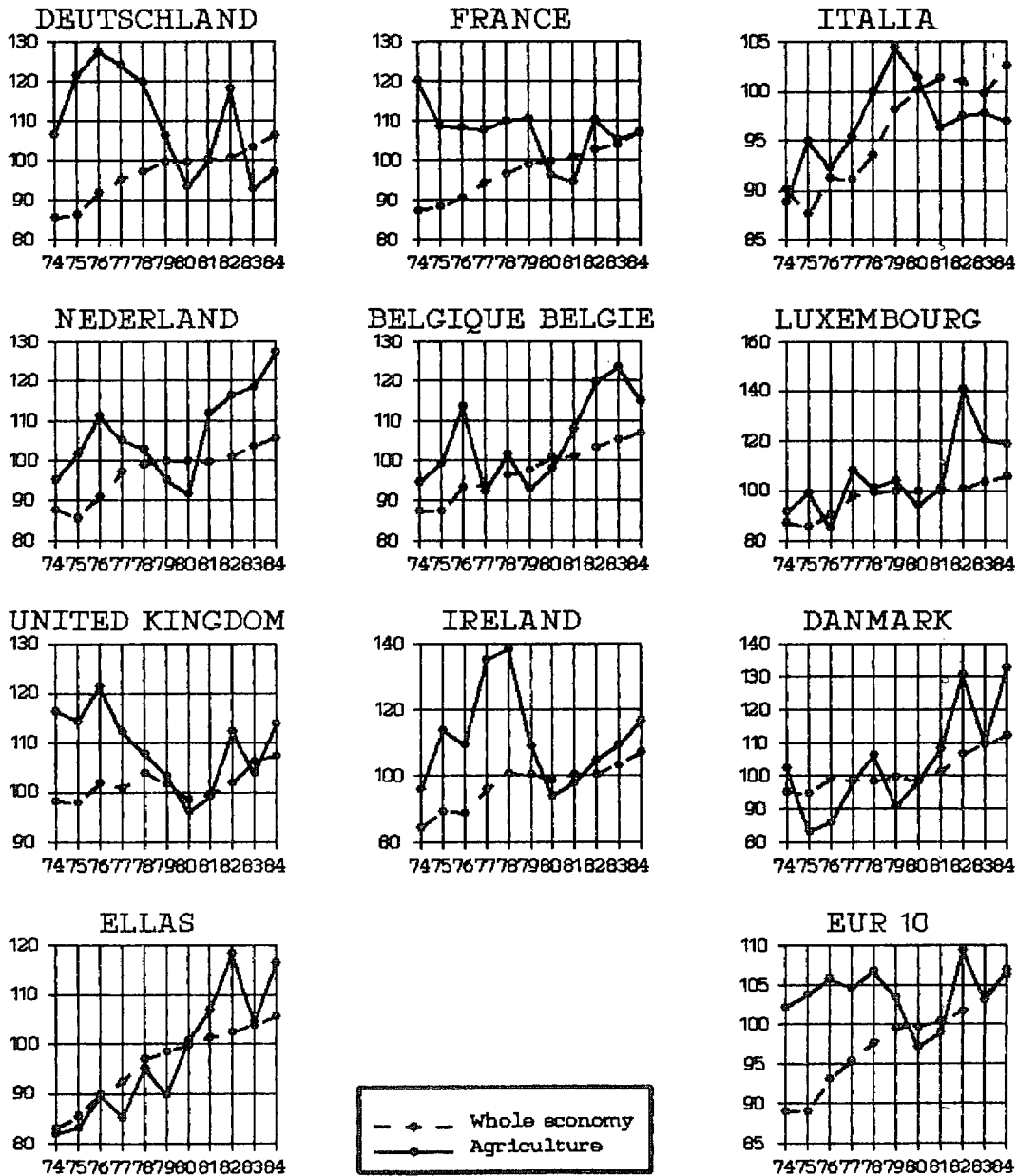
Another income indicator - that of the income from farming of the farmer and his family (net value added at factor cost per work unit, minus wages, rents and interest paid) - confirms the relative improvements in farm incomes. However, the increase in this indicator expected for 1984 (about +3% for the Community as a whole) accounts for only a small part of the ground lost in 1983 (about -13%).

19. In general, tentative estimates of developments with regard to incomes by type of farming indicate that the real increase in incomes over 1983 should be appreciable for grain and pigmeat farmers. However, these were two sectors which had contrasted very sharply with regard to income in



Figure 1

**REAL INCOMES FOR THE WHOLE ECONOMY  
AND FOR AGRICULTURE  
(Average 1979,80,81 = 100)**



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Agriculture - Sectoral income index.

Changes in incomes in the agricultural sector are represented by changes in net domestic product at factor cost (GDP deflator) expressed in the form of index per work unit.

General economy

Changes in incomes in the general economy are represented by changes in net domestic product at factor cost (net value added at factor cost (GDP deflator)) and expressed in the form of index per person in employment.

1983, after a net improvement in 1982. Incomes from cattle farming, whether for milk or beef/veal, and from wine-growing, probably declined in real terms in most of the Member States.

20. The Commission proposes to publish before the end of February 1985 a more detailed report on farm incomes in 1984 on the basis of the latest estimates available at that time, which will enable the results by Member State to be broken down according to the various indicators, at macro and microeconomic level, for which the necessary data will be available.
21. The Commission published in January 1985 (in conjunction with the General Report on the Activities of the European Communities) its 1984 Report on the Agricultural Situation in the Community. Further details of the agricultural market situation are also to be found in the Commission's 1984 Report on the Situation of the Agricultural Markets (Doc. COM(84)767).

### 3. SITUATION AND OUTLOOK OF AGRICULTURAL MARKETS

#### a) Preliminary comments on market prospects

22. In its memorandum "Guidelines for European Agriculture", presented to the Council in 1981, the Commission stressed the need to base agricultural policy on plans concerning several years. Since then a set of measures has been adopted implementing the principle of guarantee thresholds for various products. This is one of the reasons why the Commission has periodically revised and updated its medium- and long-term projections (based on the hypothesis of unchanged Community rules) in order to provide the Council with better information concerning the consequences of decisions already taken and also, in some cases, to warn it of the risks of the situation deteriorating if the measures proposed by the Commission are not adopted.

It was against this background that, in connection with its proposals for the 1984/85 prices, the Commission produced forecasts for the period up to 1990. In preparing the 1985/86 price proposals the Commission has revised its forecasts, taking the new horizon of 1991.

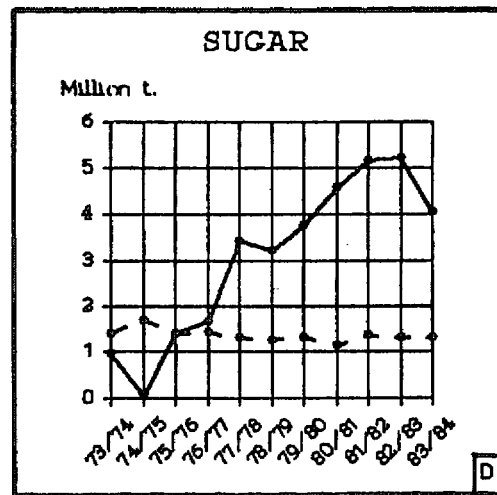
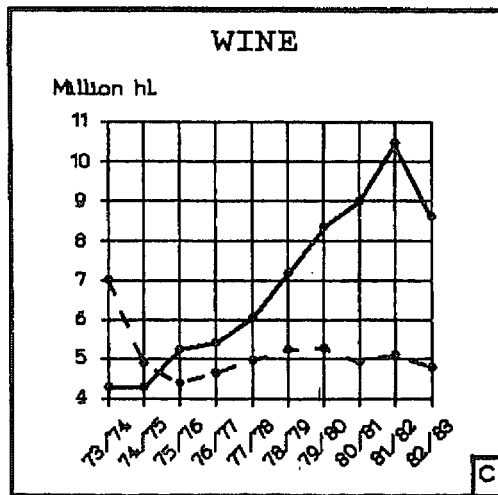
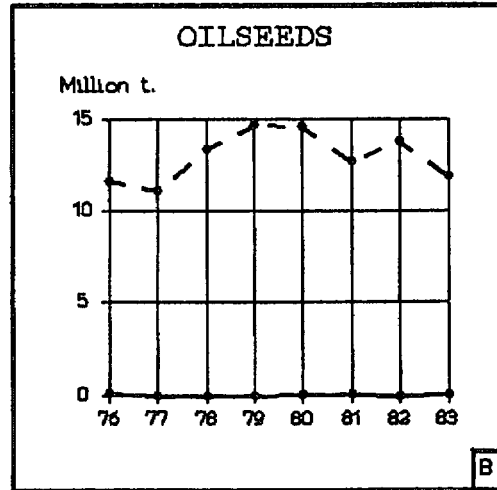
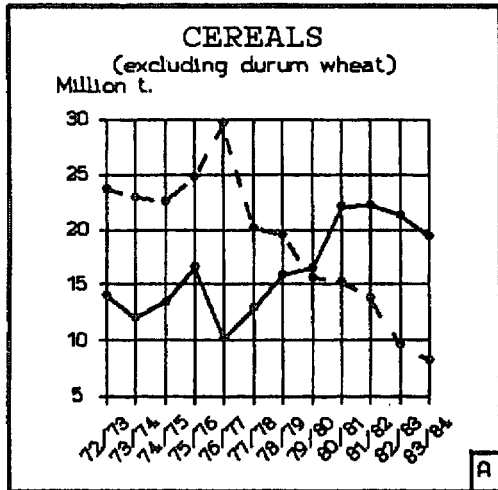
Although the forecasts primarily concern supply and demand within the Community, the trend in Community imports and exports and the outlook for world markets are also mentioned where possible. Figure 2 shows the trends in the Community's external trade in agricultural products in recent years.

As regards guarantee thresholds and related measures, Table No 4 at the end of this volume gives an overview of the thresholds fixed in the past and those proposed here.

23. Any forecast of demand depends on a forecast of population and incomes. According to the Commission's estimates, the total population of the Ten will increase from 272 million in 1983 to 275,6 million in 1991, which represents an annual growth rate of 0,16%, compared with 0,35% for the period 1971 to 1981. The level of private consumption per head of population (Community average at 1970 prices) is expected to increase at a rate of 2,18% a year from 1983 to 1991, compared with 2,5% during the period 1971 to 1981. Since population and income growth will be slower than in the seventies, the outlook for food consumption is not as good as in the past.
  
24. Spain and Portugal are due to join soon, so that the common agricultural policy will cover twelve countries. Enlargement will affect the markets for most agricultural products and in some cases the impact will be great. However, for the sake of consistency, the forecasts have been worked out on the basis of the Community's present membership.

FIGURE 2

### AGRICULTURAL EXPORTS AND IMPORTS



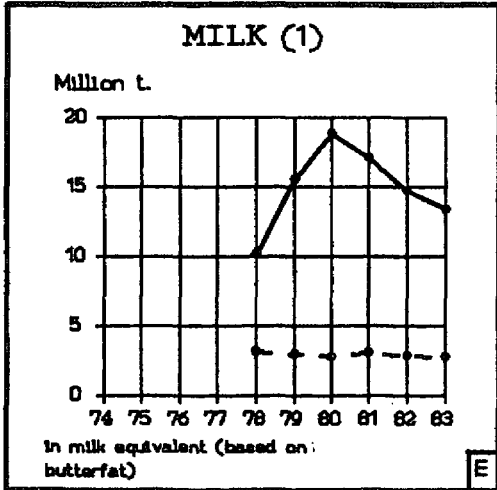
Graph C  
73-83 : EUR10  
Graphs A,B,D  
72-80 : EUR9  
81-83 : EUR10

--- Imports  
— Exports

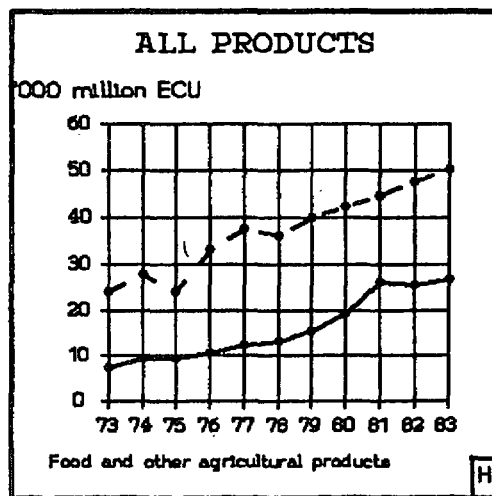
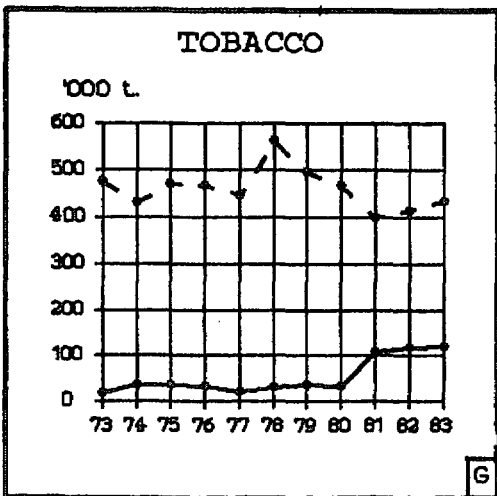
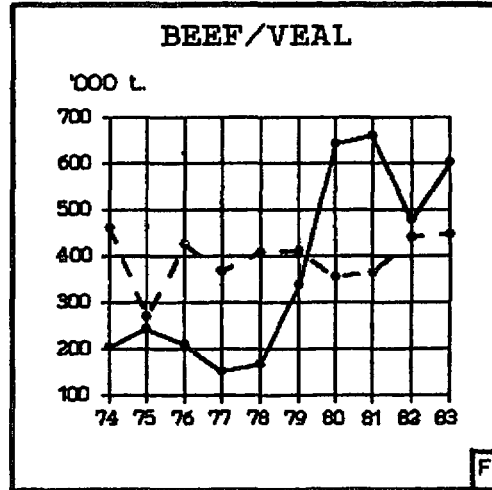
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FIGURE 2 (contd)

## AGRICULTURAL EXPORTS AND IMPORTS



(1) The 74-77 figures are not available



Graph E  
74-83 : EUR10  
Graphs F,G,H  
73-80 : EUR9  
81-83 : EUR10

- - - Imports  
— Exports

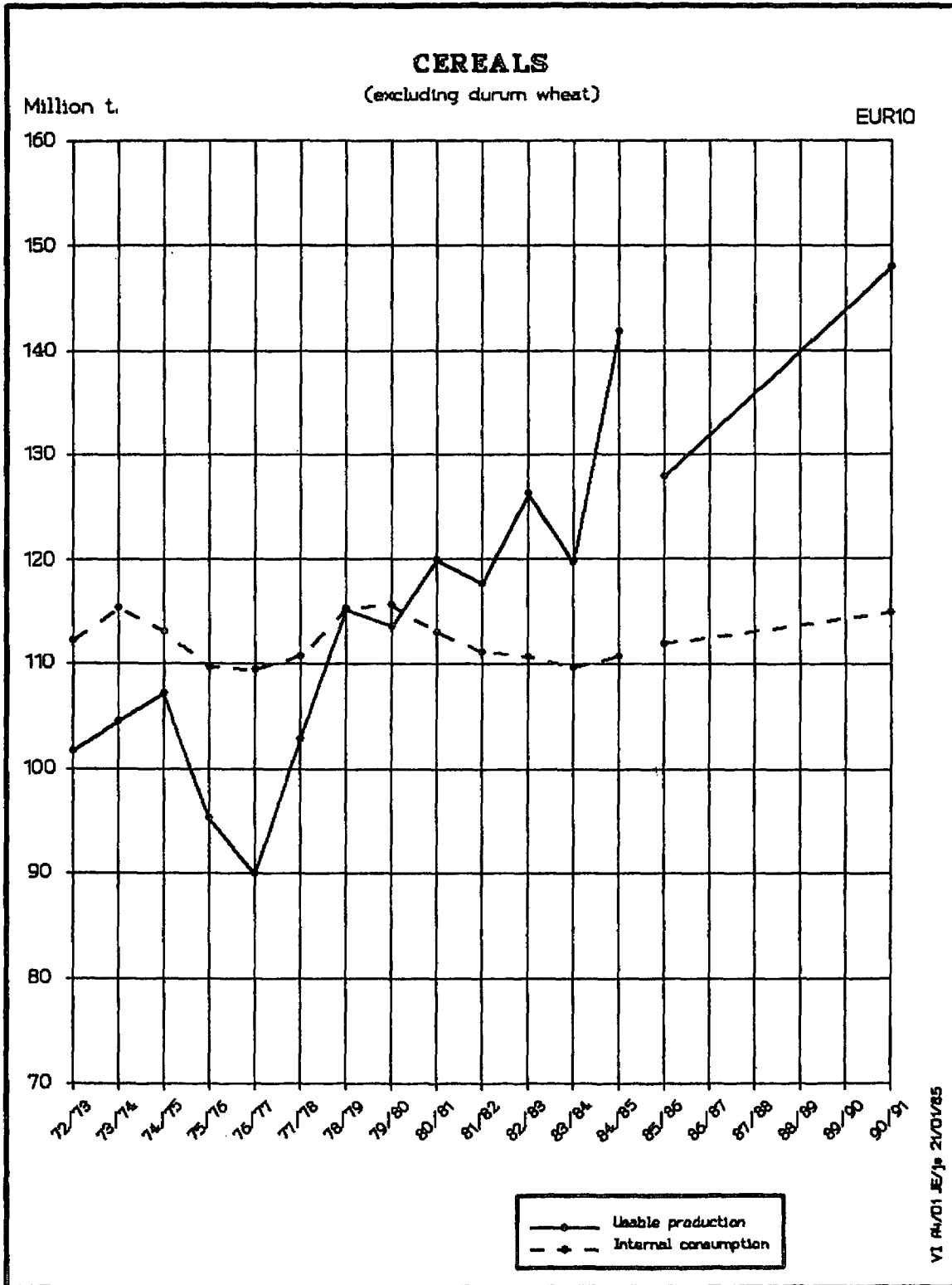
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b) Situation and outlook

1. Cereals

25. The 1984 cereals harvest (excluding durum wheat) is estimated at 144,21 million tonnes; this record figure confirms the continuing upward production trend. As Figure 3 shows, after a marked drop in harvests between 1975 and 1977, production has been increasing since 1978 at an annual rate of over 3%. The key to growth has been the increase in yields, particularly of wheat (which accounts for 48% of production in 1984/85). It is significant that over the past six years fluctuations in production have not been so great as for the 1974 to 1978 harvests; this clearly shows that technical progress is having an impact on the production level, which depends less than in the past on biological and weather conditions.
  
26. Assuming that a restrictive price policy is pursued in this sector up to 1991, the total area under cereals can be expected to remain relatively constant (25,7 million ha); over that period the area under common wheat will continue to increase, reaching 12,7 million ha, but much less at the expense of barley (as has been the case for the last five years), the area of which will stabilize at 8 million tonnes. Production is expected to expand over the period up to 1991 even more than in the past; the steady improvement in yields, e.g. for wheat at an estimated rate of about 3% a year, is expected to bring total grain output (not counting durum wheat) to 148 million tonnes by 1991 (1990 harvest).
  
27. Demand has been remarkably stable over the last ten years, not only for human consumption but also for industrial use and seed; a total of about 40 million tonnes has been accounted for by these uses. The situation is unlikely to change in the future for either human consumption or use as seed; industrial use, however, is likely to increase slightly, bringing demand for non-feed use to 41 million tonnes in 1991. In future, as during the seventies, therefore, global demand for cereals will still depend mainly on animal consumption, which represents about 63% of total consumption of cereals.
  
28. The total volume of cereals used for animal feed is expected to increase from 69,4 million tonnes in 1983/84 to some 70 million tonnes in 1984/85. The trend depends largely on the development of poultry farming and in particular the price relativities between cereals and substitutes (manioc, bran and corn gluten). Assuming that a restrictive price policy will narrow the gap between cereal prices and prices of substitutes and in view of the foreseeable increase in the production of pigmeat and poultrymeat

FIGURE 3



in particular, it can be estimated that by 1991 demand for cereals for animal feed will have risen by 4 million tonnes to a total of 74 million tonnes. The availability of Community cereals at a competitive price would enable a large portion of these requirements to be met from our own production.

29. Total internal demand in 1991 would thus be of the order of 115 million tonnes, while production would total 148 million tonnes. This means that the balance between production and internal use (excluding variations in stocks) could be as much as 33 million tonnes, 9,7 million tonnes more than in 1983/84 and 31,8 million tonnes more than in 1984/85.
  
30. World trade in cereals up to the end of the decade is difficult to predict: although supply is bound to increase as a result of higher productivity in the other grain-growing countries as well as the Community, world demand will depend on the production trend in importing countries like the USSR and the purchasing power of the developing countries. Also, given the budget constraints, the Community will be able to hold on to its market share only if Community cereals prices are close enough to those of our main competitors.
  
31. The situation described above will lead to a build-up of Community stocks for which there is no obvious outlet and most of which will be held by the intervention agencies. Intervention stocks for 1984/85 can be expected to total 15 million tonnes, which, combined with the budget problems, could well pose a threat to the intervention system, as the intervention agencies do not have the requisite storage facilities available.
  
32. As regards durum wheat (figure 4), the 1984 harvest reached a record level of 6,06 million tonnes, about 60% up on the low figure for 1967/68 (3,87 million tonnes). This result is due to a 47% increase in yields and a 3% increase in areas sown. One Member State (Italy), which accounts for 75% of Community production (the only other durum-growing Member States being Greece and France), indicates the production trends for the period up to 1991. It is expected that, given the importance of durum growing in the Mediterranean areas where it is concentrated, the area sown will continue to increase as in recent years, at a rate of 1,4% a year to 2,3 million hectares in 1991. The same growth rate for yields (from 18,8 quintals a hectare in 1973 to an estimated 23 or 24 in 1991) would bring total production to 5,6 million tonnes by 1991 (1990 harvest).



FIGURE 4

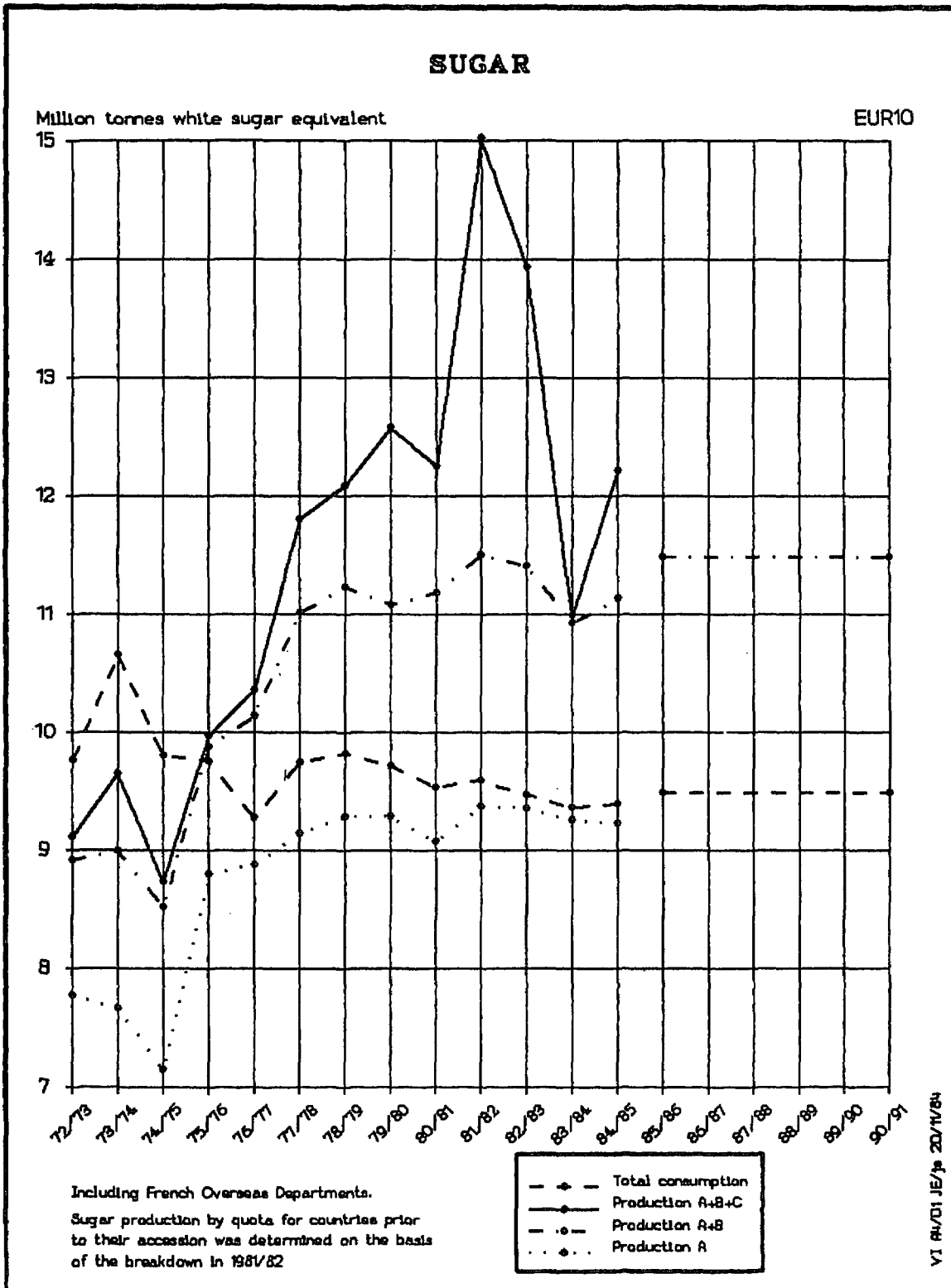


33. Internal demand for durum, 87% of which is for human consumption, remained relatively stable until 1981/82 (about 4,5 million tonnes); since then it has fallen, and the estimated figure for 1984/85 is 3,6 million tonnes. Although Community production since the accession of Greece covers internal demand, it should be noted that in 1983/84 the Community imported about 25% of its internal requirements, this being qualities not grown in the Community; its exports in various forms matched in quantity its imports. It is not out of the question that internal demand will go on contracting to the extent that in 1991 about 50% of total durum wheat production will not find an outlet on the internal market and, therefore, will have to be exported.

## 2. Sugar

34. The price proposals for sugar must be calculated to ensure not only a fair income for beet and cane growers and proportionality with the proposed price increased for other products but also continued progress towards the objective of the basic Regulation which is to match output to market outlets and to finance the entire cost of the disposal of Community surpluses from the proceeds of the levy imposed on sugar manufacturers.
35. The combined quotas of A and B sugar amount to 11,76 million tonnes and correspond to 125% of domestic consumption in the Community. Actual consumption hovers around 9,4-9,5 million tonnes and actual production within the quotas fluctuates around 11,2 million tonnes, which puts surplus output at between 1,5 and 2,0 million tonnes (figure 5).
36. Without prejudice to the proposals the Commission will be making concerning the rules on sugar (the present quota system runs until July 1986), it is assumed that the system will be maintained, which means that, until the start of the next decade, production will depend on the world market price for C sugar. If the world price remains as low as it has been in recent years, total production in 1991 will not exceed the average figure for 1983 and 1984. In this case, since yields per hectare are constantly rising (+ 1,5% in sugar), beet acreages should be reduced to less than 1,6 million hectares.

FIGURE 5



37. Total consumption should remain stable until 1991 at about 9,5 million tonnes. Even if per capita consumption, now at a ceiling of 35 kg, were to fall slightly in the coming years, this should be offset in overall terms by an increase in the population. But some competition on the domestic market, comparable to that observed in other developed countries, is to be expected from the development of artificial sweeteners (aspartame, saccharin).

### 3. Oilseeds

#### Rape and sunflower seeds

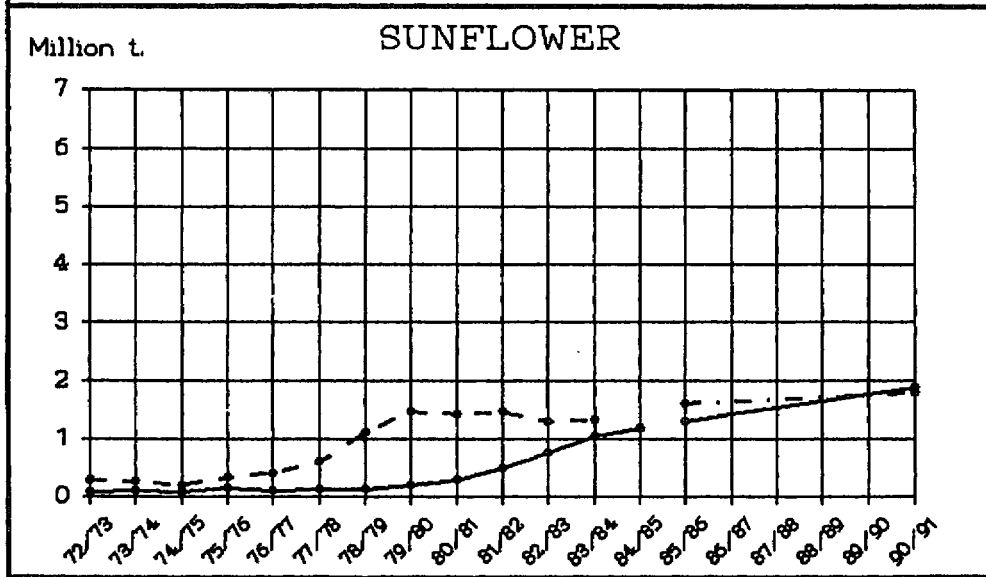
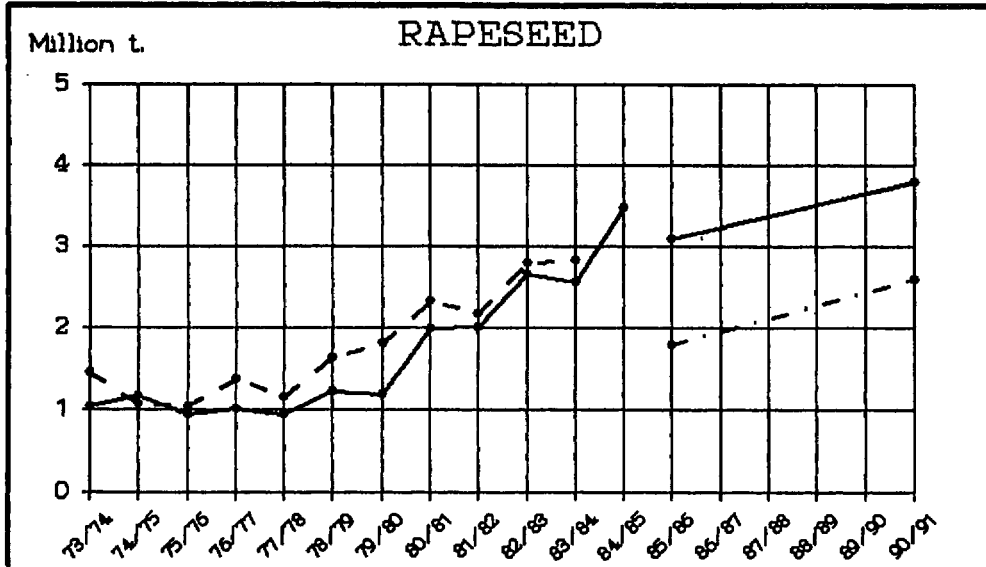
38. As is shown by Figure 6, rapeseed production in 1984/85 has risen to a record 3,49 million tonnes, thanks to an increase in yield of 30% in comparison with 1983/84. This means that the average production of the past three marketing years exceeds the guarantee threshold (2,41 million t) by some 450.000 tonnes. This will entail a price reduction for the 1985/86 marketing year.
39. Taking account of the likely increase in this sector - + 2% per year (as recorded during the period from 1973 to 1984) - and of the increase in the areas sown to rape, although the rate of increase has been slower than in the last decade, - + 1% per year - there is a risk of imbalance of supply (3,8 million t in 1991) and internal demand, which will be limited, as at present, by the Community consumption of rapeseed oil at a level of 2,6 million tonnes (rapeseed equivalent) in 1991. Exports of rapeseed oil are about 0,7 million tonnes seed equivalent.
40. Production of sunflower in 1984/85 (shown in Figure 6) rose because the area sown was expanded to 580.000 ha (as compared with 500.000 in 1983/84). Nevertheless, the high level of production in 1984/85 (1,2 million t) has not resulted in the guarantee threshold being exceeded. Taking account of the future increase in yields, which is as high for this product as for rapeseed, and of the growth in the area under sunflower (820.000 ha in 1991), one can reckon on a supply of 1,9 million tonnes in 1991.
41. With regard to the supply balance, there is still a shortfall of sunflower oil in the Community, and consumption thereof (at present 1,6 million t in seed) may well reach about 1,8 million tonnes (seed equivalent) in 1991.

FIGURE 6

### OILSEEDS

Greece is not included in this graph owing to its low level of production

EUR9



---◆--- Internal use  
—●— Usable production  
- . - . □ - Forecast EEC oil consumption

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#### 4. Wine

42. Despite the structural measures aimed at reducing the area under vines in production adopted in 1976 and tightened up in 1980, and despite the application of the new management instruments introduced in July 1982, surpluses of table wine continue to grow. In order to stabilize the market, increasing quantities have had to be taken off it and distilled with Community aid. In the four years from 1980/81 to 1983/84 the quantities involved were respectively 14, 23, 21 and 34 million hl. Forecasts for the 1984/85 wine year indicate that the figure will still be around 30 million hl.

The main reasons for the structural surpluses are the following:

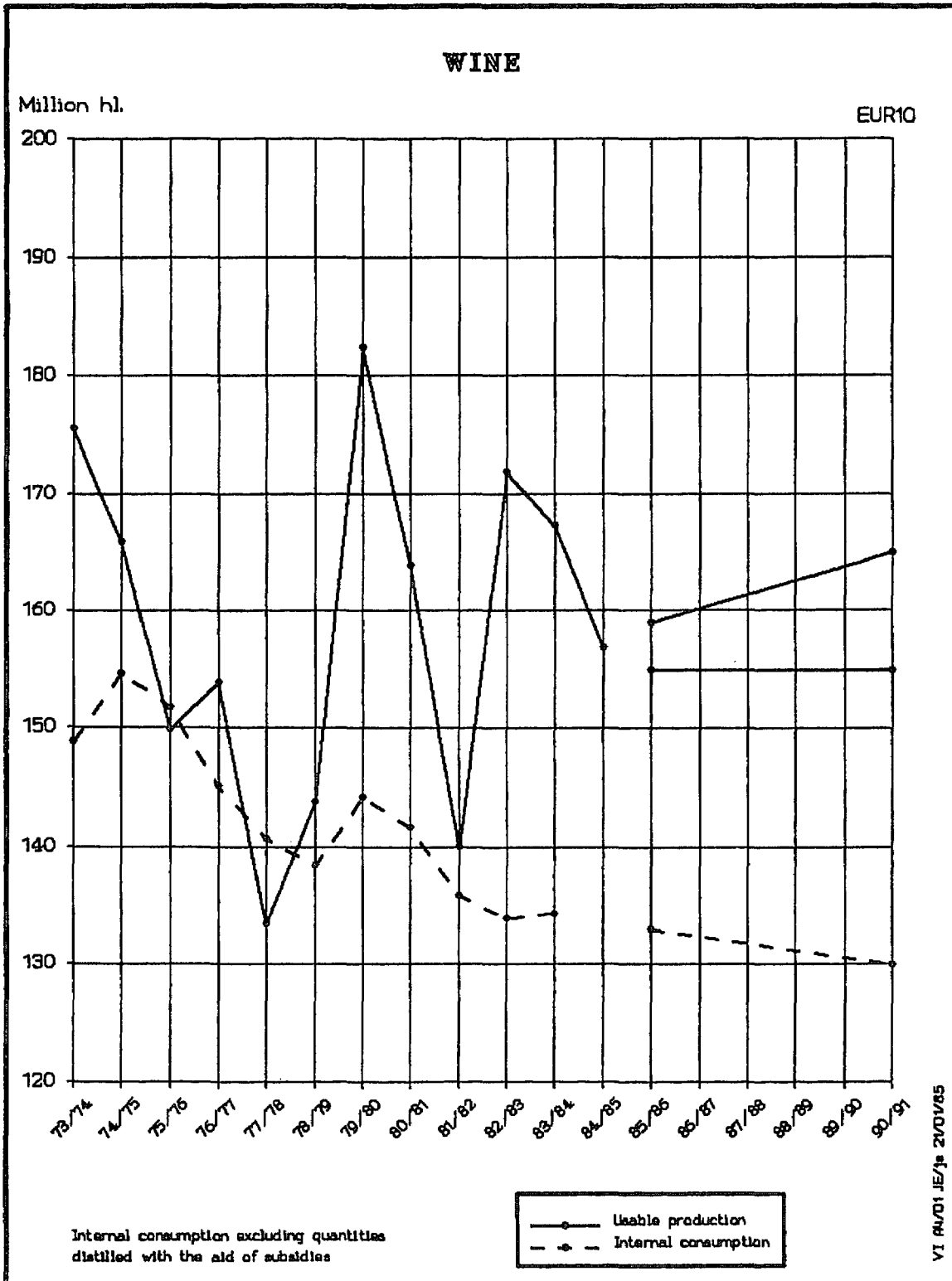
- the falling consumption of table wine in the two major wine-growing countries (France and Italy), which is not offset by the slight increases in the other Member States
- the increase in yields, which has more than offset the reduction in the area under vines.

43. Figure 7 shows that harvests fluctuate greatly from one year to the next. Production, however, has been rising since 1971/72 (by about 1% a year for all wines together and by about 0,3% a year for table wines); thus, while until 1979 production rarely exceeded 165 million hl, since then it has been above that level in most years. This trend is due solely to the increase in yields, which has more than offset the fall in the area under vines (from 1976 to 1982, 10% of the area was grubbed definitively).

44. If yields per hectare continue to grow by more than 1% a year (as has been the case since 1971), total wine production will be between 155 and 165 million hl by 1991; that is to say, table wine production will level out at between 110 and 120 million hl while production of other wines will rise slightly to around 45 million hl.

45. The downward trend in consumption noted in the two main producing countries (France and Italy) has continued. It has not been offset by the rise in consumption in other Member States. In some cases the application of excise at a high rate is still likely to restrain the consumption of wine. Thus, average consumption which, until 1979, stood at between 140 and 150 million hl has since fallen to less than 140 million hl. The fall in consumption is therefore progressing at an annual rate of 0,75%. On the basis of this trend, internal consumption in 1991 can be expected to be 130 million hl.

FIGURE 7



## 5. Tobacco

46. At an estimated 5.92 million tonnes, the world's total production of leaf tobacco in 1984 was roughly equal to the figure for 1983 (5.98 million tonnes). The Community's production of leaf tobacco from the 1984 harvest was steady, compared with the figure for 1982 (1984: 331.171 tonnes; 1982: 331.523 tonnes). The 1983 harvest of 311.707 tonnes cannot be used for comparison since it was severely damaged as a result of bad weather. Varieties which are much in demand accounted for nearly 173.000 tonnes (55,4%) of the 1983 total (figure 8); in 1978 the figure was 40,3%, while in 1981, Greece having joined, it was 54,6%. Compared with 1982, the estimates of production for the 1984 harvest by type of variety show increases of 16,5% and 14,4% for light air-cured and flue-cured tobaccos respectively and a 24% fall for dark air-cured varieties. The changes are in keeping with the demand for those varieties and with the objectives pursued by the Community in the tobacco sector. Production levels for fire-cured and sun-cured tobaccos were unchanged during the period in question. The total area under tobacco in 1984 was about 0,1% down on 1983 (181,900 ha, as against 183.218 ha in 1983).
47. Barring changes in policy, it is expected that the total area under tobacco (most of it in Greece, Italy and France) will stabilize at its 1982 level (i.e. about 175.000 ha), but with a switch from varieties which are difficult to market to others which are more in demand and which offer better yields per hectare. On the basis of the increase in yields (+2% per year) brought about in particular by the change in varieties, it is estimated that the total quantity of baled tobacco grown in 1991 will be 314.000 tonnes (figure 9).
48. The consumption of tobacco is to a very large extent dependent on that of cigarettes, since these account for 85% of the total. As a result of the decline in cigarette smoking, tobacco consumption generally has tended to fall, and it is estimated that internal demand for tobacco will total 500.000 tonnes in 1991, as against 585.400 tonnes in 1983. Because of the characteristics which are inherent in the different varieties and qualities of tobacco, it is likely that in 1991 much of this demand will still be met by way of imports (the figure since Greece joined has been 70-75%). For reasons of soil and climate the Community cannot, for each tobacco variety, produce the top qualities of tobacco which European manufacturers seek in order to meet internal demand; this is a situation which is unlikely to change in the future. Since the Community tends to produce tobacco varieties which differ from those required by European manufacturers, it is expected that much of its production will continue to be exported.



FIGURE 8

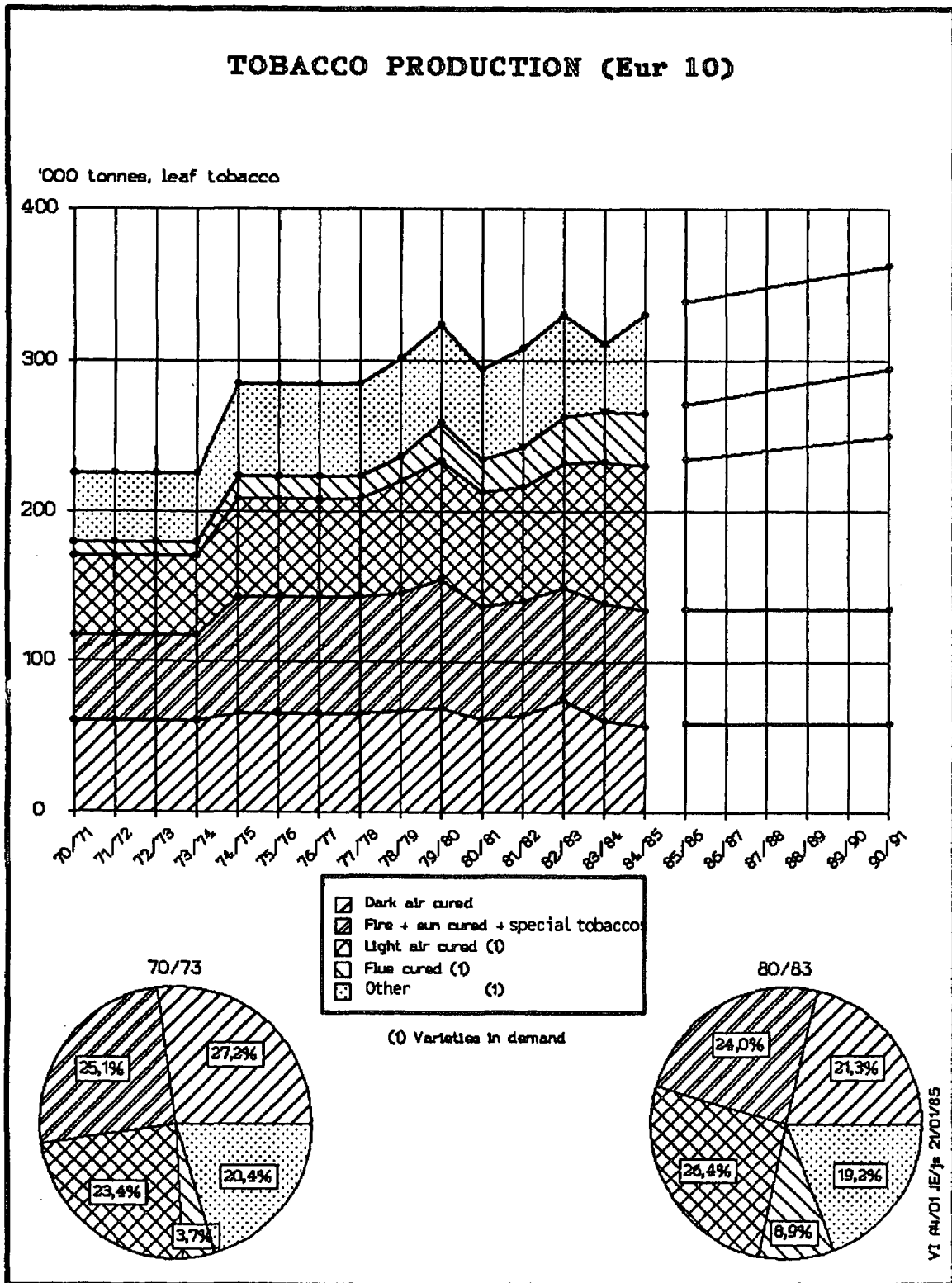
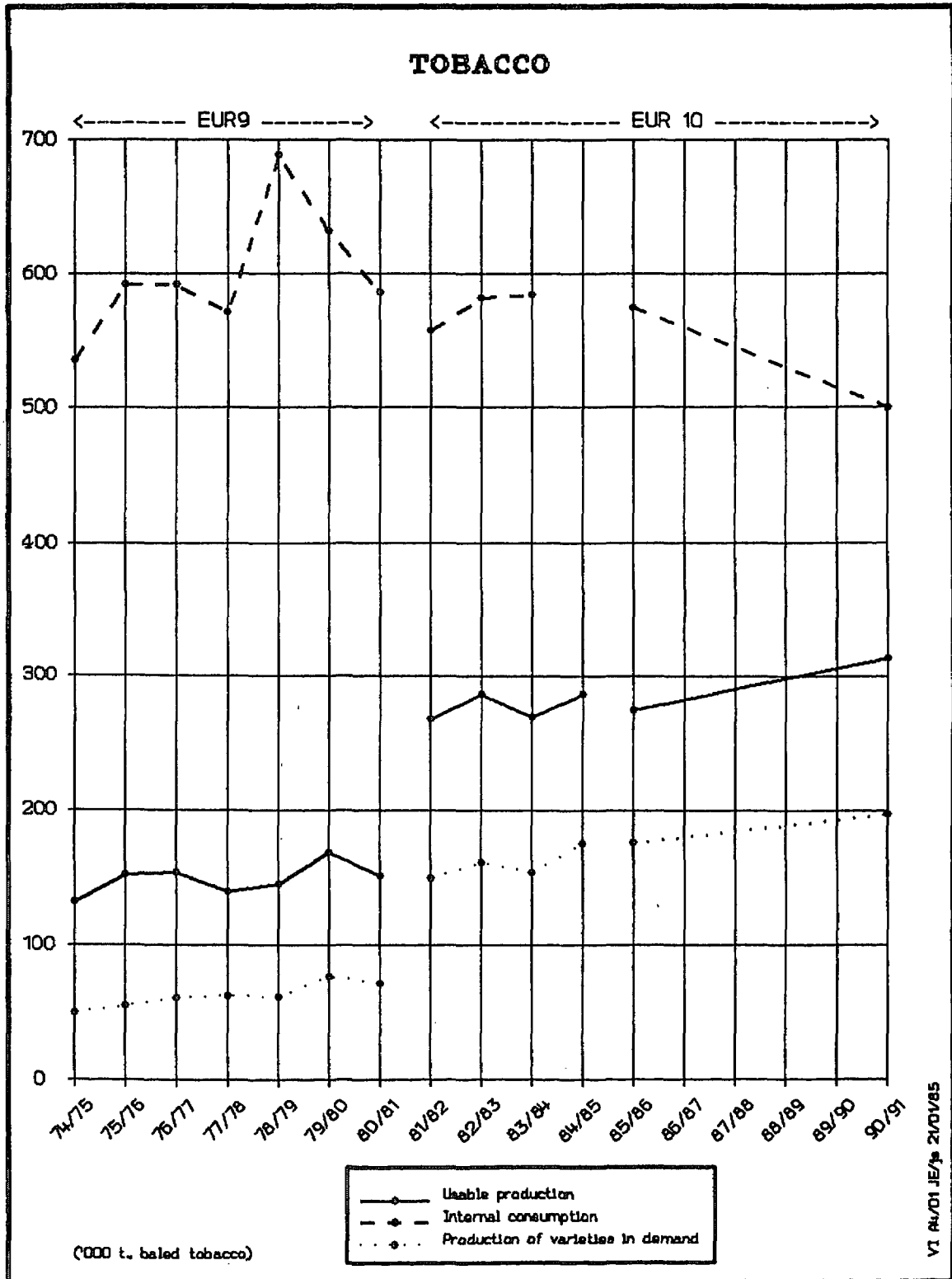


FIGURE 9



## 6. Milk

49. The Community herd changed little in size from the early seventies onwards and comprised 25.354.000 dairy cows on 31 December 1982. But by 31 December 1983 an increase of 2% was recorded, the herd amounting to 25.775.000 head. This is one of the reasons why milk deliveries to dairies in the first quarter of 1984 were up 3,0% on the first quarter of 1983. Thus the tendency continued for the increase in deliveries to run well ahead of the rise in consumption (+ 0,5%), as shown in Figure 10.

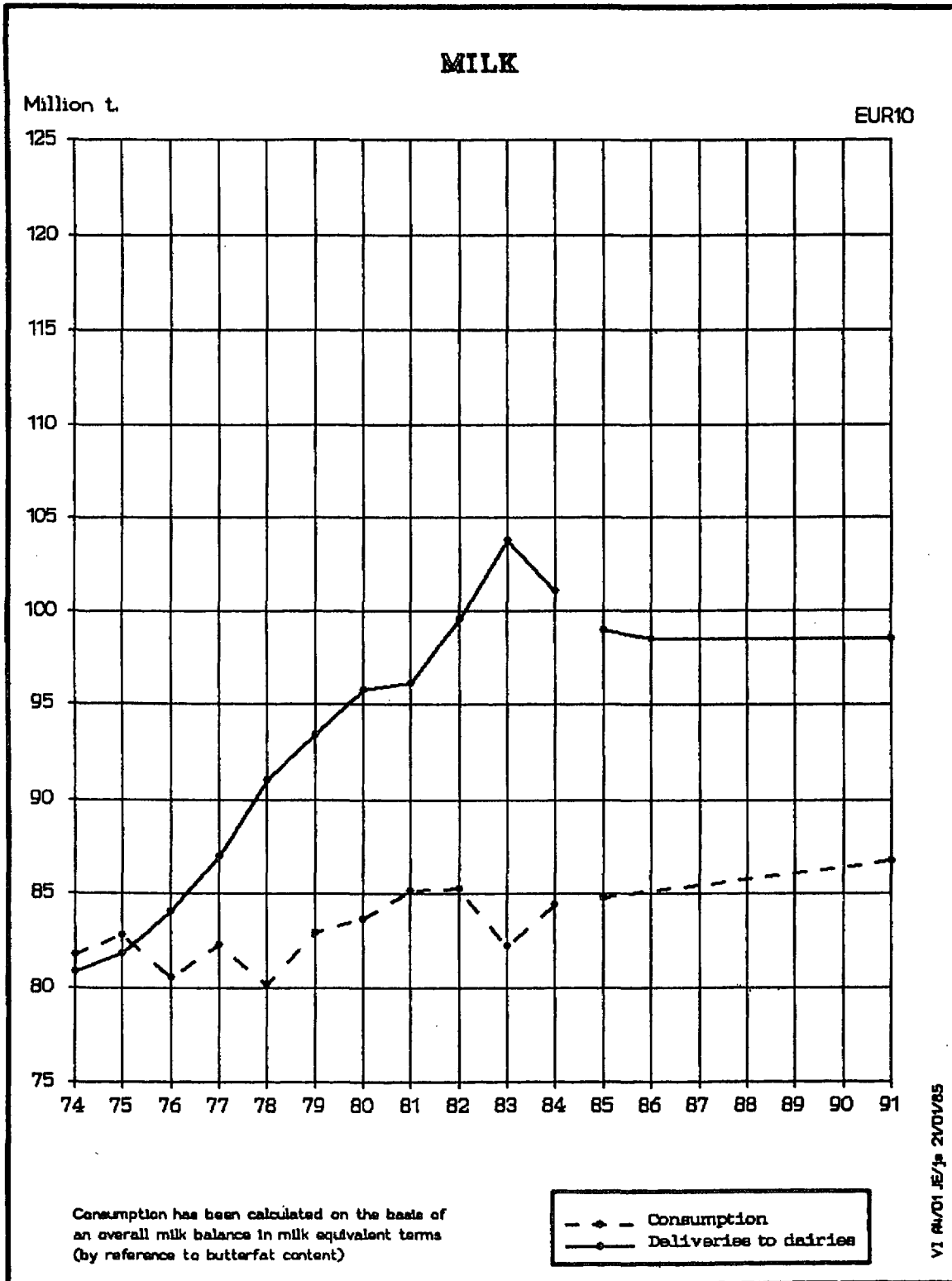
On 31 March 1984 the Council introduced a delivery quota, set, for the Community, at 99,4 million t for 1984/85 including the reserve of 335.000 tonnes agreed for the 1984/85 marketing year. It corresponded to 95,8% of milk deliveries in 1983 (103,8 million t) but to 120,8% of internal consumption in the same year. The latest available estimates indicate that milk deliveries between April and December 1984 will be 4% down on the same period in 1983. Deliveries in 1984 are therefore expected to total only 101,5 million tonnes, corresponding to 97,8% of 1983 deliveries. If deliveries continue to decline in the first quarter of 1985, they will total 99,7 million tonnes in the 1984/85 marketing year.

50. Total consumption of milk and milk products did not change much compared with previous years. It is worth noting, however, that the fall in butter consumption observed in previous years was halted. Butter consumption even increased considerably in some Member States owing to more cut-price sales and the fall in the market price of butter caused by the reduction in the intervention price.

Cut-price sales of skimmed-milk powder for pigs and poultry expanded greatly and the quantities disposed of in 1984 for the manufacture of animal feed can be put at nearly 600.000 tonnes.

51. Exports of skimmed-milk powder remained low; exports of milk, cream and cheese, however, were up on 1983. The sale of 220.600 tonnes of butter to the Soviet Union in the last quarter of the year will greatly boost export figures for the first half of 1985.

FIGURE 10



52. The level of stocks was influenced by the cut in butter and skimmed-milk powder production from 1 April onwards (manufacture was down by 12% and 20% respectively) and by the measures to promote sales on the internal market and to expand exports.

Public stocks at the end of 1984 can be put at around 900.000 tonnes of butter and 680.000 tonnes of skimmed-milk powder. Compared with stocks at the end of 1983 they are down 250.000 tonnes in the case of skimmed-milk powder but up a further 218.000 tonnes in the case of butter. This is in spite of the fact that buying-in by the intervention agencies between 1 April and 31 October was down 30% compared with the same period in 1983.

53. The milk production industry is under going a process of far-reaching change and forecasts for 1994 must necessarily rest on certain assumptions. The assumptions adopted in the present exercise are as follows:

- Without prejudice to the Council decisions concerning the application of the quota for the years beyond 1988/1989, it has been assumed that milk deliveries to dairies will remain at 98,5 million tonnes.
- On the supposition that on-farm consumption of milk will tend to rise, the percentage of milk production delivered to dairies has been reduced from 92,6% (in 1983) to 90,4% in 1991.
- For 1984 and 1985, the years in which application of the quota will have the greatest impact on milk production, it has been assumed that more dairy cows will be slaughtered and that savings on livestock feed will keep down the increase in milk yields. From 1987 onwards, milk yield can be expected to rise steadily by about 1,5% (compared with 2,6% from 1974 to 1982), leading to an equivalent reduction in the dairy herd.

54. On the basis of these assumptions it can be forecast that in 1991 the dairy herd will comprise about 23 million head, milk production will be 109 million tonnes and deliveries to dairies will total 98,5 million tonnes. Between the end of 1983 and 1991 the dairy herd will thus be reduced by 2,8 million head (or 11%), a fairly large figure.

55. Consumption of dairy products increased very slightly between 1974 and 1983. For dairy products as a whole, in terms of whole milk equivalent (on the basis of fat content), the increase was 0,5% a year. There were appreciable differences, however, between the various products. Butter

consumption fell by 3,5% a year and it was only owing to measures to stimulate consumption and to reduce prices that the drop could be reduced to 1,4%. Consumption of all other dairy products together has been increasing but the rate of increase is slackening off and is now between 1% and 2%.

In these circumstances and applying the annual rate of increase of 0,4%, it can be assumed that human consumption of dairy products in the Community will amount to around 87 million tonnes in 1991.

56. When foreseeable supply in 1991 (98,5 million t) is compared with foreseeable internal demand in the Community (87 million t), demand can be seen to exceed consumption by 11,5 million t (self-sufficiency : 113%). This means that introduction of the delivery quota in 1984 will reduce self-sufficiency by 5 points compared with 1982. The surplus available will enable the Community to maintain its pattern of exports. However, there is no prospect of significant growth in demand on world markets in the next few years.

#### 7. Beef/veal

57. The beef/veal sector had to contend with major problems in 1984, resulting in a sharp increase in the number of female animals slaughtered (+ 14% compared with 1983).

The increase in slaughterings of female animals (cows and heifers) was accounted for by the fact that kills tend to follow a cyclical pattern and that in 1984 a peak in the cycle coincided with the reduction in the dairy herd which followed the introduction of the milk quotas.

58. The resulting boost to meat supplies on the Community's beef/veal market - where conditions were already causing concern at the beginning of 1984 - led to a sharp fall in prices, and this in turn adversely affected all parts of the beef/veal sector.

At the end of July 1984, at a time when the market price for adult bovine animals was equivalent to 72% of the guide price - its lowest level since the market organization started operating - the Commission adopted a number of measures designed to support prices in what were exceptional circumstances.

The Community's beef/veal market reacted positively to the introduction of these measures: prices rose, although not to the level of previous years so that stocks built up appreciably as a result of intervention buying, especially during the three months in which whole carcasses were bought in.

Accordingly, stocks totalled an estimated 680.000 tonnes on 31 December 1984, as against 408.000 tonnes a year earlier, i.e. an increase of 67%.

59. Contracts were concluded, under the private storage aid scheme, in respect of a total of 240.000 tonnes, about 180.000 tonnes of which was actually in storage at the end of 1984.
  
60. Once the milk quotas have been phased in, the number of dairy cows will fall by 1,5% each year. This will be partly offset by a slight increase in the number of cows other than milk-breed cows and in the output of meat per cow (+ 1,7% annually). By 1991 the Community will therefore have a total of about 23 million tonnes. In other words, if milk deliveries remain at the present quota levels and if there is a slight increase in the beef/veal herd, the production figures concerned will in the long term tend to stabilize at a slightly lower level than was forecast before the milk quotas were introduced.
  
61. In 1983, demand for beef/veal within the Community steadied at 6,6 million tonnes (24,4 kg per head of the population). In contrast with price trends for pigmeat and poultrymeat, however, consumer prices of beef/veal have risen (by 1,2% annually) in real terms since 1960, despite an annual fall in producer prices - also in real terms - of 0,4%. The prospects as regards consumer incomes up to 1991 are less favourable than they were 10 years ago. Accordingly, the consumption of beef/veal per head of the population is at best likely to stabilize at 25,5 kg, and total demand within the Community will be 7,0 million tonnes in 1991 (see Fig. 11).

Fig. 12 also shows an increase in the per capita consumption of pigmeat, from 37,8 kg in 1984 to 41,6 kg in 1991. Pigmeat will therefore continue to account for the major share of meat consumption in the Community. With economic conditions fairly favourable to it, the consumption of poultrymeat per head of the population will also show a steady increase, from 14,8 kg per person in 1984 to 16,2 kg in 1991. Sheepmeat, on the other hand, is in most Member States subject to the same market constraints as beef/veal, and it is therefore felt that its consumption on a per capita basis will rise only slightly, from 3,6 kg in 1984 to 3,7 kg in 1991.

62. It is expected that the world market supply of beef/veal will fall appreciably in 1984 and 1985, by 0,5-0,6 million tonnes compared with the early 1980s. This corresponds to about 20% of the total quantity of beef/veal traded on the world market. While the prospects for Community

FIGURE 11

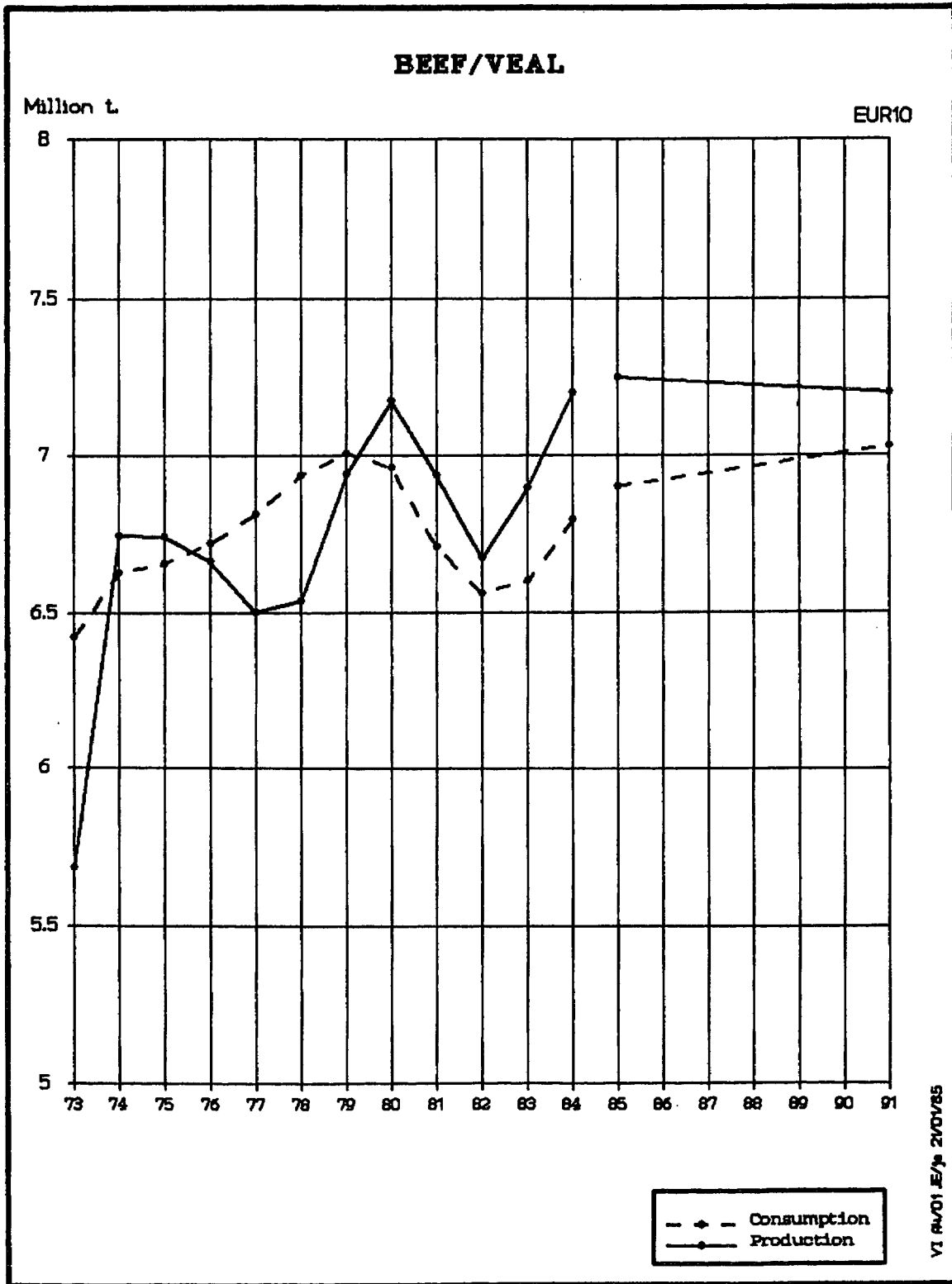
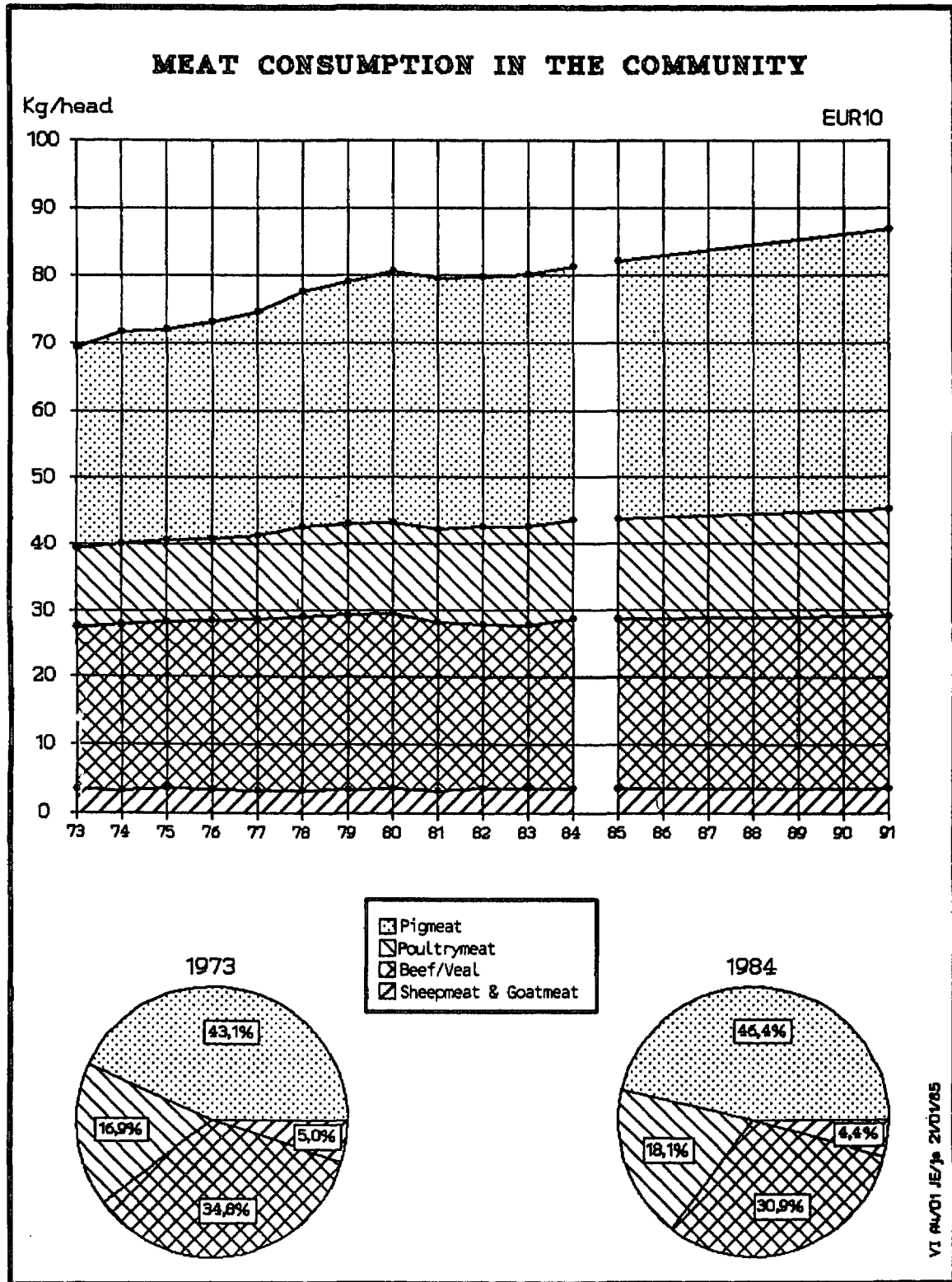




FIGURE 12



exports during the period in question are fairly good, the situation could well deteriorate in the longer term once the world's traditional exporting regions resume normal production. Since the Community imports about 400.000 tonnes of beef/veal each year, a total of about 0,6 million tonnes will therefore be available for export in 1991, i.e. the equivalent of the current shortfall on the world market. The Community has, however, often exported in excess of 600.000 tonnes since 1980.

#### 8. Pigmeat

63. In 1983 gross internal pigmeat production reached 10,5 million tonnes, i.e. an increase of 3,3%. There was an 1,0% rise in internal demand, to 10,2 million tonnes, and net exports of pigmeat in 1983 totalled upwards of 200.000 tonnes. Consumption per head of the population increased from 37,3 kg in 1982 to 37,6 kg in 1983; it will probably reach 37,8 kg in 1984.
64. The forecasts up to 1991 are that there will be a slight increase in per capita consumption, to 41,6 kg, and that, taking the increase in population into account, consumption will reach 11,5 million tonnes overall. Net exports will remain fairly steady, at around 150.000 tonnes.

#### 4. PROPOSALS OF COMMON PRICES FOR 1985/86 MARKETING YEAR

65. Taking account of the situation and prospects of the agricultural sector, and in view of the objectives set out in Article 39 of the EEC Treaty, the Commission submits its proposals for the coming marketing year. The proposals respect the need for continuity in the development of the common agricultural policy, according to the lines defined in recent years, particularly in the context of the Council's decisions on 1984/85 prices. Those guidelines, adopted in March 1984, were imposed by the economic and financial realities of the 1980s. Developments since then, particularly on the agricultural markets, present no surprises, and give no reason for the Community to follow a path in the coming years different from that already signposted.

66. The present proposals concern three main elements:

- common prices
- related measures
- monetary compensatory amounts.

The Commission wishes to underline that these elements form a single coherent package; in fixing its position on each, the Commission has taken into account its relationship with the others. The level of common prices proposed cannot be seen in isolation from the proposals concerning the green rates, or concerning the accompanying measures such as guarantee thresholds. The application of a guarantee threshold in an appropriate form permits in certain sectors a moderate increase in price, whereas in other sectors for which a guarantee threshold has not been introduced no adjustment of price is proposed. Likewise the minimal dismantling proposed for positive MCAs is conditioned by the restrictive proposals for common prices.

a) Proposals for common prices

67. With the continued reduction in the average rate of inflation in the Community - forecast for 1985 at 4,1%, compared with 4,7% estimated for 1984 - the Commission considers that a market-oriented price policy requires adjustments in common agricultural prices for 1985/86 no less prudent than in 1984/85. Account must also be taken of the fact that, by comparison with previous years, the disparity of Member States' rates of inflation has been reduced, and the margin of manoeuvre for price adjustment through adaptation of green rates is limited. In such circumstances, it is normal that the adjustment of prices in national currency should correspond more closely to the adjustment of prices in ECU than has been the case in the past.
68. Agricultural revenues in the Community have increased in real terms in 1984 by about 4% after a decrease in 1983; by comparison with the average of the three-year period 1979/80/81, agricultural revenues in 1984 have improved by about 7%. However, the development has been very varied according to the sector of production with extremely negative results for milk and beef but very positive results for cereals.
69. The Commission concludes that for the majority of products it is appropriate to propose price adjustments of between 0 and + 2%. In certain specific cases, a reduction in prices is justified because the guarantee threshold has been exceeded (this is the case for cereals and rapeseed) or because of the market situation (this is the case, in particular, for tobacco and for certain fruit and vegetables where the withdrawals from the market or the quantities receiving aid have increased excessively).

In its proposals for the different products, the Commission has paid special attention to the need for internal consistency within the agricultural sector as a whole. Prices for animal products cannot be viewed in isolation from costs of animal feed: the prices of some of the components entering into animal rations have fallen in the later part of 1983 and during 1984, and will be further influenced in 1985 by the proposed adjustment of cereal prices. At the same time, following the introduction of production quotas for milk, great prudence must be exercised in fixing prices for other sectors to which productive resources may be transferred from the milk sector. Finally, within the crop sector, the same prudence demands that the price level for cereals - for which the application of the guarantee threshold mechanism will entail a price reduction in the coming season - should be properly related to the prices for other crops which may be grown in place of cereals.

70. The proposed adjustments of common prices in ECU are given in full in Table 1 at the end of this volume. In summary, the proposals are: :

<u>Cereals</u>	Target price and common intervention price (increase of 1,5%, corrected by abatement of 5% due to guarantee threshold being exceeded)	- 3,6%
	Rye - target price	- 4,4%
	Durum wheat - intervention price	0,0%
	- production aid (Italy, France)	0,0%
<u>Rice</u>	Intervention price for paddy rice	0
<u>Sugar</u>	Basic price for sugar beet	0
	Intervention price for white sugar	+ 1,3%
<u>Olive oil</u>	Intervention price	0
	Target price and production aid (increase in aid to be used to finance action to combat "dacus oleae")	+ 2%
<u>Oilseeds</u>	Colza and rapeseed	- 3,6%
	Sunflower seed	- 1,5%
	Soya beans	+ 1%
<u>Protein Products</u>	Dried fodder	+ 1%
	Field beans - minimum price	- 6,2%
	Lupins, peas - minimum price	0
<u>Fibre Products</u>	Flax and hemp	+ 1%
	Cotton	+ 2%

<u>Wine</u>	Guide prices	0
<u>Tobacco</u>	Guide prices and premiums according to variety	from 0 to - 5%
<u>Fresh Fruit and Vegetables</u>	Basic prices and marketing premiums, according to product	- 6% to + 1%
<u>Milk</u>	Target price	+ 1,5%
	Intervention prices (after adjustment of butterfat/non-fat ratio from 50: 50 to 46,9: 53,1)	
	- butter	- 4,0%
	- skimmed milk powder	+ 6,8%
<u>Beef</u>	Guide price and intervention price	0
<u>Sheepmeat</u>	Basic price until 5.1.1986	0
	from 6.1.1986	+ 2%
<u>Pigmeat</u>	Basic price	0

b) Proposals for related measures

71. The Commission accompanies the proposals for common prices with proposals for certain related measures. In order to streamline the task of the Council, and taking account of the numerous modifications already decided in the 1984/85 prices package, it has tried in the 1985/86 package to limit these measures to a minimum.

(i) Crop products

72. For cereals, the Commission considers that some technical improvements are desirable in the operation of the mechanism of guarantee thresholds. Since the markets for durum wheat are so closely related to those for other cereals, it is not appropriate to fix guarantee thresholds, as was the case in 1984/85, separately for cereals with the exception of durum wheat (121,32 m. tonnes) and for durum wheat (4,6 m. tonnes). The incoherence between the prices fixed for durum wheat and for other cereals is contributing to the imbalance of the market for durum wheat, of which production is increasing while consumption is declining. Therefore for the 1985/86 marketing year the Commission proposes a single guarantee threshold of 126 m. tonnes for the cereals sector.

73. For wine, the Commission considers that, following the discussions which have taken place in the course of 1984, particularly at the meeting of Heads of State and Government in Dublin in December, it is not opportune to propose additional related measures; it requests the Council urgently to adopt the proposals for wine which it has already submitted.
74. In certain other sectors, it is becoming evident that the instruments of the market regulations are being exploited to an extent which is completely out of line with the realities of the market, and contrary to good financial management. In some cases, indeed, one must say that the suspicion of abuse or even fraudulent use of the instruments is threatening to bring the common agricultural policy itself into disrepute. The Commission is therefore obliged to include in the present package measures designed to rationalize the mechanisms or to improve the control of payments.

#### Fruit and vegetables

75. Withdrawals of certain types of fresh fruit have built up heavily in recent years. Rather than implementing special measures to cut withdrawals, the Commission prefers, for practical reasons and reasons of fairness to the growers, to propose a reduction in the basic and buying-in price of -3% for apricots and peaches and also of -6% for oranges, mandarins and lemons. This is bound to provide an incentive to citrus fruit growers to use the conversion schemes that have been set up.
76. With regard to processed tomatoes, production has considerably exceeded the guarantee threshold in recent years. The aids have been fixed at a lower level, but the present arrangements have not helped to stabilize production. The Commission proposes a further temporary measure consisting in limitation of the aids to the quantities now fixed as guarantee thresholds and in a reduction in the basic and buying-in prices of 6% for fresh tomatoes.
77. Lastly the Commission is proposing motives to intensify methods of supervising the application of Community rules in the fruit and vegetables sector. Such supervision should in particular relate to compliance with quality standards and the recording of prices.

Tobacco

78. Despite the efforts to guide tobacco production both in terms of varieties grown and with regard to the quality of the product, in line with demand, it is a fact that much of the tobacco grown can be disposed of only at considerable cost. The Commission feels that incentives to adapt production to market requirements should be maintained. It is therefore proposing, in respect of varieties raising problems, that the price and premiums be reduced by 2% and 5% respectively.

(ii) Animal Products

79. For the milk sector, the Commission has to take account of the decisions already adopted by the Council in the context of 1984/85 prices concerning the introduction of production quotas. The introduction of quotas has proved difficult, and is not yet fully assured in all Member States. The Commission underlines that, if the future of the common organisation of the market in this sector is to be safeguarded, the decisions of the Council must be respected. The limited increase in the common price for milk proposed for 1985/86 can only be envisaged on the condition that the quotas will be in proper application; and if it appears otherwise, the Commission reserves the right to substitute for its present proposal a freeze or even a reduction in the common price.

80. In the same line of strict compliance with the decisions already adopted by the Council, the guaranteed total quantity of milk applicable from 1.4.1985 will be 98,152 m. tonnes. The guaranteed total quantity of 99,024 m. tonnes, exceptionally fixed as a transitional measure for the 1984/85 marketing year, was accompanied by an increase in the rate of the linear coresponsibility levy from 2% to 3%. In these circumstances, the Commission considers it normal that for the 1985/86 marketing year the levy should apply at the rate of 2%, and this proposal is included in the present package. A reduction in the rate of levy, combined with the proposed increase in common prices, will have a positive effect on the incomes of milk producers; in addition, the Council has already decided that the aid of 120 MECU to small milk producers should be continued in 1985/86.

81. Finally, in the context of milk prices, it is proposed to make a further step in the adjustment of the butterfat/non-fat ratio, which will result in a reduction of 4% in the intervention price for butter.

This will encourage the utilization of butter on the Community market, and offset the withdrawal of the remaining element of the direct consumer subsidy for butter, which is due to take place on 1.4.1985.

82. For beef, the Commission takes the view that the time has come to adapt the premiums along the lines proposed in COM(83)500. Therefore it is not proposing renewal of the calf premium or of the variable premium, but proposes that the suckler cow premium be kept at its present level.

With regard to sheepmeat and goatmeat, the Commission repeats its proposal concerning the coincidence of the marketing year (now applied) with the calendar year. The proposals in this document for prices and premiums therefore concern a period covering altogether 21 months until the end of 1986. The Commission is also repeating its proposals for the setting of a ceiling on the variable premium.

c) Proposals for dismantling monetary compensatory amounts

83. The monetary compensatory amounts applied in agricultural trade at the present time (week beginning 28.1.1985) are:

	Milk	Cereals Pigmeat Eggs and poultry	Other products
Germany )	+ 2,9	+ 2,4	+ 1,8
Netherlands )			
France	Milk - 1,0	Wine 0	Other products - 2,0
Greece		Wine 0	Other products - 3,6
United Kingdom		All products - 3,6	

The gap between the positive and negative MCAs is thus smaller than has existed for many years, as a result of the Council's agrimonetary decisions of 31 March 1984. The first stage of application of those decisions took place at the beginning of the 1984/85 marketing years. The second stage was the dismantling of positive MCAs by Germany and the Netherlands, which took place on 1 January 1985; in connection with this stage, Germany was authorized by the Council to pay compensatory aids to farmers, with a Community contribution, with effect from 1 July 1984. The third stage for the dismantling of remaining positive MCAs for Germany and the Netherlands should be completed by the latest at the beginning of the 1987/88 marketing years, and in accordance with the "Gentlemen's Agreement" of 1979.

84. The Commission considers that in the 1985/86 price decisions there should be a further move in the dismantling of MCAs. It wishes to ensure a coherence between the agrimonetary measures and the proposals for common prices, and account must be taken of the general economic situation, and the situation of agricultural markets and agricultural incomes, in the Member States concerned. For these reasons, the Commission proposes the following adaptations of green rates at the beginning of 1985/86.



85. With regard to the negative MCAs (France, Greece), the Commission proposes that they be eliminated through partial reduction in the monetary gap (which leaves unchanged the netural margin, which does not apply in trade). The impact on prices in national currency in France (+ 0,9% for milk, + 1,9% for other products except wine) and in Greece (+ 3,1% for all products) would be relatively limited. With regard to the United Kingdom, for which a negative MCA has recently been introduced because of the performance of sterling, the Commission may as appropriate submit a proposal at a later stage in the light of currency developments.
86. With regard to the positive MCAs (Germany, Netherlands), in view of progress already made in dismantling them, the Commission proposes sufficient adaptation to allow for alignment of the MCAs applied for milk and cereals on the level applied to the other products (+ 1,8%). Thus, this alignment, deferred since the 1983/84 decisions, would be carried out at the beginning of 1985/86.

The impact on prices in national currency in Germany and the Netherlands (- 1,1% for milk, - 0,5% for cereals) would be more than offset by the increase in the common prices for milk and cereals, before deduction of the reduction in cereal prices deriving from the over-run of the guarantee threshold.

87. Table 2, giving details of the proposed changes to the green rates, will be found at the end of this volume.
88. As in previous years, the Commission reserves the right to modify its proposals in the light of subsequent monetary developments, for example in the framework of the European Monetary System or in the case of Member States (United Kingdom, Greece) whose rates of exchange are not stabilised in the EMS. The Commission reminds the Council that, in accordance with the decisions taken in the context of the 1984/85 prices, any future change in the pivot rates will lead to the creation of only negative MCAs, and that the dismantling of such negative MCAs is to be carried out on a proposal of the Commission, taking account of certain economic factors. If a change were to intervene before the fixing of the 1985/86 prices, it would completely modify the framework and the conditions in which the present proposals have been prepared; the Commission would therefore have to reconsider its proposals not only concerning green rates but also concerning common prices and related measures.

## 5. FINANCIAL CONSEQUENCES

89. The financial consequences of the price proposals and related measures for the expenditure of the EAGGF Guarantee Section amount to:

+ 138 million ECU for the 1985 financial year,

- 34 million ECU for the 1986 financial year.

90. As regards total requirements in appropriations for the EAGGF Guarantee Section for the 1985 financial year, it should be borne in mind that the assessment of requirements for 1985, which the Commission made in April/May 1984 was 19.315 million ECU.

The short-term trend, in as far as it can be predicted in January 1985, points to lesser requirements in some sectors, particularly cereals and oil seeds, and additional requirements in others, more particularly sugar, wine, milk products and beef and veal.

The diminished requirements as regards some appropriations do not compensate for the increased requirements in other and, compared with the preliminary draft budget for 1985, a shortfall in appropriations is to be seen currently assessed at 450 million ECU. It should be noted, however, that the assessment of these requirements remains subject to the uncertainties affecting any forecast concerning a field as unpredictable as that of the agricultural markets.

When account is taken, moreover, of the shifting of payments from 1984 to 1985 (+ 202 million ECU), a provisional accounts-clearance assessment (- 150 million ECU) and the financial impact of the present proposals (+ 138 million ECU), the total revised requirements for 1985 amount to 19.955 million ECU.

91. In presenting its price proposals and related measures, the Commission is mindful of the importance of the budgetary constraints and its aim to arrive at a growth rate in EAGGF Guarantee expenditure which is lower than that of own resources. In this connection, these proposals complement the measures taken in previous years. On this basis and given a normal agricultural and monetary situation, the aim of achieving a growth rate in EAGGF Guarantee expenditure which is lower than that of own resources could be reached.

## 6. CONCLUSIONS

92. In presenting its agricultural price proposals for the 1985/86 marketing year, the Commission has endeavoured to retain a general balance. It has taken account, on the one hand, of the general economic situation (including the budgetary situation) and, on the other, of the situation of agriculture. In view of the serious difficulties being encountered on many agricultural markets, the proposed price increases are very limited and, in some cases, even reductions in institutional prices are proposed.

The impact of these proposals on the consumer prices of foodstuffs and, consequently, on the cost of living of the Community population is almost negligible.

93. The Commission considers that its balanced proposals should enable the Council to adopt its decisions without any great delay and in any case by 1 April 1985.

It is particularly necessary to observe this deadline in that the decisions on agricultural prices and related measures constitute an important stage in the necessary process of reshaping the Common Agricultural Policy.

As regards this reshaping process major steps were made or begun in 1984 but the Community is faced with other problems in the agricultural sector which take the form not only of problems on the internal and external markets for agricultural products but also of social and economic problems effecting those employed in this sector.

94. A solution to these problems cannot be found solely in the policy on prices and markets. It is for this reason that the Commission is pressing the Council to take urgent decisions on the proposals submitted to it concerning the policy on agricultural structures and the Integrated Mediterranean Programmes. The Commission also believes that the Community will have to develop a medium and long-term strategy for the Common Agricultural Policy in order to outline the prospects for the future.

Table 1  
Price proposals in ECU for individual agricultural products

Product and type of price or amount (Period of application)	1984/85		Propositions 1985/86	
	Amounts	%	Amounts	%
	ECU/tonne	increase	ECU/tonne	increase
1	2	3	4	5
Common wheat 1. 8.85-31. 7.86				
. Target price	259,08	- 0,9	249,82	- 3,6
. Common single intervention price	182,73	- 1,0	176,20	- 3,6
. Reference price for bread wheat - average quality	213,14	- 1,0	205,52	- 3,6
Barley 1. 8.85-31. 7.86				
. Target price	236,30	- 0,8	227,85	- 3,6
. Common single intervention price	182,73	- 1,0	176,20	- 3,6
Maize, sorghum 1.10.85-30. 9.86				
. Target price	236,30	- 0,8	227,85	- 3,6
. Common single intervention price	182,73	- 1,0	176,20	- 3,6
Rye 1. 8.85-31. 7.86				
. Target price	238,37	0,1	227,85	- 4,4
. Intervention price	184,58	0,0	176,20	- 4,5
Durum wheat 1. 7.85-30. 6.86				
. Target price	357,70	0,6	357,70	0,0
. Intervention price	312,08	0,0	312,08	0,0
. Aid (a)	101,31	1,5	101,31	0,0
Rice 1. 9.85-31. 8.86				
. Target price - husked rice	539,49	3,1	548,37	1,6
. Intervention price - paddy rice	314,19	2,5	314,19	0,0
Sugar 1. 7.85-30. 6.86				
. Basic price for sugarbeet	40,89	0	40,89	0,0
. Intervention price for white sugar	534,70	0	541,80	1,3
Olive oil 1.11.85-31.10.86				
. Production target price	3 162,3	- 1,0	3 225,6	2,0
. Intervention price	2 276,2	- 1,0	2 276,2	0,0
. Production aid (b)	695,6	- 1,0	709,5	2,0
Rape seed 1. 7.85-30. 6.86				
. Target price	472,6	- 2,0	455,7	- 3,6
. Intervention price	429,2	- 2,0	413,8	- 3,6
Sunflower seed 1. 8.85-31. 7.86				
. Target price	582,2	- 1,0(1)	573,5	- 1,5
. Intervention price	532,7	- 1,0(1)	524,7	- 1,5
Soya beans 1. 9.85-31. 8.86				
. Guide price	570,1	1,5	575,8	1,0
. Minimum price	501,7	1,5	506,7	1,0

(1) Having regard to the proposal that the standard quality be altered from an oil content of 40% to an oil content of 42%.

Product and type of price or amount (Period of application)	1984/85		Propositions 1985/86	
	Amounts : ECU/tonne	% : increase	Amounts : ECU/tonne	% : increase
1	2	3	4	5
Dried fodder				
. Fixed-rate aid 1. 4.85-31. 3.86	8,41	- 1,0	8,49	1,0
. Guide price 1. 4.85-31. 3.86	177,15	- 1,0	178,92	1,0
Peas and field beans 1. 7.85-30. 6.86				
. Activating price	512,4	- 1,0	520,4	1,6
. Guide price	331,1	- 1,0	331,1	0,0
. Minimum price - peas	289,0	- 1,0	289,0	0,0
- field beans	289,0	- 1,0	271,0	- 6,2
Lupins 1. 7.85-30. 6.86				
. Activating price	478,2	-	482,5	0,9
. Minimum price	317,9	-	317,9	0,0
Flax 1. 8.85-31. 7.86				
. Guide price (seed)	548,6	0,5	554,1	1,0
. Fixed-rate aid (fibre) (per ha) (c)	351,57	- 1,0	355,09	1,0
Hemp 1. 8.85-31. 7.86				
. Fixed-rate aid (par ha) (d)	319,29	- 1,0	322,48	1,0
Silkworms 1. 4.85-31. 3.86				
. Aid per box of silkseed (e)	107,59	1,5	108,67	1,0
Cotton 1. 9.85-31. 8.86				
. Guide price	941,4	1,5	960,2	2,0
. Minimum price	894,4	1,5	912,3	2,0
Milk (1) 2. 4.85-31. 3.86				
. Target price	274,3	0,0	278,4	1,5
Butter (1)				
. Intervention price	3 197,0	- 10,6	3 069,5	- 4,0
Skimmed-milk powder (1)				
. Intervention price	1 658,8	10,9	1 771,2	6,8
Grana Padano cheese 30-60 days (1)				
. Intervention price	3 817,5	5,7	3 906,5	2,3
Grana Padano cheese 6 months (1)				
. Intervention price	4 727,5	7,6	4 821,4	2,0
Parmigiano-Reggiano 6 months (1)				
. Intervention price	5 216,1	8,6	5 310,0	1,8
Beef/veal 2. 4.85- 1. 4.86				
. Guide price for adult bovines	2 050,2	- 1,0	2 050,2	0,0
. Intervention price for adult bovines	1 845,2	- 1,0	1 845,2	0,0

(1) The adjustments for milk and milk products take account of a revaluation of the components of milk.

Product and type of price or amount (Period of application)	1984/85		Propositions 1985/86	
	Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase
1	2	3	4	5
Sheepmeat (1) 2. 4.85- 5. 1.86				
. Basic price (carcase weight)	4 280,4	- 1,0	4 280,4	0,0
Pigmeat 1.11.85-31.10.86				
. Basic price (carcase weight)	2 033,3	- 1,0	2 033,3	0,0
Fruit and vegetables 1985 - 1986				
. Basic price (f)		-1 - +2		-6 to +1
Table wine 1. 9.85-31. 8.86				
. Guide price Type RI	3,42	- 1,0	3,42	0,0
. Guide price Type RII	3,42	- 1,0	3,42	0,0
. Guide price Type RIII	53,30	- 1,0	53,30	0,0
. Guide price Type AI	3,17	- 1,0	3,17	0,0
. Guide price Type AII	71,02	- 1,0	71,02	0,0
. Guide price Type AIII	81,11	- 1,0	81,11	0,0
Raw tobacco 1985 harvest				
. Guide price (x)		-3 - +2		-5 - 0
. Premiums (x)		-3 - +2		-5 - 0
Seeds (2)				0

- (1) It is also proposed that the basic price be increased (by 2%) for the 1986 marketing year, with effect from 6 January 1986. This price would thus be set for 1986 at 4 366,0 ECU/tonne (carcase weight).
- (2) It is proposed that the aids remain unchanged for 1986/87 and 1987/88.

Footnotes

Where appropriate, account has been taken of the triggering of the guarantee threshold. Greek prices are shown only where they differ from the common prices. C.P. = common price.

- a) Durum wheat: For Greece the aid for durum wheat will be aligned on the common level of 101,31 ECU/ha pour 1985/86, which represents a 13,4 % increase for the regions which received national aid before accession and a 27,8 % increase for other regions.
- b) Olive oil: For Greece the production aid is 550,4 ECU/t for 1984/85 and will be 709,5 ECU/t in 1985/86, an increase of 28,9 %.
- c) Flax: For Greece the fixed-rate aid is 277,72 ECU/t for 1984/85 and will be 355,04 ECU/t in 1985/86, an increase of 27,8 %.
- d) Hemp: For Greece the fixed-rate aid is 252,22 ECU/t for 1984/85 and will be 322,40 ECU/t in 1985/86, an increase of 27,8 %.
- e) Silkworms: For Greece the aid is 95,80 ECU/box of silkseed for 1984/85 and will be 108,67 ECU/box in 1985/86, an increase of 13,4 %.
- f) Products listed in Annex II to Council Regulation (EEC) No 1035/72 of 18 May 1972 and periods of application.

	<u>1984/85</u>	<u>1985/86</u>	<u>Greece</u> <u>1985/86</u>	
Cauliflowers	2,0%	1,0%	C.P.	01.05.1985 to 30.04.1986
Tomatoes	- 1,0%	- 6,0%	0,5%	11.06.1985 to 30.11.1985
Peaches	0,5%	- 3,0%	2,5%	01.06.1985 to 30.09.1985
Lemons	0,5%	- 6,0%	C.P.	01.06.1985 to 31.05.1986
Pears	0,5%	0,0%	C.P.	01.07.1985 to 30.04.1986
Table grapes	2,0%	0,0%	C.P.	01.08.1985 to 31.10.1985
Apples	0,5%	0,0%	C.P.	01.08.1985 to 31.05.1986
Mandarins	0,5%	- 6,0%	- 2,3% C.P.	16.11.1985 to 28.02.1986
Sweet oranges	0,5%	- 6,0%	0,5% C.P.	01.12.1985 to 31.05.1986
Apricots	- 1,0%	- 3,0%	C.P.	01.06.1985 to 31.07.1985
Aubergines	2,0%	1,0%	C.P.	01.07.1985 to 31.10.1985

- (x) Increases in 1985/86 in guide prices and premiums for tobacco varieties:

<u>Variety</u>	<u>Norm price (xx)</u>	<u>Premium</u>
Forchheimer Havanna, Benevetano, Mavra, Tsebelia	- 5 %	- 5 %
Badischer Geudertheimer, Kentucky, Paraguay, Nijkerk, Missionero, Round-Tip, Xanti-Yaka, Perustitza, Erzegovina, Kaba Koulak (non classic)	- 2 %	- 2 %
Badischer Burley, Virgin D, Bright, Burley I, Burley GR, Maryland, Virginia GR, Basmal, Katerini, Kaba Koulak (classic), Zichnomyrodata, Myrodata Agrinion	0 %	0 %

(xx) The figures for Greek varieties are further increased by the incorporation of the fourth 25% of national aid.

T A B L E 2

AGRI-MONETARY PROPOSALS 1985/86

Country	Sectors	Present situation			Dismantling (in percentage points)	New situation 3)				
		Green rate	Monetary gap real	applied		Green rate	Monetary gap real	applied	Re-/Deva- luation (%)	Effect on prices (%)
D	Milk	2,41047	+ 3,866	+ 2,9	1,020	)	)	)	+ 1,061	- 1,050
	Cereals	2,39792	+ 3,363	+ 2,4	0,517	)2,38516	) + 2,846	) + 1,8	+ 0,535	- 0,532
	Other	2,38516	+ 2,846	+ 1,8	-	)	)	)	-	-
NL	Milk	2,71620	+ 3,875	+ 2,9	1,027	)	)	)	+ 1,068	- 1,057
	Cereals	2,70178	+ 3,362	+ 2,4	0,514	)2,68749	) + 2,848	) + 1,8	+ 0,532	- 0,529
	Other	2,68749	+ 2,848	+ 1,8	-	)	)	)	-	-
F	Milk	6,93793	- 2,421	- 1,0	0,921	7,00089	- 1,500	)	- 0,899	+ 0,907
	Pigmeat/wine	7,10590	0,0	0	-	inchangé	-	) 0	-	-
	Other	6,86866	- 3,454	- 2,0	1,954	7,00089	- 1,500	)	- 1,889	+ 1,925
GR 1)	All sectors	90,5281	- 4,687	- 3,6	3,187	94,7678	- 1,500	0	- 3,040	+ 3,135
	(2)									

1) Reference period: 17 to 23.1.1985.

2) The MCA applied to wine is 0, thanks to the 5-point neutral margin applicable in this sector. In order to avoid having different green rates for the various sectors, the dismantling proposed will also apply to wine.

3) With effect from the start of the 1985/86 marketing year.



T A B L E 3

Consequences of the Commission proposals on agricultural support  
prices in ECU and national currency

	Average % change in prices (1)	
	in ECU (2)	in national currency (3)
Deutschland	0	- 0,4
France	- 0,6	+ 0,8
Italia	- 0,6	- 0,6
Nederland	+ 0,4	- 0,1
Belgique/België	0	0
Luxembourg	+ 0,5	+ 0,5
United Kingdom	- 0,3	- 0,3
Ireland	+ 0,2	+ 0,2
Danmark	- 0,2	- 0,2
Hellas (4)	- 0,4	+ 2,7
Community average	- 0,3	+ 0,1

- (1) Percentage difference between the support prices proposed for 1985/86 and the support prices in force when the proposals are adopted. It should be pointed out that the support prices have not been altered since the last price decisions (as there have been no agri-monetary occurrences since then), except in the case of prices in the national currencies of the Federal Republic of Germany and the Netherlands, which decreased by 5,1% (5,2% for cereals and milk) and 0,8% (0,6% for milk and 0,7% for cereals) respectively with effect from 1 January 1985, this being the second stage in the dismantling of the positive MCAs as decided on at the time of the adoption of the 1984/85 prices. This fall has, however, been offset by national aids, with a financial contribution by the Community. The Netherlands has been authorized to take national measures similar to those in the Federal Republic of Germany.
- (2) Common prices in ECU (intervention or equivalent price) weighted according to final agricultural production.
- (3) Common prices in ECU converted into national currency at the green rate given in these proposals.
- (4) Including alignment of Greek prices on common prices due to accession arrangements.

T A B L E 4

PROPOSED GUARANTEE THRESHOLDS AND SIMILAR MEASURES

million tonne

Product	Threshold or quantity					Situation on the market in 1984/85		Was the threshold exceeded ?
	fixed in		proposed for			(the figures for 1984 are provisional)		
	1982/83	1983/84	1984/85	1985/86	1991			
<b>Cereals</b>	119,5	120,56	121,32			1982 harvest	126,390	
(except durum wheat)						1983 harvest	119,870	
						1984 harvest	144,210	
						Three-year average	130,157	
						1984/85 threshold		121,32
						Imports of substitutes		
						in 1982/83	14,7	
						difference from 15,0		-
						Actual threshold in 1984/85		121,32
								Yes, by 8,837
<b>Durum wheat</b>			4,6			1982 harvest	4,03	No
						1983 harvest	3,86	
						1984 harvest	6,06	
						Three-year average	4,65	
<b>All Cereals</b>				126	130,78			
<b>Sugar</b>								
A quota	9,5	9,5	9,5	9,5		Production (A)	9,27	
B quota	2,2	2,2	2,2	2,2		Production (B)	1,91	
						Production (C)	1,31	
	t	t	t	t				
<b>Isoglucose</b>								
A quota	157,649	157,649	157,649	157,649		Production (A)	147,000 t	
B quota	40,436	40,436	40,436	40,436		Production (B)	33,000 t	
						Production (C)	0	
<b>Rape</b>	2,15	2,29	2,41	2,6	3,3	1982 harvest	2,666	Yes, by 0,479
						1983 harvest	2,510	
						1984 harvest	3,490	
						Three-year average	2,889	
<b>Sunflower</b>	-	-	1,0	1,115	1,8	1982 harvest	0,722	No
						1983 harvest	0,970	
						1984 harvest	1,200	
						Three-year average	0,964	
<b>Cotton</b>	450,000	450,000	500,000	500,000		460 000 t		No
<b>Processed tomato</b>								
loss:	4,295	4,295	4,700	4,700		In 1983/84 production of concentrated exceeded		
- concentrated	2,988	2,988	2,988	2,988		the reference quantity. Production aid was		
						therefore reduced by 4,7% for 1984/85		
- peeled	1,307	1,307	1,307	1,307				
- other			0,405	0,405				
<b>Dried grapes</b>			t	t				
- sultanas			93,000	93,000		<b>Sultanas:</b>	t	
						1982 harvest	74,934	
						1983 harvest	102,783	
						1984 harvest	78,000	
						Three-year average	85,239	No
- currants			65,000	65,000		<b>Currants:</b>		
						1982 harvest	67,024	
						1983 harvest	71,983	
						1984 harvest	68,000	
						Three-year average	69,003	Yes, by 4,0
<b>Milk</b>	96,71	97,2	99,4	98,152		Milk deliveries during the 1984 calendar year		
			quota	basic		are put at 101,5 million tonnes. After April		
				quota +		1984, deliveries were down on the corresponding		
				0,335		period of 1983. Deliveries for the 1984/85		
				Community:		marketing year are expected to total 99,7 million		
				reserve,		tonnes, i.e. almost exactly the same figure as		
				altogether		the quota.		
				ther				
				98,487				

EUROPEAN COMMUNITY

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