ISSN 0250-5886

European Community

GREEN EUROPE

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

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The Community's Agricultural and Food Exports

Editor's Note: This issue was published only in French. The text was an offprint from the Agricultural Situation in the Community 1980. This is the English version of that report.

Original: DE

Published by the Agricultural Information Service of the Directorate-General for Agriculture
European Community Commission — 200, rue de la Loi, 1049 Bruxelles
Supplement to the Documentation Bulletin - D/AGR./EN

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293. For reasons relating essentially to price stability, the reliability of supplies and the balance of payments, attention tends to be focused on agricultural and food imports rather than on exports, and when the latter subject is broached it is mainly from the point of view of criticism on the grounds of cost or in connection with seeking outlets for surpluses. The purpose of the following analysis is to put the question of exports in perspective in the context of international trade and the common agricultural policy, using the statistical data available.

General trend from 1973 to 1979

294. The Community's agricultural and food exports [1] by value increased steadily each year from 1973 to 1979 and more than doubled (+ 107%) over that period. They showed greater dynamism than imports, which over the same period rose by only 66%. However, given the value of agricultural and food imports (40 200 million EUA in 1979), compared with agricultural and food exports (15 300 million EUA in 1979), the Community's agricultural and food trade deficit, in absolute terms, increased between 1973 and 1979 (from 16 700 million EUA to 24 900 million EUA). None the less, thanks to the dynamism of agricultural and food exports, the gap widened by only 49% between 1973 and 1979 and stabilized somewhat from 1977 onwards.

[1] For the purposes of this report, agricultural and food products means the products falling within the following SITC headings :
0 = Food and live animals chiefly for food, 1 = beverages and tobacco, 21 = hides, skins and fur skins, raw, 22 = oilseeds and oleaginous fruit, 23 = crude natural rubber, 24 = cork and wood, 261-265 and 268 = natural textile fibres plus wool, 29 = crude animal and vegetable materials, not elsewhere specified or included, 4 = animal and vegetable oils, fats and waxes, 592.1 = starches, insulin and wheat gluten. The values of exports given are fob.

The Community's agricultural and food imports, exports and trade balance from 1973 to 1979

(million EUA)

	1973	1974	1975	1976	1977	1978	1979	1979/1973
Imports	24 139	27 989	24 177	33 348	37 683	36 127	40 150	+ 66%
Exports	7 398	9 344	9 392	10 685	12 473	13 288	15 290	+107%
Balance	16 741	18 645	14 785	22 663	25 210	22 839	24 960	+ 49%

Source : Eurostat.

295. For the purposes of analysis and in particular in order to be able to add exports of different products together, it has been necessary to work on the basis of value.

However, to give some guide, the following table shows tonnages of Community agricultural exports.

Exports from the Community of certain agricultural products ([1])

('000 tonnes)

	1973	1974	1975	1976	1977	1978	1979
Cereals	9 459	7 990	10 003	7 630	5 098	9 414	11 983
of which : wheat + flour	5 826	5 596	7 871	5 907	4 467	5 268	8 331
Fresh vegetables	1 099	1 088	1 179	826	993	1 156	1 134
of which : potatoes	675	645	649	337	533	650	715
Fresh fruit	687	788	785	849	763	623	785
of which : apples	218	217	244	264	205	157	303
Sugar	1 729	1 112	655	1 623	2 508	3 308	3 312
Wine	478	475	495	566	667	744	815
Oilcakes	919	849	405	420	490	585	596
of which : soya cake	723	772	351	374	448	535	550
Beef and veal	57	180	214	169	111	130	263
Pigmeat	26	30	49	43	46	52	99
Poultrymeat	121	126	121	157	216	193	264
Butter	350	119	60	104	245	245	464
Cheese	159	189	160	201	208	219	265
Whole-milk powder	161	194	199	237	330	335	385
Skimmed-milk powder	280	353	182	192	436	418	636
Eggs in shell	17	27	31	31	36	32	54

Source : Eurostat.
([1]) For a more detailed breakdown the reader may refer to the Statistical Annex to the 1980 Report on the Agricultural Situation in the Community.

296. Not all the Community's agricultural and food exports are products covered by a common organization of the market. Exports of products regulated under the common agricultural policy account for about two-thirds of total agricultural and food exports. From 1973 to 1979 exports of regulated and non-regulated agricultural and food products increased considerably, but the second category showed a more marked rise than the first, which led to a progressive decline in regulated products as a percentage of total agricultural and food exports. If we exclude 1973, which was a period of adjustment following enlargement of the Community, it is seen that this percentage fell from 72.2% in 1974 to 63.8% in 1979, when a rapid growth in exports of regulated products rather than a decline in the rate of exports of non-regulated products stabilized the situation.

Exports of regulated (1) and non-regulated (2) agricultural and food products from 1973 to 1979

(million EUA)

	1973	1974	1975	1976	1977	1978	1979	1979/1973
Regulated products	4 899	6 745	6 676	7 430	8 387	8 444	9 756	+ 99%
Non-regulated products	2 499	2 599	2 716	3 255	4 086	4 844	5 534	+122%
Total	7 398	9 344	9 392	10 685	12 473	13 288	15 290	+107%
Regulated products / Total	66.2%	72.2%	71.1%	69.5%	67.2%	63.6%	63.8%	—

Sources : Eurostat and EC Commission, Directorate-General for Agriculture.
(1) The 'regulated' products referred to in this report are all the products subject to a common organization of the market, i.e. pigmeat, beef and veal, sheepmeat and goatmeat, poultrymeat, fish, cereals, rice, milk products, eggs, fresh fruit and vegetables, processed fruit and vegetables, hops, flowers, oils and fats, seeds, sugar, wine, tobacco, flax, hemp and dried fodder. Calculations are based on the SITC nomenclature.
(2) The difference between the total for all agricultural and food products and the figure for regulated products.

297. Within the Community all the Member States have shared in the expansion of the Community's agricultural and food exports. The expansion can be seen both in the Member States whose agricultural and food balances have traditionally been in surplus (the Netherlands, Denmark and Ireland) and in the countries traditionally showing a deficit (Germany, the United Kingdom and Italy). Each Member State's exports of both regulated and non-regulated products have increased substantially, but, except in Italy and the BLEU, the expansion has been greater for non-regulated than for regulated products.

Exports of regulated and non-regulated agricultural and food products
Breakdown by Member States from 1973 to 1979

	Growth of agricultural and food exports from 1973 to 1979 1973 = 100			Regulated products as a percentage of total agricultural and food exports	
	Total	Regulated products	Non-regulated products	1973	1979
Deutschland	217	197	264	70.4%	64.0%
France	195	191	206	76.4%	75.0%
Italia	255	259	240	79.5%	80.8%
Nederland	210	192	258	72.9%	66.7%
UEBL/BLEU	232	254	148	78.3%	86.1%
United Kingdom	189	180	192	21.8%	20.7%
Ireland	269	175	835	85.8%	55.9%
Denmark	187	172	238	78.1%	72.2%
EUR 9	207	200	221	66.2%	63.8%

Sources : Eurostat and EC Commission, Directorate-General for Agriculture.

298. It must therefore be concluded that, in all Member States, efforts to conquer markets outside the Community have been rewarded and that the export drive has not concentrated mainly on markets 'sheltered' by favourable Community legislation, but on both categories at once and on non-regulated products in particular.

299. Of course, growth rates calculated on a single year can be misleading and it is preferable in this case to examine the medium-term trend. Such an approach leads to the conclusion that, on average, the share of each Member State in the Community's total exports of agricultural and food products is relatively stable, which means that it may vary from one year to another, but no Member State's share in total Community agricultural and food exports increased or decreased constantly from 1973 to 1979. Over the seven-year period France accounted for one-quarter of the Community's agricultural and food exports, while Germany, the Netherlands and the United Kingdom each accounted for 15%.

Member States' share in agricultural and food exports

(%)

	1973	1974	1975	1976	1977	1978	1979
Deutschland	14.4	14.2	12.9	14.9	16.4	15.1	15.1
France	27.3	27.3	27.6	26.1	23.4	25.0	25.7
Italia	8.3	9.0	9.5	8.5	8.7	8.4	10.2
Nederland	15.4	15.6	15.8	16.6	17.8	16.4	15.7
UEBL/BLEU	4.6	4.6	4.4	4.4	4.9	5.2	5.2
United Kingdom	17.4	17.1	18.0	16.8	16.3	17.8	15.9
Ireland	1.9	2.0	1.7	2.2	2.1	2.0	2.5
Denmark	10.7	10.2	10.1	10.5	10.5	10.1	9.7
EUR 9	100	100	100	100	100	100	100

Sources : Eurostat and EC Commission, Directorate-General for Agriculture.

300. The sensitivity of each Member State to problems stemming from agricultural and food exports depends on numerous factors, e.g. the percentage of regulated products, to which cost-sharing generally applies (see paragraph 296), and the percentage of agricultural and food products in its total exports. Whereas for the Community this percentage is between 7 and 8%, the rate varies considerably from one Member State to another, only the United Kingdom and the BLEU being close to this average. The range is almost 1 to 10 (Germany 3.6% and Ireland 33.6%). As regards medium-term trends, moreover, variations differ from those in the individual Member States' share of the Community's agricultural and food exports. This, however, can easily be explained by the fluctuations in exports of non-agricultural/food products.

Exports of agricultural and food products as a percentage of total exports

(%)

	1973	1974	1975	1976	1977	1978	1979
Deutschland	3.7	3.2	3.0	3.2	3.6	3.3	3.6
France	15.9	14.7	12.5	11.3	10.5	11.6	11.7
Italia	6.8	6.1	5.9	5.3	5.1	4.9	5.8
Nederland	21.3	18.0	18.2	17.6	19.6	19.0	18.9
UEBL/BLEU	7.1	6.1	6.1	6.1	6.4	6.9	7.1
United Kingdom	7.7	7.4	7.1	6.4	5.9	6.8	6.3
Ireland	33.9	34.0	29.3	32.9	28.7	26.9	33.2
Denmark	28.9	25.9	24.8	25.5	26.7	27.7	26.9
EUR 9	9.2	8.2	7.8	7.5	7.5	7.6	7.9

Sources : Eurostat and EC Commission, Directorate-General for Agriculture.

301. The next step is to analyse the trend in total exports, agricultural and food exports and exports of other products. To simplify matters, figures are given here for the Community only.

Total exports, agricultural and food exports and other exports by the Community from 1973 to 1979

(million EUA)

	1973	1974	1975	1976	1977	1978	1979
All products	80 638	113 267	119 903	142 252	166 765	173 673	194 155
(index)	(100)	(140.5)	(148.7)	(176.4)	(206.8)	(215.4)	(240.8)
Agricultural and food	7 398	9 344	9 392	10 685	12 473	13 288	15 290
(index)	(100)	(126.3)	(127.0)	(144.4)	(168.6)	(179.6)	(206.7)
Other	73 240	103 923	110 511	131 667	154 292	160 385	178 865
(index)	(100)	(141.9)	(150.9)	(179.6)	(210.7)	(219.0)	(244.2)
Agricultural and food exports as a percentage of the total	9.2%	8.2%	7.8%	7.5%	7.5%	7.6%	7.9%

Sources : Eurostat and EC Commission, Directorate-General for Agriculture.

302. It can be seen from this table that 'other' exports have increased faster (+ 144%) than agricultural and food exports (+ 107%). There was a reversal of trend in 1976/77 : from 1973 to 1976 agricultural and food exports increased by 44.4%, whereas other exports increased more rapidly (79.6%) but from 1976 to 1979 agricultural and food exports continued to grow (+ 43.1%) at the same rate, whereas other exports slowed down markedly (+ 35.5%). This is why agricultural and food exports as a percentage of the Community's total exports in 1979 were slightly above their 1975 level (7.8%) after the 1976/77 turning point (7.5%).

The position of the Community in the world

303. From the general figures on Community exports we turn to the position of the Community in the world, as regards its overall level of exports, its principal clients and the main groups of products. Concerning the method adopted, it should be stressed that when data on external trade by value are compared, the use of one monetary unit rather than another can alter the apparent trends. For instance, between 1975 and 1976 the value of the EUA against the US dollar varied by about 10%. All comparisons by value between the Community and the world are in terms of US dollars, whereas all the observations in the first part were based on statistics calculated in ECU. Comparison is therefore not always possible.

— If the Community's imports and exports of agricultural and food products are added together, the Community comes out as the largest agricultural and food trading power in the world with USD 62 900 million in 1978, ahead of the United States (USD 59 500 million) and Japan (USD 23 300 million).

— On the basis of agricultural and food exports alone the Community is the second largest exporter in the world with just under 10% of world exports, behind the United States (about 20%) and in front of Canada (just over 7%). In the long term the position of the Community as regards world exports of agricultural products can be said to be relatively stable.

World exports and Community exports

(Index 1973 = 100) (1)

	1973	1974	1975	1976	1977	1978	1979
World exports							
All products	100	150.4	153.8	175.2	198.5	230.4	250.2
Agricultural products	100	127.3	130.3	141.4	158.6	174.2	215.6
Other products	100	156.6	160.2	184.3	209.2	245.5	259.5
Community exports							
All products	100	132.7	143.7	158.8	190.7	222.7	267.4
Agricultural products	100	124.5	123.4	125.5	148.9	179.8	222.3
Other products	100	133.5	145.8	162.3	195.1	227.2	272.1
% *world agricultural exports* / Total world exports	21.2	17.9	17.9	17.1	16.9	16.0	18.2
% *Community agricultural exports* / Total Community exports	9.4	8.5	8.1	7.5	7.4	7.6	7.9
% *Community agricultural exports* / World agricultural exports	9.5	9.3	9.0	8.4	8.9	9.8	9.8

Sources : GATT and EC Commission, Directorate-General for Agriculture.
(1) The indexes and percentages are calculated on the basis of series established in USD, not in EUA.

304. The table shows a decline in the Community's share in world agricultural and food exports from 1973 to 1976, then an improvement from 1976 to 1979. This trend can be explained by the fact that after a marked increase in 1974 Community agricultural and food exports rose only very slightly in 1975 and 1976, years in which world shortages occurred and the Community even introduced export levies for a time on certain products. From 1976 onwards, however, the Community's agricultural and food exports increased at a faster rate than world agricultural and food exports.

305. The Community's leading five trading partners in the agricultural and food sector in 1978 in descending order were : the United States, Switzerland, Sweden, Austria and Japan. Between them these five customers purchased about one-third of the Community's agricultural and food exports; from 1973 to 1978 the placings were those described above. In 1979 Japan moved ahead of Austria and Saudi Arabia, from being the Community's tenth largest customer, came up into sixth position. The Community's ten largest customers for agricultural and food products are for the most part countries with a relatively high standard of living, either because they are industrialized or because they are oil producers (Saudi Arabia, Nigeria). The nearness to the Community of Switzerland, Sweden, Austria and Spain (seventh) explains their leading positions, whereas the Soviet Union's substantial food deficit accounts for its eighth place in 1979. It is natural that the United States should occupy first place as being the Community's leading supplier of agricultural and food products; but the rise of Japan into fourth place in 1979 must be explained in part by a need to redress its overall trade balance with the Community.

306. In terms of economic grouping, 47.5% of the Community's agricultural and food exports in 1979 went to industrialized countries, 43.5% to developing countries and 8.7% to State-trading countries. The change in the trend since 1973 is significant, for between 1973 and 1979, such exports to industrialized countries rose by 9.7% per year, to State-trading countries by 9.9%, but by 17.9% per year to developing countries. Despite a slowdown in this rate in 1978 and 1979, an increase in the percentage accounted for by developing countries can be expected, either due to the drive being made by oil-producing countries (Saudi Arabia, Libya) or as a result of the special effort some developing countries have decided to make to assist consumers (Egypt).

307. Beverages and tobacco formed the largest export item in terms of value in 1979, alcoholic beverages alone accounting for 2 500 million EUA, 10% more than milk products.

Breakdown of the Community's agricultural and food exports by main groups of products

(million EUA)

	1973	1974	1975	1976	1977	1978	1979	1979/1973
Milk products	878	1 135	966	1 163	1 584	1 737	2 253	+157%
Meat	576	699	717	811	860	787	1 077	+ 87%
Cereals	1 074	1 539	1 783	1 529	1 257	1 785	2 030	+ 89%
Fruit and vegetables	555	675	707	814	942	888	1 084	+ 95%
Sugar	486	566	593	773	876	915	911	+ 87%
Beverages/tobacco	1 345	1 519	1 675	2 010	2 348	2 811	3 116	+132%
Coffee, tea, cocoa and spices	269	389	392	504	855	832	815	+203%
Oils and fats	248	452	460	418	563	601	647	+161%
Other	1 967	2 370	2 099	2 663	3 188	2 932	3 357	+ 71%
Total	7 398	9 344	9 392	10 685	12 473	13 288	15 290	+107%

Source : Eurostat.

308. One very important fact emerges from this table : most of the Community's agricultural and food exports are high value-added products : some are, indeed, luxury goods. The most obvious example of value addition is the item 'coffee, tea, cocoa and spices' which the Community does not even produce. As for cereals exports, 55% are in the form of flour, meal or cereal preparations; and one-third of meat exports have undergone industrial processing (curing, preservation, etc.). Exports of milk products, the second largest item exported, can be broken down for 1979 into : cheese 20%, butter 26%, skimmed-milk powder 18%, and milk preparation (condensed milk, cream, whole-milk powder, etc.) 36%. According to some estimates, over two-thirds of the Community's agricultural and food exports consist of processed products.

309. It would be particularly difficult to give a breakdown of exports by product and recipient. The following general comments can be made on this subject, however :

— exports to industrialized countries, except Switzerland and Portugal, which purchase cereals and sugar from the Community, consist mainly of high value-added products, essentially beverages;

— two-thirds of agricultural and food exports to ACP countries are accounted for by four items : milk and eggs (22%), cereals (18%), sugar (16%) and beverages (10%);

— five items also make up two-thirds of agricultural and food exports to Mediterannean countries : cereals (26%), milk and eggs (20%), sugar (7%), oils and fats (6%) and fruit and vegetables (6%);

— the main items exported to State-trading countries, including the Soviet Union, are: cereals, sugar, oils and fats and meat.

310. One special form of exports is food aid. This is provided on a Community basis in the case of butter-oil (45 000 tonnes) and skimmed-milk powder (150 000 tonnes). Food aid in the form of cereals is divided into a Community contribution (720 500 tonnes) and a contribution by Member States (566 500 tonnes). These tonnages have varied since the introduction of food aid measures. Since 1968/69 the Community and the Member States have allocated 14.3 million tonnes of cereals for food aid, of which 13.3 million tonnes had been delivered at 30 September 1980. In addition, since 1970, the Community has allocated 367 000 tonnes of butter-oil and 1 million tonnes of skimmed-milk powder for food aid. At 30 September 1980, 319 776 tonnes and 804 496 tonnes respectively had been delivered. Forty-one countries have received cereals as Community aid under the Food Aid Convention, 1979/80 scheme. This takes the form of direct aid, as opposed to aid distributed via committees or institutions such as the Red Cross, Caritas, etc.

311. The Community's share of world exports of certain groups of agricultural and food products may be estimated as follows below.

These statistics are for the latest world figures available, relating to either 1977 or 1978 depending on the product. There are two groups of products for which the Community is by far the largest exporter : beverages and milk products. It should perhaps be mentioned that numerous studies estimate that the Community accounts for only 4-5% of world exports of cereals; this is true for exports of cereals as such, but if cereal preparations and flour and meal are included, the Community's share comes to 10%. Similarly, whereas the Community is more or less self-sufficient in meat, it accounts for 30% of world exports of live animals, meat and meat preparations.

The Community's share of world exports in 1977 and 1978

(USD million)

N° CCTI	Products	World exports (1)	Community exports	%
00	Live animals	1 398	212	15.2
01	Meat and meat preparations	7 024	1 002	14.3
02	Dairy products and birds eggs	3 857	3 215	57.4
04	Cereals and cereal preparations	22 125	2 275	10.3
05	Fruit and vegetables	11 238	1 074	9.6 *
06	Sugar, sugar preparations and honey	7 125	1 000	14.0 *
07	Coffee, tea, cocoa, spices and manufactures thereof	19 741	976	4.9 *
11	Alcoholic and and non-alcoholic beverages	3 786	2 319	61.3 *
12	Tobacco and tobacco manufactures	4 846	473	9.8
22	Oil seeds	7 859	28	0.4
4	Oils and fats	5 948	642	10.8 *

Source: Derived from 1978 UN international trade statistics and Eurostat microfiches by EC Commission Directorate-General for Agriculture.
(1) Excluding intra-Community export.
* = 1977.

Community assistance in respect of exports

312. In the account that follows of the cost to the Community budget of implementing the common agricultural policy as regards exports, the aim is not to justify that expenditure or to analyse the consequences which its abolition or adjustment would have, but simply to provide the reader with figures enabling him to put the agricultural problems in their proper perspectives.

313. The amount of the export refund and the quantity exported are not autonomous factors; they depend, among other things, on the supply and demand situation, both in the Community and worldwide, the policy on stocks, the common policy on exports and the budget policy. We cannot here attempt to quantify the proportions in which each of these factors contribute to budgetary expenditure, which is one of the warning lights on the CAP 'dashboard'. If 1973 is excluded, it is seen that the percentage of bugdetary expenditure taken by refunds rose from about 20% in 1974 to just under 50% in 1980.

Expenditure on export refunds from 1973 to 1980 (1)

(million EUA)

	1973	1974	1975	1976	1977	1978	1979	1980 prov.
Cereals	530	64	330	403	366	832	1 185	1 122
Milk products	361	335	331	766	1 417	1 565	2 088	2 669
Sugar	56	10	28	62	409	640	685	396
Beef and veal	3	54	146	134	132	145	270	460
Pigmeat	104	60	41	25	29	32	78	84
Eggs and poultrymeat	24	18	9	15	26	38	80	94
Fruits and vegetables	35	59	73	185	178	48	35	55
Sub-total	1 113	603	958	1 590	2 557	3 300	4 421	4 880
Total refunds	1 178	619	992	1 711	2 827	3 750	4 982	5 440
Refunds as % of EAGGF Guarantee expenditure	30%	19%	21%	30%	41%	43%	48%	47%

Source : EC Commission, Directorate-General for Agriculture.

(1) The figures given here for 1973 to 1977 inclusive must be regarded as orders of magnitude. They have had to be converted into European units of account because EAGGF expenditure was expressed in terms of units of account during that period.

314. It can be seen that the increase in expenditure on refunds is by no means confined to milk products. To obtain orders of magnitude, we can look at the increase on the basis of triennial averages, so as to reduce the effect of short-term fluctuations, which are large in such a field.

Growth of expenditure on refunds and growth of production of certain groups of agricultural products from 1974 to 1978 (triennial averages)

(units) (1)

	Expenditure on refunds		Value of final production
	Index »1978« »1974« = 100	Annual change in %	Annual change in %
Cereals	257	26.6%	1.7%
Milk products	494	49.1%	:
Sugar	1 865	107.8%	:
Beef and veal	268	27.9%	1.0%
Pigmeat	68	– 9.2%	2.9%
Eggs/poultrymeat	282	29.6%	:
Fruits and vegetables	155	11.6%	– 1.4% (2)
Sub-total	384	40.0%	—
Total refunds	414	42.7%	—

Source: Reports on the Agricultural Situation in the Community.
(1) Expenditure on refunds and the value of final production are calculated in millions of EUA; the production figures are based on tonnage.
(2) Fresh fruit excluding citrus fruits.

315. When calculations lead to such discrepancies, it is obvious that there is little point in comparative analysis. In addition, the comparison was based on the triennial averages for 1977, 1978 and 1979. A comparison based on 1978, 1979 and 1980 would have given even more exaggerated results. Milk products, sugar, cereals, beef and veal are all warning lights on the CAP 'dashboard'. Even a particularly good situation on the world market for sugar will not prevent expenditure of 396 million EUA in 1980, including, of course, expenditure under the so-called ACP sugar sales guarantee (Sugar Agreement annexed to the Lomé Convention). It may be commented that the more rapid growth of total refunds (414) than of refunds on the products listed is attributable to the presence, in the total, of expenditure on monetary compensatory amounts and refunds on non-Annex II processed products (processed products containing a quantity of agricultural products covered by the common agricultural policy).

316. When rates of growth are as steep as this they lose their significance and require further analysis. A complete analysis would involve a study of the trend in supply and demand on world and Community markets, together with the forms and costs of market support other than refunds. We confine ourselves in this paragraph to wondering about the allocation of the increase in expenditure on refunds. Is the increase due more to the rise in the amount of the refund than to the quantity exported or to the two effects combined? In this brief survey it is possible only to bring out the following points :

317. In the cereals sector, with only 10% of world exports, the Community does not have the power to control the world market. It is itself controlled by the world market. In 1978/79 refunds on common wheat amounted to between 73 and 94 EUA/tonne for a total quantity of 3 million tonnes of common wheat. In 1979/80 refunds were lower (45 to 75 EUA/tonne) but the quantities exported with the aid of refunds were greater (5.3 million tonnes). As regards barley, both the level of refunds (50-75 EUA/tonne as compared with 83-103 EUA/tonne) and the quantities exported (2.2 million tonnes against 2.6 million tonnes) were lower in 1979/80 than in 1978/79.

318. When it comes to milk products the Community, as the world's leading exporter, exerts an important influence on the market. Aware of its responsibilities, the Community kept its refunds at the same average level throughout the period 1975/76 to 1978/79. The effect of this policy on refunds has been that Community selling prices, fob, expressed in US dollars, have increased slowly but surely as the result of the increase in costs of production packaging and energy and because of the relative depreciation of the US dollar.

But, at the same time, production by some exporting countries (Australia and Canada) has fallen and demand has increased, which has facilitated Community exports. During the period 1976-79 the substantial increase in budgetary expenditure on refunds was attributable mainly to the increase in the tonnages exported; on the other hand, the effect of this development has been a marked decline in Community stocks of milk products. During 1979 and 1980 it was possible to reduce refunds in order to curb budgetary expenditure. Refunds on skimmed-milk powder, for instance, were reduced progressively from 80.44 ECU/

100 kg in June 1979 to 50 ECU/100 kg on 11 April 1980 and refunds on butter from 198.90 ECU/100 kg in November 1979 to 163 ECU on 6 May 1980. During that period export prices expressed in US dollars virtually doubled. Stocks being low, the budgetary requirements could be satisfied by fixing refunds for butter and skimmed-milk powder with effect from 10 June 1980 at 100 and 30 ECU respectively for the second half of the year. These levels, which are unprofitable for exporters, are designed to discourage Community exports of these products.

319. Refunds on white sugar varied from 11 to 19.50 u.a./100 kg in 1977, from 17.80 to 22.0 u.a. in 1978 and from 12 to 25 u.a. in 1979. In this case the increase in expenditure is due to both the increase in the amount of the refund and the increase in the tonnage exported, the latter being relatively greater. At the beginning of 1980 a world price rise brought the level of refunds down to 5-10 EUA. The refund was subsequently replaced by an export levy, which constitutes an item of own resources in the Comunity's budget.

320. As for beef and veal, the rate of increase in the quantities exported was substantially greater than the rise in refunds.

321. To sum up, thanks to the dynamism of its agricultural and food exports, the Community has more or less stabilized its net agricultural and food deficit. All the Member States of the Community contribute to this dynamism. Although this expansion has been accompanied by a very marked increase in budgetary expenditure on refunds, it should none the less be stressed that exports of non-regulated products have increased more rapidly than exports to which Community cost-sharing applies. The dynamism of its agricultural and food exports, which puts the Community in second place among world exporters of agricultural and food products has also contributed since 1977 to sustaining the Community's general export balance, growth of which had been slowing down, and to improving the Community's share of the world market, which had been declining from 1973 to 1976.

322. The countries to which the Community exports, are mainly regular customers. Most of them belong to the industrialized countries group. However the number of developing countries among the Community's 20 leading customers is now increasing. These are in general countries producing oil or important raw materials. This trend indicates a move towards a more equal division of the

Community's agricultural and food exports between developing countries and industrialized countries.

323. Over two-thirds of the Community's agricultural and food exports are processed products, many of them having high value-added. For two groups of products (beverages and milk products) the Community accounts for over 50% of world exports. It can in this case to a major extent dictate its own export strategy. On the other hand, where sugar and cereals are concerned, it has to obey the law of the world market. This dual situation is reflected in the fact that the Community has kept the average amount of its refunds on butter more or less unchanged whereas, in response to the world market situation, it has constantly had to alter the amount of its refunds on sugar, cereals and meat.

324. The growth of exports, which has been accelerating since 1976, has, however, been accompanied by a more than proportional growth in budgetary expenditure on refunds. The increase in such expenditure has been particularly marked since 1976, and it seems to indicate a new trend as regards the Community's agricultural and food exports. Consequently, it may be wondered whether the advantages obtained through the increase in agricultural and food exports are not being substantially reduced by the increase in budgetary expenditure. For some agricultural products the Community has already taken steps to correct the imbalances between supply and demand and to improve export policy. This is a long-term project which should soon start to bear fruit. In this way, the Community will have demonstrated two important facts to its partners : that the common agricultural policy is sufficiently flexible to adapt to changing situations and that it is not necessary to quadruple expenditure on refunds every four years for the Community to maintain one of the leading world positions as an agricultural and food exporter.