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168

The Commission has published as an annex to its 13th General Report on the Activities of the European Communities a Report on the Agricultural Situation in the Community in 1979¹.

This document is a summary of the most important parts of it designed for wider circulation.

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Contents

| | <u>Page</u> |
|-------------------------|-------------|
| The general situation | 4 |
| Agricultural structures | 6 |
| The markets | 13 |
| The consumer | 17 |
| The producer | 23 |
| The financial aspects | 26 |

THE GENERAL SITUATION

I. The general economic picture

The slow recovery from economic recession was impeded in 1979 by large increases in the prices of oil and other raw materials. Inflation rates accelerated and economic growth rates were lower than forecast. Wide disparities continue to exist between Member States.

The gross rate of real Community GDP will be around 3%, the same as in 1978.

Conditions in the Community labour market can scarcely be said to have improved: almost 6% of the available labour force is unemployed.

The average wage per wage earner was forecast to grow at about 11% during the year, slightly more than in 1978.

The trade and current account balances were affected by oil price increases. A substantial current account surplus in 1978 changed to a slight deficit in 1979.

Agriculture felt the effects of oil and other raw material price increases in the cost of its inputs. Energy prices rose considerably in all Member States, except Italy, where they are subject to Government control.

II. The introduction of the European Monetary System

Variations in floating currencies both within and outside the Community continued to affect the internal agricultural market and relations with the world markets.

The introduction of the European Monetary System (EMS) on 13 March was an important step towards monetary integration. The European currency unit, termed ECU, representing a basket of the currencies of the Member States, is the central element of the system.

The ECU was introduced into the Common Agricultural Policy on 9 April, replacing the agricultural unit of account (AUA). This introduction was neutralized for agricultural prices fixed at Community level and for the agricultural monetary compensatory amounts by the application of a coefficient of adjustment.

III. The Community's external relations

Negotiations with Greece culminated in the signing of the Act of Accession on 28 May. Greece will become a member of the European Community on 1 January 1981. Transitional measures will be applied in agriculture for five years.

The Convention signed at Lomé on 31 October between the African, Caribbean and Pacific countries (ACP) and the Community represents a considerable improvement on the current Convention, which expires on 29 February 1980. The new arrangements will include a number of improvements, most importantly with regard to bovine meat. The system for the stabilization of the ACP States' earnings from exports of certain products (STABEX) will also be improved and broadened to cover other products, including agricultural products.

The generalized system of preferences applying to all developing countries received some minor improvements for 1979.

The food aid programme for 1979 provides for the allocation of 720 500 tonnes of cereals (to which is to be added the 566 500 tonnes granted directly by the Member States), 150 000 tonnes of skimmed milk powder, 45 000 tonnes of butteroil and 6 153 tonnes of sugar.

The GATT multilateral trade negotiations have ended. The main results in the agricultural sector are as follows:

- international agreements on meat and on milk products;

- the exchange of tariff and non-tariff concessions;
- codes or general agreements covering subsidies and countervailing duties, quantitative restrictions and technical barriers to trade.

AGRICULTURAL STRUCTURES

Relation to total economic structures

The importance of agriculture in the Community's economy is dropping steadily in volume terms. In 1978 the contribution of agriculture to total economic activity was almost 4.5% and it accounted for 8% of total employment, compared with 5% and 9% respectively in 1973.

Between 1968 and 1978 total utilized agricultural area (UAA) dropped from 98.5 to 94 million ha, an annual average drop of 0.5%. However, between 1973 and 1978 UAA has remained more or less unchanged.

Farms

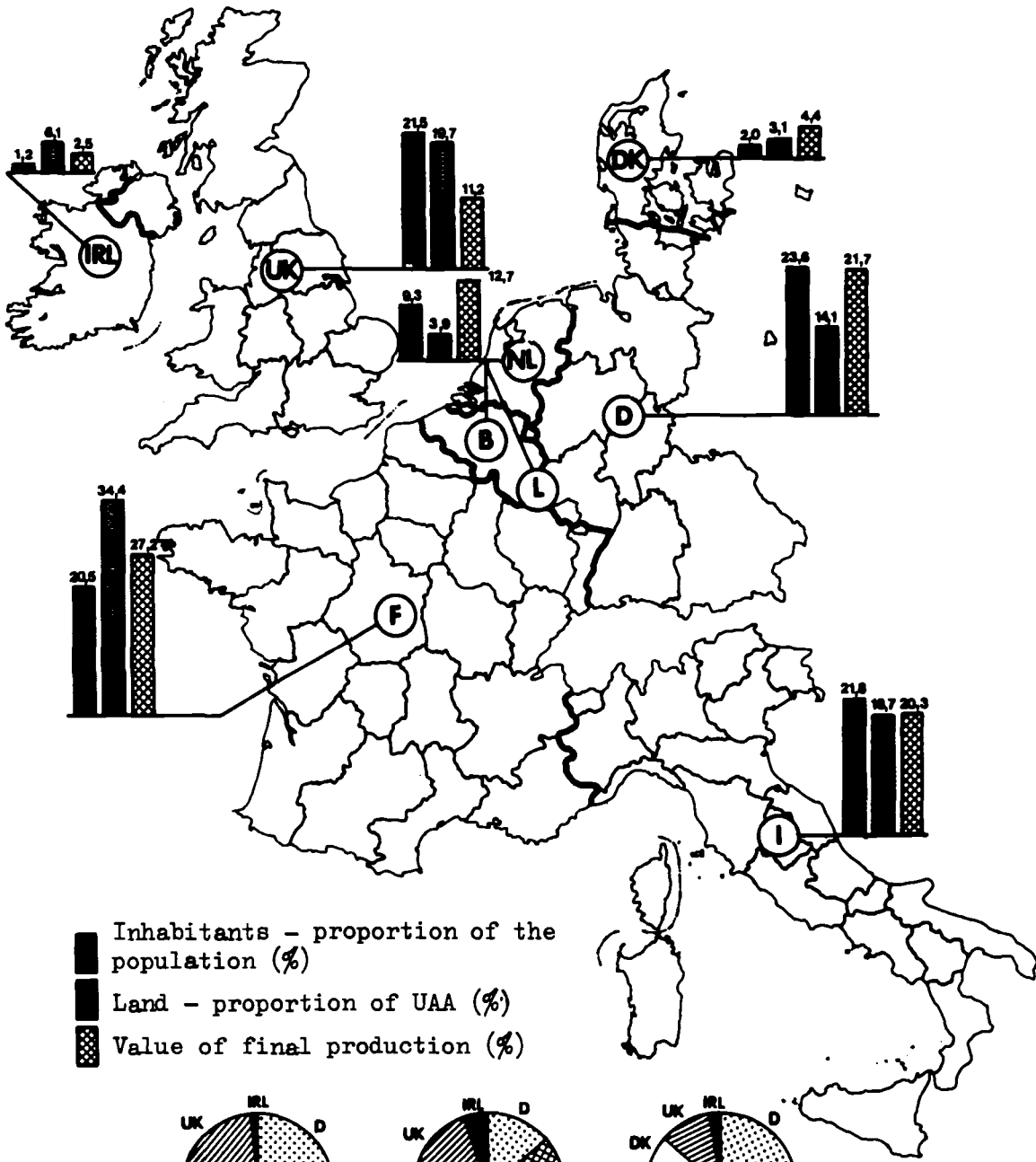
In 1975 there were 5.8 million farms in the Community, some 700 000 or 12% less than in 1970, i.e. an annual decrease of 2%. The sharpest decline in the period was in Belgium at 5% per annum.

In most Member States it is mainly smaller holdings (between 1970 and 1975 those of 20 ha or less) that have been eliminated.

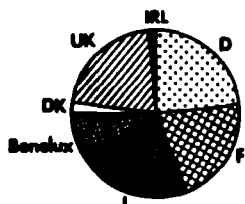
Production structures

Agricultural production structures continue to be dominated by small and medium-sized holdings in the majority of the Member States. Exceptions to this are the United Kingdom at the top of the scale and Italy at the bottom.

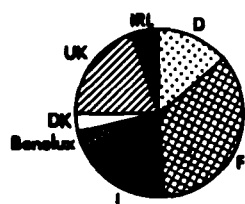
CONSUMPTION (inhabitants), PRODUCTION (UAA) and
 AGRICULTURAL PRODUCTION
 1978



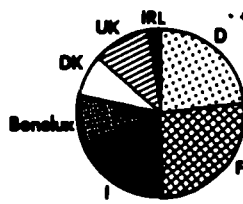
Inhabitants - proportion of the population (%)
 Land - proportion of UAA (%)
 Value of final production (%)



Population



UAA



Final production

| | Holding size | % of total holdings | % of UAA | % of agricultural workforce | |
|--------------------------------------|-----------------|---------------------|----------|-----------------------------|----|
| EUR-9 | less than 10 ha | 64 | 14 | 44 | |
| | more than 50 ha | 6 | 41 | 14 | |
| E x t r e m e s | Italy | less than 10 ha | 89 | 38 | 72 |
| | | more than 50 ha | 2 | 32 | 7 |
| | United Kingdom | less than 10 ha | 26 | 2 | 17 |
| | | more than 50 ha | 30 | 78 | 49 |

| Of all holdings growing | ...% grow it | on less than ha |
|-------------------------|--------------|-------------------------|
| cereals | 67 | 5 |
| potatoes | 89 | 1 |
| sugarbeet | 43 | 2 |
| fruit | 63 | 1 |

Fifty-eight per cent of cattle farmers keep less than 20 head of cattle while 82% of dairy farmers keep less than 20 dairy cows per farm.

Some 4.3 million or 74% of the Community's 5.8 million farms raise livestock of one type or another. Some 78% of livestock farms keep grazing stock (cattle, sheep, goats, horses) and an even greater proportion (85%) of the livestock farms keep non-grazing stock (pigs and poultry).

Some 1.1 million or 26% of all livestock farms have more than 20 ha of UAA.

The average density of dairy cows is 28 per 100 ha. This figure varies from less than 20 in many regions of Italy to more than 100 in the Netherlands. Dairy farming is heavily concentrated in a relatively small number of regions of the Community.

Farm labour

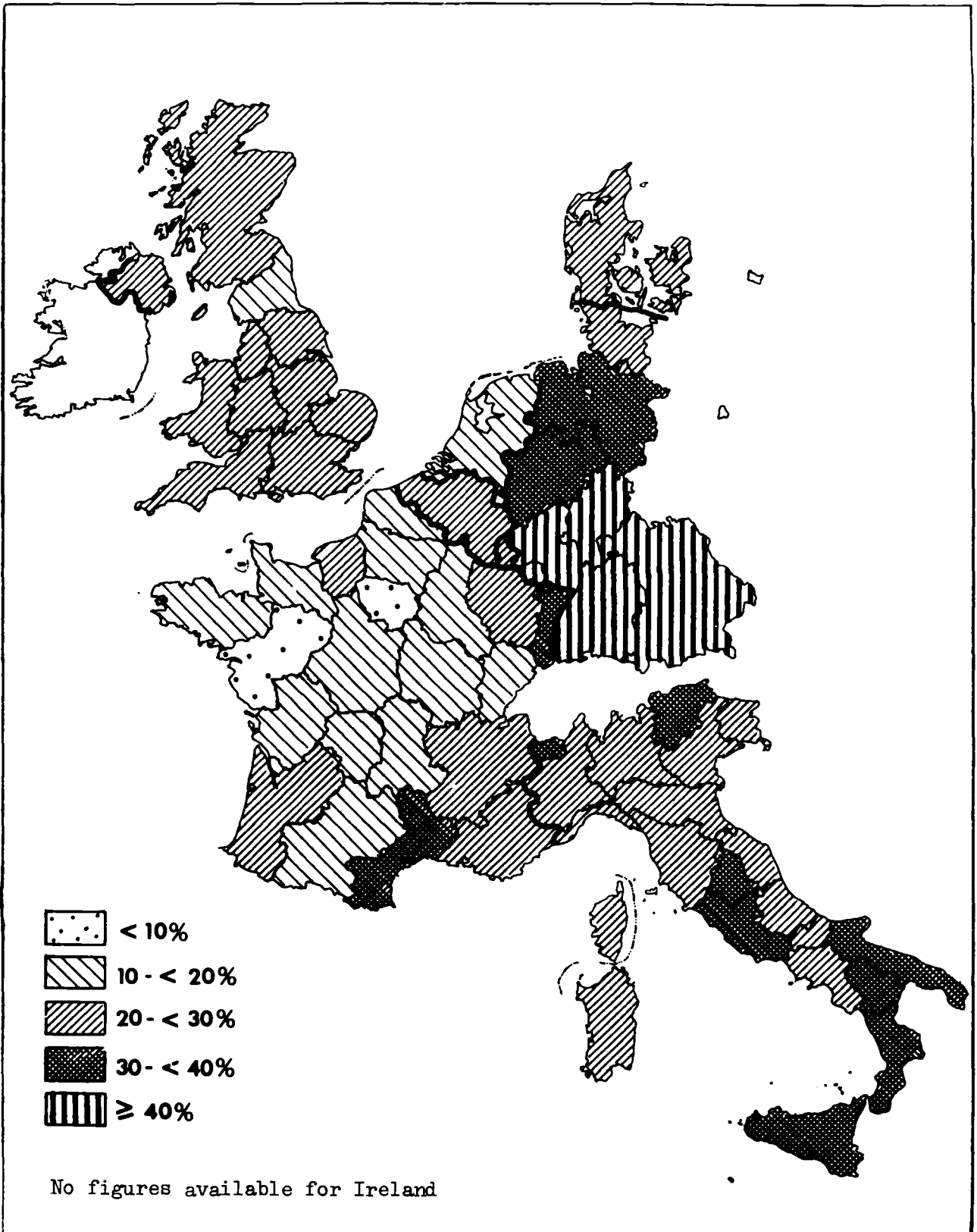
Some 8 million people are employed in agriculture in the Community, i.e. 8% of the total working population.

In 1975 total agricultural manpower was 7.5 million ALU (annual labour units) or about 15% less than in 1970. Family labour made up 82% of this total (46% farm heads and 36% family members) and non-family workers 18% (11% regular and 7% casual or seasonal).

The man/land ratio in the Community is 9 ALU/100 ha UAA, varying from 4 in the United Kingdom to 17 in Italy.

| % | of | and occupy |
|-----|--|---|
| 44% | farmers are aged more than 55 | 44% of holdings 33% of UAA |
| 21% | farmers are aged more than 65 | 21% of holdings 13% of UAA |
| 36% | farmers are full-time farmers | 66% of UAA 34% of the area under permanent crops 39% of farms with dairy cows |
| 56% | of farmers devote at least 50% of their working time to the farm | 82% of UAA |
| 93% | of farms use only family labour | 70% of UAA farms that have an average area of 11 ha |
| 21% | of farmers have gainful employment outside agriculture | |

PERCENTAGE OF FARMERS HAVING ANOTHER GAINFUL ACTIVITY
1975



Capital

The level of capital investment in agriculture is influenced mainly by use of new technology, by the expansion of farm output and by the modernization of agriculture, particularly increases in size.

Modern agriculture requires a high capital input and there is a close link between income and capital invested.

| Working capital ¹ | Income category ² | Extremes | |
|------------------------------|------------------------------|-------------|---------|
| | | Netherlands | Ireland |
| Per hectare | less than 80% | 3 460 | 460 |
| | 80 to 120% | 3 770 | 650 |
| | more than 120% | 3 710 | 900 |
| Per labour unit | less than 80% | 36 550 | 8 680 |
| | 80 to 120% | 37 290 | 12 260 |
| | more than 120% | 51 330 | 25 200 |

¹Not including land and buildings.

²Percentage of comparable income.

Source: FADN.

Farmland prices are increasing in most regions of the Community. In the Netherlands, Belgium and the Federal Republic of Germany the price of farmland is on average twice as high as in Denmark, 3 to 4 times as high as in England, Wales, Northern Ireland and France and 6 to 7 times as high as in Scotland.

In practically all Member States prices are now so high that only farmers with large amounts of capital can enlarge their holdings by purchasing land.

The cost of capital, as expressed by the interest rate in force, is continually increasing. High interest rates are, however, offset by various interest subsidies granted for specific types of agricultural loan.

Productivity

Between "1968" and "1977" final agricultural production increased at an average annual rate of 1.8%. During the same period agricultural employment and total UAA declined at average annual rates of 4.2% and 0.6% respectively. Labour productivity measured in terms of final agricultural production increased annually by 6.3%; this figure varied from 3.9% in Denmark to 7.8% in Belgium.

Implementation of the policy of improving agricultural structures

During the five-year period 1973 to 1977 roughly 78 000 farm development plans were implemented in accordance with the terms of the Directive on the modernization of farms, the number varying considerably between Member States. In 1977 almost half the total number of development plans were for farms of 20 to 50 ha compared with 20% for farms of less than 20 ha. In view of the lack of success of the Directive concerning measures to encourage the cessation of farming and the reallocation of UAA for the purposes of structural improvement, the modernization of farms has tended to result in the intensification of farming systems on the basis of existing structures. The Commission has therefore made proposals for incorporation in the Directive of a number of measures to stimulate land mobility, make the Directive's provisions more attractive and introduce a certain amount of flexibility into the rules of application.

Despite the application of the Directive on mountain and hill-farming and farming in certain other less-favoured areas the Community does not yet have the means to solve the basic problems of many of the less-favoured regions.

In 1978 the Council approved a number of regional structural policy measures designed to remove specific obstacles to development in certain regions. These have been applied mainly to the Community's Mediterranean programme. Further proposals having the same objectives have been drawn up by the Commission, in the form of development programmes to deal with particular difficulties in certain areas (development of agriculture in Western Ireland, cattle and sheep-rearing in Italy and sheep-rearing in Greenland).

In certain of the poorer regions where agriculture predominates there is insufficient non-agricultural employment and the total population is dropping rapidly; the development of agriculture in these regions will not be sufficient by itself to improve the situation unless complementary development takes place simultaneously in the other economic sectors. The launching on an experimental basis of integrated development programmes has been proposed for the Western Isles of Scotland, the Department of Lozère in France and the Province of Luxembourg in Belgium. They will involve much closer coordination between the EAGGF, the ERDF (Regional Development Fund) and the Social Fund.

The regulation on the improvement of conditions for the processing and marketing of agricultural products provides for the presentation by Member States of specific programmes so that investment in these sectors can be coordinated on a Community-wide basis.

THE MARKETS

The world markets in certain important agricultural products

World cereals production in 1979-80 will probably reach some

1.5 milliard tonnes, just below the record harvests of 1978-79. Expectations in the Soviet Union were poor, with production likely to be down 25% on 1978-79 in contrast to the record harvest (up 4%) attained in the United States. Prices have been relatively firm, mainly as a result of the high import requirements of the Soviet Union and Eastern Europe and for all cereals they are markedly higher than in 1978.

A record yield of roughly 93 million tonnes of soya, the most important of the vegetable proteins is expected. Despite this, prices remain relatively high. Production of sunflower and rape should also be very high.

World production of sugar may be below anticipated consumption. In spite of this, very high stock levels make the price outlook poor, but developments under the International Sugar Agreement could change the position.

The common market in agriculture

I. General survey

After fairly high growth in 1977, following the low rate of growth in 1976 caused by difficult weather conditions, the Community's final agricultural production increased by almost 6% in volume in 1978, owing largely to an 8% rise in crop production, livestock production increasing by 4%. The rise in crop production was the result basically of the exceptional increase in yields, as the Community's utilized agricultural area (UAA) went up only slightly. The 1978 cereal harvest was an all-time high, animal feed products were plentiful and reasonably priced, and production of milk, pigmeat and poultrymeat continued to rise sharply.

In 1977 expenditure on food, drink and tobacco, was nearly 25% of consumer expenditure (21% in Germany and 42% in Ireland). There has been a noticeable slowing down of total human consumption of agricultural produce since 1973 resulting from the continuing slowdown both in population growth and in per capita consumption.

Compared with 1968-69 the Community's self-supply rates in cereals, sugar, wine, milk and milk products, eggs, beef and veal, poultrymeat, sheepmeat and goatmeat had increased in 1976-77 but had dropped slightly in potatoes, fresh fruit (excluding citrus fruit) and fresh vegetables.

II. Trade

The Community's agricultural imports (36 milliard EUA) were down on the 1977 figure by 3.5% in 1978. Agricultural imports made up 20% of the Community's total imports. Imports from developing countries were down nearly 8% following a drop in the prices of certain tropical products. The developing countries however remained the Community's main supplier at 48% with the industrialized countries at 45% and the state-trading countries at 7%.

The Community's agricultural exports (13 milliard EUA) rose by 8% in 1978 and amounted to 7.5% of total exports. Agricultural exports from the Community to the industrialized countries have risen by 55% since 1973 but exports to developing countries are up by 137% in the same period and in 1978 accounted for 44% of the Community's total agricultural exports.

In 1978 intra-Community trade was up by 9%. Agricultural imports from Greece, Spain and Portugal were up by almost 2% (11% in 1977) and exports to these countries by 6% (7% in 1977).

III. Obstacles to the common agricultural market

No true common market in agriculture can develop while measures exist which are an obstacle to the specialization of production and increased productivity in agriculture. Of these factors two merit special attention: monetary compensatory amounts and State aid.

1. Monetary Compensatory Amounts

Efforts to reduce the monetary compensatory amounts (MCAs), which prevent the distortion of trade between Member States that would otherwise result from the application of agricultural conversion rates ("green rates") differing from the market exchange rates, continued throughout the year, with several alterations in the green rates.

| Country | Monetary gaps applicable on | |
|------------------|-----------------------------|-----------|
| | 23.10.1978 | 1.10.1979 |
| B.R. Deutschland | + 10.8 | + 9.8 |
| France | - 10.6 | - 3.7 |
| Italia | - 14.6 | - 4.3 |
| Nederland | + 3.3 | + 1.9 |
| Belgique/België | + 3.3 | + 1.9 |
| Luxembourg | + 3.3 | + 1.9 |
| United Kingdom | - 28.6 | - 8.9 |
| Ireland | - 3.3 | 0 |
| Danmark | 0 | 0 |

The biggest gap, between Germany and the United Kingdom, has been reduced by half.

When the ECU was introduced into the common agricultural policy the Council reached a gentlemen's agreement between most Member States on the dismantling of any new monetary compensatory amounts appearing in the two years following entry into force of the EMS, and expressed its willingness to dismantle the old MCAs progressively.

2. State aid

National aid for agriculture presents major problems for competition, intra-Community trade and the common agricultural policy, not all of which have found satisfactory solutions.

The policy followed by the Member States in introducing or applying aid varies substantially in both volume of aid and activities encouraged. In such situations strict limits may have to be placed on aid if the common market and the common agricultural policy are to function as they should. The Commission has therefore put proposals to the Council whereby aid for the milk sector, for cultivation under glass and for pig farming will be prohibited.

THE CONSUMER

1. In spite of the continuing unsatisfactory economic situation disposable incomes continued to increase in 1979, slightly faster than in 1977 and 1978 (3% in 1979; 2% in 1977 and 1978). In real terms private consumption increased by 3.5% in 1979 as in 1978, but fell back in the second half of 1979.

For the second successive year foodstuff prices have made a substantial contribution to the fight against inflation. In the first half of 1979 these prices increased by 7.5% compared with almost 9% for the prices of other commodities.

2. Trends in consumption and consumer habits

As the total population of the Community is increasing only very slowly trends in consumption are affected above all by consumer habits, prices and incomes. The medium-term trends recorded in recent years have by and large continued for most products.

There has been a slight increase in per capita consumption of cheese and meat. Consumption of beef and veal has increased much more slowly than that of pigmeat and poultrymeat, prices for which have gone up less. The drop in consumption of fresh milk products, butter and potatoes has continued.

Per capita consumption is either steady or falling in the market sectors with structural surpluses.

Per capita consumption of the main food products

(average in kg per inhabitant per year in 1975/76, 1976/77, 1977/78)

| Products | EC 9 | National range | |
|--|------|------------------------|-----------------------------|
| | | maximum | minimum |
| Cereals (excluding rice) | 82 | Italia 124 | Nederland 62 |
| Sugar | 36 | Ireland } Danmark } | 45:Italia 28 |
| Potatoes | 73 | Ireland | 114:Italia 37 |
| Vegetables (including preserves) | 99 | Italia | 151:Danmark 52 |
| Fruit other than citrus (including preserves and fruit juices) | 58 | Deutschland | 84:Ireland 28 |
| Citrus fruit | 24 | Nederland | 52:Ireland 11 |
| Wine (litres) | 49 | France | 101:Ireland 3 |
| Milk (fresh products, other than cream) | 102 | Ireland | 210:Italia 78 |
| Meat (excluding offal) | 79 | France | 94:Italia 66 |
| of which: beef and veal | 25 | France | 31:Danmark 16 |
| pigmeat | 34 | Deutschland | 53:Italia 20 |
| poultrymeat | 13 | Italia | 17:Nederland } Danmark } |
| Vegetable oils and fats (average 1975/77) | 9 | Italia | 19:Benelux 4 |
| Butter (fat) | 6 | Ireland | 11:Italia 2 |
| Eggs (including processed products) | 14 | Deutschland | 17:Nederland } Italia } |

Consumer habits differ widely between the Member States, reflecting for example taxation differences (VAT and excise duties on wine and spirits in particular), health legislation and price control.

A certain convergence of consumer habits in the Community has however taken place as a result of increased interpenetration of foods in the different regions.

3. Security of supply

The common agricultural policy means that security of supply of foodstuffs is not a problem.

In some sectors, although the market was already amply supplied from Community production, it was necessary to take imports from non-member countries in 1979 under the terms of trade agreements. This happened with butter (120 000 tonnes, more than 7% of Community consumption) from New Zealand, sugar from the ACP countries (1 350 000 tonnes, more than 14% of Community consumption) and beef and veal from many non-member countries.

4. Price stability

Community prices stayed fairly stable and there were no significant changes in relationships to world market prices from last year.

In the present general difficult economic climate the Community continued with the same policy of caution on prices as in the last few years, which helped the taxpayer and consumer. The average level of agricultural prices in ECU was raised by 1.3% for 1979/80 (2.1% for 1978/79).

However, the changes in the green rates and progressive reductions in MCAs in 1979 have meant substantial differences in producer price increases in national currencies, varying from 0.4% in Germany to 11.5% in Italy and 12% in the United Kingdom, the Community average being 6.4%.

Producer and consumer prices

(percentage change from 1977 to 1978)

| Member State | Producer prices (prices actually received) | Consumer prices (foodstuffs) |
|-----------------|---|---------------------------------|
| Deutschland | - 3,7 | + 0,5 |
| France | + 3 | + 8,7 |
| Italia | + 10 | + 12,5 |
| Nederland | - 4,3 | - 0,3 |
| Belgique/België | - 3,5 | + 1,4 |
| Luxembourg | - 2,1 | + 2 |
| United kingdom | + 1,6 | + 7 |
| Ireland | + 11,1 | + 9,3 |
| Danmark | + 5,9 | + 9,1 |
| EC 9 | + 3,8 | + 7,3 |

Monetary compensatory amounts, which have the effect of subsidizing imports of agricultural products into countries with a depreciated currency, have contributed to the stabilization of prices. In 1979 the EAGGF is expected to pay some 860 million ECU as MCAs, of which about 100 million will be paid in respect of imports from non-member countries.

5. Special measures to benefit consumers

For the common agricultural policy 1979 has been marked by important progress in the special measures on behalf of consumers or certain categories of consumers.

The purpose of these measures is to make supplies (butter, meat, etc.) available at reduced prices, to improve foodstuff quality and to protect the health of the consumer.

(a) Reduced price products

In the milk products sector the Community has continued to finance butter consumption and the supply of milk to schoolchildren.

For the 1979/80 milk year and with effect from 3 July 1979 the Community more than doubled the 100% Community-financed general subsidy for butter consumption in the United Kingdom.

The other Member States have a choice between two measures for reducing the price of butter for direct consumption:

- either grant a general subsidy for butter on the market, 75% of which will be paid by the Community (50% in 1978/79). This option has been taken up by Ireland, Denmark and Luxembourg;
- or for a certain period sell butter from storage ("Christmas butter") at a much reduced price.

It is anticipated that 543 000 tonnes of subsidized butter will be sold in 1979, 300 000 tonnes of this in the United Kingdom, at a cost of 350 million ECU, 138 million of this being for sales in the United Kingdom.

The Community contribution to the programme for supplying milk to schoolchildren has been increased to 100% of the target price from 1 September 1979 (total cost 69 million ECU per annum). This will reduce the sale price of milk to schools to half the normal retail price.

In the beef sector the Community continued to supply meat from intervention stocks at reduced prices to certain social institutions. In Italy 7 000 to 8 000 tonnes were sold at about 60% less than the intervention buying-in price. The Community also sold frozen beef from intervention stocks for consumption: 15 000 tonnes in Italy and

3 000 tonnes in France, at 30-40% less than the intervention buying-in price.

(b) Consumer protection

The Community has pursued its efforts to harmonize laws, one of the purposes of this being to ensure and augment consumer protection.

- A Directive on the placing on the market and use of plant protection products containing certain active substances has been adopted.
- Updating of the Directive on additives in feedingstuffs in line with advances in scientific and technical knowledge, with particular regard to the possible harmful effects of such additives on human and animal health, was continued.
- Implementation of the action programme in the veterinary sector continued, the main area concerned being health inspection of imports from non-member countries.

Community provisions were adopted on the price marking of foodstuffs.

The Commission put before the Council a draft second programme on consumer policy under which the work of harmonizing legislation on foodstuffs would be continued.

THE PRODUCER

1. Agricultural production

The value of agricultural production in the Community, about 96 milliard ECU in 1978, was up on 1977 by 9%, varying between 1.7 and 17% according to Member State.

Production in volume terms was up by nearly 6%, the biggest increases being in France, Ireland, Germany and particularly the Netherlands.

Over the last ten years Ireland (3%) and the Netherlands (4.5%) have had growth rates considerably above the average.

Value of final agricultural production - 1978

| | 1968=100 | Member States' production as % of EC total | % growth from 1977 to 1978 |
|-----------------|----------|--|----------------------------|
| Deutschland | 167 | 22 | 1.7 |
| France | 257 | 27 | 11.6 |
| Italia | 379 | 20 | 16.5 |
| Nederland | 224 | 9 | 4.3 |
| Belgique/België | 197 | 4 | 3.4 |
| Luxembourg | 166 | 0.1 | 3.0 |
| United Kingdom | ... | 11 | 6.0 |
| Irlande | 525 | 2.5 | 16.6 |
| Danmark | 280 | 4.4 | 10.2 |
| EU 9 | | 100 | 8.6 |

The livestock sector continues to occupy first place with more than half of final production (58%). The value of milk/beef and veal production alone accounts for more than one-third of final production (36%).

Fruit and vegetables (12% of final production) are grown in all Member States but mainly in Italy and France. Production of cereals (12% of final production, as important as fruit and vegetables) and of sugarbeet (3% of final production) are in general fairly well spread over the different Member States.

Products subject to a common price system accounted for 72% of final production in 1978. In Ireland, Luxembourg and Denmark the proportion was above the Community average (roughly 88%) but in Italy it was well below (64%). The proportion in the other Member States is close to the Community average (72%).

Products subject to a common organization of the market but not to a common price system accounted for 17% of production in 1978; the figure was highest in Italy (26%). Products for which there is no common organization of the market (including potatoes, sheepmeat and goatmeat) accounted for 11% of final production.

2. Price trends

From 1976 to 1978 increases in agricultural prices (see chapter on "The Consumer") like those of inputs had slowed down markedly by comparison with the preceding period. In 1979 the upward movement became sharper again for crop products and for almost all inputs, especially energy costs, where the increase was generally more than 10%.

Increases in common agricultural prices following the Council Decisions of June 1979 and the changes in the green rates in April and June 1979 (%)

| Member State | Average increase in prices in ECU | Average increase of prices in national currency (after application of green rates) |
|-----------------|-----------------------------------|--|
| Deutschland | + 1,2 | + 0,4 |
| France | + 1,4 | + 8,7 |
| Italia | + 1,5 | + 11,5 |
| Nederland | + 0,9 | + 0,6 |
| Belgique/België | + 1,3 | + 0,8 |
| Luxembourg | + 0,9 | + 0,6 |
| United Kingdom | + 1,1 | + 12,0 |
| Ireland | + 1,1 | + 1,4 |
| Danmark | + 1,3 | + 1,3 |
| EC 9 | + 1,3 | + 6,4 |

In 1979 consumer prices should increase by 7% (3% in 1978). Here too there are big differences between the Member States.

3. Income trends

The provisional data for the Community shows that in 1978 gross value added at factor cost (i.e. the creation of wealth) per person employed increased in real terms by 3% of the 1977 figure (11% in nominal terms). This is the biggest increase since 1973.

There were substantial variations between Member States: Belgium +8%, Denmark +7%, Ireland +5%, Italy +5%, Netherlands +4%, Luxembourg +3%, France +3%, Germany +1%, United Kingdom -3%.

The net added value at factor cost per person employed (gross added value less depreciation), which represents the return on input in the agricultural sector, also advanced in the Community in 1978 by 3% in real terms (11% in nominal terms). This is again the biggest increase since 1973 but does not yet reach the increases during 1968-73.

THE FINANCIAL ASPECTS

A. General Survey

The Community and the Member States spent some 22.5 milliard EUA on financing agriculture in 1978. Of this amount the EAGGF paid out just under 9 milliard EUA, of which 8.7 milliard was spent by the Guarantee Section alone on the operation of common market organizations. In 1978 Community expenditure was 41% of total expenditure on agriculture, compared with 35% in previous years.

Total national and EAGGF expenditure (after deduction of agricultural receipts) came to about 20.2 milliard ECU, i.e. approximately 1.3% of the Community's gross domestic product, approximately 8% of Community expenditure on food and approximately 20% of final agricultural production in 1978.

B. The EAGGF Guarantee Section

The Guarantee Section of the EAGGF finances:

- refunds on exports to non-Community countries;
- intervention on the internal market to offset the market situation and to guarantee the farmer a price and the consumer continuity of supplies;
- monetary compensatory amounts (MCAs) intended to ensure that trade in agricultural products is not affected by changes in the parity of Member States' currencies that would otherwise increase or reduce common prices expressed in national currencies. These MCAs are to be considered as refunds in the case of trade with non-member countries and as intervention in the case of intra-Community trade.

Appropriations for 1979 are 10.3 milliard ECU compared with 1978 payments of 8.7 milliard ECU, i.e. an increase of more than 20%. Agricultural expenditure in the strict sense - refunds and market intervention - accounts for roughly 9.5 milliard ECU in 1979, i.e. 93%.

The increases are mainly in the following sectors: milk and milk products, cereals, oils and fats (increased aid), sugar (large-scale export effort), beef and veal (export effort) and fruit and vegetables (increased intervention).

Expenditure has however gone down in the tobacco sector and on monetary compensatory amounts (MCAs), though these still account for

770 million EUA, i.e. 7% of total expenditure.

Refund expenditure continued to increase in absolute terms as the Community sought to take advantage of opportunities to export to the outside world, particularly in the milk, cereals, sugar and beef sectors.

EAGGF expenditure

| | 1978 | | 1979 ¹ | | 1980 ² | |
|---|-----------|-----|-------------------|-----|-------------------|-----|
| | mill. EUA | % | mill. EUA | % | mill. EUA | % |
| <u>Guarantee Section</u> | | | | | | |
| - <u>Expenditure on market organization</u> | | | | | | |
| <u>Total</u> | 7 765 | 90 | 9 544 | 93 | 10 579 | 97 |
| of which: cereals | 1 112 | 13 | 1 574 | 15 | 1 728 | 16 |
| milk and milk products | 4 015 | 46 | 4 420 | 43 | 4 710 | 43 |
| oils and fats | 325 | 4 | 593 | 6 | 672 | 6 |
| sugar | 878 | 10 | 1 005 | 10 | 1 116 | 10 |
| beef and veal | 639 | 7 | 688 | 7 | 759 | 7 |
| fruit and vegetables | 101 | 1 | 417 | 4 | 524 | 5 |
| wine | 64 | 1 | 94 | 1 | 203 | 2 |
| tobacco | 216 | 3 | 212 | 2 | 280 | 3 |
| - <u>Monetary Compensatory Amounts (MCAs)</u> | 880 | 10 | 769 | 7 | 378 | 3 |
| <u>Total Guarantee Section</u> | 8 673 | 100 | 10 315 | 100 | 10 957 | 100 |
| <u>Guidance Section</u> | 324 | | 366 | | 498 | |
| <u>Grand total EAGGF</u> | 8 997 | | 10 681 | | 11 455 | |

¹ Guarantee Section: appropriations approved by Council end October 1979.
Guidance Section: expenditure estimated from payments made end September 1979.

² Budget estimate.

Price support, representing aid for the internal market, increased from 26% in 1978 to 33% in 1979. Expenditure on storage continued to decline in percentage terms (26% in 1978, 15% in 1979), a natural corollary to the increase in expenditure on refunds and price support.

Expenditure on MCAs totalled 770 million EJA, considerably less than in previous years (15% in 1977, 10% in 1978, 7% in 1979). This reduction was due mainly to the introduction of the European Monetary System, which serves to stabilize the exchange rates of the currencies within it, and also to the monetary adjustments made under the common agricultural policy.

Although the common agricultural policy generates expenditure it also provides own resources of agricultural origin for the Community Budget from levies in general and from the special sugar levies. For 1979 this revenue is estimated at 2.2 milliard EJA. The co-responsibility "levy" in the milk sector is another source of income, from which 96 million EJA was derived in 1979 for use in financing the various measures to expand the market in milk products.

C. The EAGGF Guidance Section

The Guidance Section's function is to finance the Community's agricultural structures policy.

Appropriations of 474 million EJA for the EAGGF Guidance Section were entered in the 1978 Budget. The figure for 1979 was 569 million EJA.

In 1978 the Regulation on the improvement of the conditions under which agricultural products are processed and marketed was applicable for the first time to the financing of projects. Appropriations of 80 million EJA were available for the entire Community and a further 42 million EJA for certain southern regions and certain categories of project.