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AGRICULTURAL PRICES

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COMMISSION PROPOSALS

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COMMISSION PROPOSALS

on the prices for agricultural products and

on related measures (1986/87)

(Submitted to the Council by the Commission)

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INTRODUCTION

The proposals on the agricultural prices and certain related measures for 1986/87, which concern the twelve-country Community, largely reflect the guidelines (COM(85)750 final) which the Commission adopted following the consultations held in connection with the "Green Paper".

The Commission wishes firstly to confirm its intention to pursue the programme announced in the Green Paper by submitting in the very near future socio-structural proposals designed to help farmers adapt to changed market conditions, to diversify the instruments of the common agricultural policy so that considerations relating to the environment and regional development can be taken into account more effectively, and to enhance throughout the Community the role of agriculture in society. The Commission feels that the socio-structural proposals are all the more important because the accession of Portugal and Spain has added a new dimension to Community agriculture through an increase in the number of farmers, in total acreage and the volume of production, but also because it has tended to accentuate the structural and natural disparities between the various agricultural regions. The adoption of these proposals, which have a close bearing on the lives and the future of farmers, should help to improve their perception of the situation and testify to the cohesion of the Community.

The Commission is well aware of the difficulties besetting the farming community. But in view of the gravity of the present situation for the common agricultural policy, which it would serve nobody's interests to attempt to disguise, it appeals to the sense of responsibility of the farmers and their federations: the greatest danger which now threatens European farming is that the present situation should continue to deteriorate, with nothing done to restore foundations essential for a better future.

Thus these proposals are designed to achieve a gradual return to better equilibrium between supply and demand and instil in farmers a fuller realization of actual market conditions.

The structural disequilibrium between supply and demand, discussed in detail in the "The Situation on the Agricultural Markets - 1985 report" (COM(85)722 - final) and in the explanatory memoranda by individual product in these price proposals, concerns a large number of products. Control of the expansion of agricultural production in the Community is therefore a vital priority objective, especially as medium-term forecasts concerning supply - especially under the impact of new technology - are disturbing, and the outlook for demand, in the Community and for exports, is not encouraging. In these circumstances, an increase in production not offset by an equivalent increase in consumption would have no economic significance. Nor is the case for further expansion of production based on strategic considerations a convincing one, now that Community production covers a very high proportion of internal needs for the main basic items, and that the Community is in fact the leading or second world exporter of these same items.

Intervention stocks have mounted to well beyond acceptable levels. In many cases, storage costs are now quite unreasonable. It must be remembered that in present circumstances each extra tonne bought in costs the EAGGF, when sold on the internal market or outside, often nearly as much as it is worth.

The Commission must also stress once again the cost of the common agricultural policy and the developments in recent years. An increase in budget resources for agriculture is not ruled out for coming years, but it must be the farmers themselves who benefit, especially the poorest and weakest farmers, and these appropriations must not encroach on those needed for the development of the other Community policies, of which agriculture would in fact itself be a beneficiary.

Against this background, the Commission's proposals come under two main headings,

- adjustments to the market organizations designed to avoid abrupt and radical reductions in the common prices and the distortion of the role of the market support mechanisms introduced under the policy, but also to increase the financial responsibility of the farmers for the disposal of their products where certain demand-supply ratios are exceeded. This is the thinking behind the proposals designed to adapt or supplement the market organizations for milk and milk products (COM(85)583 final), cereals (COM(86)30 final), beef/veal (COM(86)31 final) and oilseeds. These adjustments comply with the guidelines set out in the Communication on a future for European agriculture (COM(85)750);
- action to deal with the present situation with regard to the size of intervention stocks through a disposal programme covering several years.

In connection with the first point, the Commission takes the view that the improvement or deterioration in farm incomes will depend in future years largely on choices made by farmers themselves with regard to production and on their determination, exercised on a basis of solidarity, to see order restored to the markets.

It is also obvious that in present market conditions the institutional prices and the management mechanisms under the CAP have lost some or all of their original significance and can no longer act properly, particularly as concerns support for farmer's incomes. Even a very wide interpretation of the provisions of the Treaty and close compliance with the basic principles of the common agricultural policy cannot signify an absolute guarantee with regard to income levels in all circumstances and for all quantities produced. Thus, the agricultural income trend in recent years is only the reflection, though tempered by the "buffer" mechanisms of the CAP, of the gradual deterioration in market conditions in the Community and outside.

When defining a framework of action to adjust the market organizations, the Commission has, whenever this was possible and indispensable, allowed for the problems besetting certain types of farmer who have to work in difficult conditions, in particular because of the economic and natural features of the regions in which their holdings are located. This type of farmer is in fact preponderant in terms of numbers in the Community, but the actual conditions of farming vary very widely: it is very difficult to assess reliably, with all the social and economic implications, the phenomenon of part-time farming, which now concerns nearly 60% of the holdings in the ten-country Community. Accordingly, the objective has been to provide a solution for genuine problems, while at the same time ensuring that difficult cases are not manipulated so as to "justify" solutions which would perpetuate unwarranted benefits and the waste of funds.

Partly because of these considerations, the Commission, in the proposals it has made for the adjustment of the cereals market organization, suggests an approach avoiding excessive and continuing reductions in institutional prices and allowing modulation of coresponsibility on the basis of the quantities marketed. Also, in the adjustment of the beef/veal market organization, the Commission proposes a higher premium for the first fifty animals on each holding, and again, in connection with the sheepmeat organization, that the premium should be the full amount up to specified numbers (500 in general, but 1000 head for the less-favoured regions).

These provisions supplement those already adopted in the same spirit in connection with the milk market organization (reduction of the coresponsibility levy up to 60 000 kg for farmers in less-favoured areas) or in connection with the policy on structures (e.g. limitation of aids to investment in the milk sector to holdings having only a limited number of cows).

With regard to structures, the same approach has led the Commission to plan, as stated in the Communication on a future for Community agriculture, strengthened arrangements for farming in mountain and hill areas and in certain less-favoured areas. The Commission intends to continue this work, and it will be covering the problem of small farmers in its proposals, wherever this is justified in economic and social terms.

In its proposals, the Commission has also been concerned to ensure equilibrium between the various regions of the Community.

The other field in which the Commission believes decisive action is needed is that of stocks. To facilitate a return to normal stocks, the Commission intends to lay before the Council a disposal programme for the gradual scaling down of the stocks which have built up in recent years. These now constitute a formidable burden on the markets, both inside and outside the Community;

they also constitute a heavy charge on the Community budget, not only because of technical and financing costs but also because in most cases the gap between their book value and their real value is widening very rapidly as the stocks get older. It would be irresponsible to allow this situation to deteriorate even further. The disposal programme planned would be spread over three years and should bring stocks back down to a reasonable level. However, the success of the operation, which will be very expensive, will also depend on the possibility of bringing production down to levels more compatible with that of demand: it would make little sense to call for further budget expenditure if only the symptoms - the present high stocks - were tackled, whilst ignoring the actual disease, that of over-production.

The Commission must also stress the contribution which the new arrangements it has proposed to the Council for starch and sugar for the chemicals industry (COM(85) and COM(85)504) could well make to improving the situation of certain surplus markets. It is therefore important that these proposals be adopted without delay.

With the same objectives, the Commission plans to assist efforts being made by farmers to diversify their production and to locate economically viable industrial outlets, the outlook for which has been improved, in particular, by rapid progress in the area of bio-technology.

In submitting these proposals, which appeal to the sense of responsibility of the Community's farmers and call upon them to make a major adaptation effort with a view to allowing increasingly for real conditions on the internal market and for the deterioration of world markets as well, the Commission is convinced that this attitude, based on common sense, will be reciprocated by the countries with which the Community trades. As it has already stated in its Communication on a future for Community agriculture, the Commission is profoundly convinced that an improved organization of the world market is in the genuine interest of all our partners, industrialized countries as well as developing countries. But it cannot disguise the profound concern it feels with regard to the new approach in agricultural policy in the United States, which seems to hinge essentially on a substantial increase in that country's agricultural export capacity at the cost of a sharp reduction in world prices. The Commission is now studying the new legislation with a view to assessing its implications for the Community's agriculture and trade policy. It will take those initiatives which prove necessary, with regard to both imports and exports, to safeguard Community interests in this field, both by strengthening or diversifying Community machinery for the export of agricultural products and by actively seeking solutions negotiated either bilaterally or within international organizations.

Lastly, the Commission intends to step up vigilance with regard to the payment of national aids incompatible with Community law: it is vital that the rigorous conditions imposed at Community level should not become a justification for a gradual process of "renationalization" of the agricultural policy. Incompatible national aids not only interfere with proper conditions of competition between farmers but, where they hamper action to control the expansion of production, also contribute to building up surpluses and therefore to boosting expenditure chargeable to the Community budget.

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Concluding, the Commission must again stress the gravity of the situation on the agricultural markets. It must not be forgotten that because of these disequilibria, the mere maintenance of the common prices at the same level as last year - i.e. a price freeze - still requires larger appropriations this year. The Commission has, however, preferred to avoid drastic price cuts, which would encroach heavily on incomes. The present proposal therefore represents a carefully balanced compromise - in accordance with the provisions of Article 39 of the Treaty - between the rigour required by the market situation and the need to allow decent incomes for farmers. The Commission could not defend a severer proposal vis-à-vis the farmers, but it could not support a less rigorous approach either, given the situation on the market and the sheer cost this would entail. Without a reform of some of the mechanisms of certain market organizations as proposed by the Commission, the enlarged Community could not be viable within the present limits of its financial resources.

Accordingly, the proposals for the adaptation of the current legislation, in particular with regard to milk, cereals and oilseeds, constitute, in the Commission's view, components forming part and parcel of the price proposals. The Commission therefore strongly urges the Council to adopt the decisions on all these sectors before the marketing years begin. If this is not done and if the decisions concerning the adjustment of the current legislation were not taken in time, the Commission would be forced to withdraw some or all of its price proposals and replace them by others based on the present legislation but achieving the desired results with regard to the control of production and of budget costs. Such new proposals, given the nature of the provisions at present in force, would be much less satisfactory for certain products than the present proposals in terms of impact on farmers' incomes.

This said, the Commission has not wavered and will not waver in the conviction it voiced in its guidelines following the consultations based on the Green Paper:

"Neither exclusively budgetary - and, therefore, narrow-ranging - considerations, nor self-interested pressure by certain non-member countries can compel the Community to review the basic principles of the common agricultural policy. Its aims as set out in the Treaty of Rome remain valid".

GENERAL CONSIDERATIONS

I. General economic situation

1. After several years of stagnation or even recession, the European Economy now seems to be in a phase of moderate but steady expansion. In 1984 the average rate of expansion in the Community of Ten was just over 2% and should rise from 2,3% in 1985 to 2,5% in 1986.

Even so, the basis for this recovery remains relatively fragile in view of the instability of the world economy and the adjustments which Community producers have still to make. The economic growth rate, although higher than in previous years, is still much too slow for any meaningful reduction in the exceptionally high levels of unemployment in the Community (12,7 million unemployed at the end of 1985, including some 5 million under the age of 25).

2. Economic expansion is not, however, progressing at the same rate in all Member States of the Community. The GDP growth rate is likely to vary from one Member State to another, ranging between 1,2% and 3,5% in 1985 (EUR 10) and between 0% and 3,5% in 1986 (EUR 12). These averages also conceal the fact that growth is slowing down in several Member States. It is nevertheless encouraging that Spain and Portugal are joining the Community at a time when the European economy seems to be on the move once more and when the two newcomers are also enjoying some economic growth.
3. Although inflation has not yet been entirely brought under control in all Member States, the results of the efforts to do so, particularly in several Member States which had the highest inflation rates in the early 1980s, may be considered fairly satisfactory. On the one hand, the average rate of inflation, as measured by the GDP deflator, was 5,7% in the Community of Ten in 1984 but should fall to 5,1% in 1985 and in 1986 should be at its lowest level for over 15 years (4,1%, which is roughly the same as the average inflation rate in the 1960s). On the other hand, inflation rates in the Community of Ten have converged appreciably in recent years, thanks to improved co-ordination of economic policies and the remarkable stability of exchange rates within the EMS. Apart from Greece, where the inflation rate is still about four times the

Community average (19% in 1985), the inflation rate in the Community in 1985 is likely to range from 2% (Germany) to 8% (Italy), whereas in 1980 it ranged between 4% and 21%. The gap between inflation rates should continue to shrink in 1986. In Greece, however, the inflation rate is likely to remain well above the Community average (at about 18%). The same applies to Portugal (15,3%), although the Portuguese inflation rate is considerably down on previous years. In Spain, on the other hand, the inflation rate should be much lower (about 9,5%), although still twice as high as the EUR 10 average.

4. The situation on the employment market is still the most serious economic and social problem in the Community. It gives particular concern at a time when growing numbers of young people of working age are unemployed and when government efforts to bring public finances into order, especially in some Member States, leave little room for more vigorous action to stimulate investment and create new employment.

Despite the rather sombre outlook for the labour market in the short and medium term, some fairly encouraging signs have been emerging since 1984. Although the total number of jobs has been reduced in the past ten years, some Member States are now experiencing a net increase in job numbers (in 1985, the Community figure was 0,4% up) and this should continue into 1986 (0,5%). As yet, however, it is unlikely to outstrip the increase forecast in the workforce : thus, the unemployment rate for 1986 will be only very slightly down on the exceptionally high 1985 level (11,1% and 11,2% respectively in the Community of Ten). The unemployment rate in Spain, however, will be over 22% and the figure for Portugal will be over 11%.

5. On the international level, 1985 saw an appreciable slowdown in economic expansion in the United States, with negative effects on the economies of other countries such as Canada and Japan and on the volume of world trade. After achieving a 9,3% growth rate in 1984, world trade seems to have expanded at a more modest pace in 1985 (about 4,8%). No significant changes are expected for 1986.
6. Another striking feature of 1985 has been the steep fall in the value of the dollar in relation to most other currencies and to the ECU. This movement began in March 1985. After rising rapidly between March 1984 and March 1985, the rate for the dollar against the ECU had by the end

of 1985 reached its lowest level since the autumn of 1983. The European Monetary System was able, however, to deal with the consequences of this substantial depreciation of the dollar. Thus, even when account is taken of the monetary adjustment of 20 July 1985, the combined effects of which entailed a 7,8% drop in the central rate for the lira vis-à-vis the other currencies but left the other bilateral rates unchanged, the exchange mechanism within the EMS may be said to have shown remarkable stability since March 1983, the date of the previous realignment. The fall in the dollar since March 1985 has, however, accentuated the downward trend in the value of the drachma in relation to the ECU. This, together with the serious worsening in Greece's current balance over the first nine months of the year, led the Greek authorities to devalue the drachma by 15% on 15 October 1985, as part of a more general economic programme designed to put public finances in order and limit home consumption.

II. Agricultural situation

7. Although the general economic situation has improved steadily in all the developed countries in recent years, agriculture in most of these countries has still been subject to fairly pronounced fluctuations in farm profits from one year to another. Depending on the country concerned, the long-term trend has been either stationary or downward, to varying degrees.

In the United States, for example, overall agricultural income, which fell by about 40% in real terms in 1983, practically doubled in 1984 but should fall once more by 20-35% in 1985: agricultural incomes in the United States have thus been practically halved in real terms over the past ten years.

The trend in agricultural incomes is no more favourable in Canada: after virtually doubling between 1970 and 1974, farm incomes have fallen gradually in real terms, despite some signs of recovery in 1981 and 1984, and were likely to drop in 1985 to a level almost 20% down on 1984 and some 56% down on 1974.

Very pronounced cyclical fluctuations in agricultural incomes have also occurred in Australia, with a distinct downward trend in real terms over the past ten years. Thus, net farm incomes were almost 60% down in 1982/83, showed a spectacular recovery in 1983/84 but fell back once more by about 15% in 1984/85. A further drop of more than 10% is forecast for 1985/86.

8. As compared with the trends and annual variations recorded in certain non-member countries, Community agriculture over the past ten years has enjoyed relative stability as far as incomes are concerned. This has been despite the world fluctuations of recent years, mainly due to widely differing weather conditions from one year to another and the considerable disparities between farms, regions and Member States.

Whereas agricultural incomes fell appreciably in 1979 and 1980, the average agricultural income in the Community for the period 1982-84 (net value added at factor cost per person employed) was slightly higher than that for the period 1973-75. If, however, one considers the net income of the farmer and his family (that is, the income obtained by deducting wages, interest and rents from the net value added at factor cost), the trend in incomes has been less satisfactory overall. This is attributable to the fact that wage costs on the one hand, and interest and rental charges, on the other (factors over which the common agricultural policy has practically no influence), have not been increasing as rapidly as farmers' gross incomes, on average.

9. Although the stability or slight erosion of average incomes in the Community over the past ten years has been much less serious than the deterioration seen in other major farming countries over the same period, the trend has contrasted with the strong improvement in agricultural incomes in the Community during the early years of the common agricultural policy. It will be remembered that the average agricultural income per work unit increased by over 40% in real terms in the Community between 1968 and 1973.

This change in the trend followed by average agricultural incomes in the Community is not surprising, however, if one bears in mind that European agriculture became more than self-sufficient in most of the main products during the 1970s and that the growing imbalance between supply and demand resulting therefrom has helped to bring about the gradual deterioration in the situation on the markets for many agricultural products, despite the stabilizing influence of the common agricultural policy. The latter has had to take increasing account of the new problems affecting markets, whilst protecting European farmers from the collapse in producer prices and from excessive fluctuations in their incomes. Lastly, it must be remembered that the considerable improvement in agricultural incomes in the 1960s and the early 1970s was facilitated by the decrease in the numbers employed in farming.

The rate of this increase has slowed down considerably, however, as has the process of restructuring European agriculture. The trend in average incomes for agriculture as a whole conceals, however, the real differences between the various types of farming, both as regards income trends and the level of incomes in absolute terms.

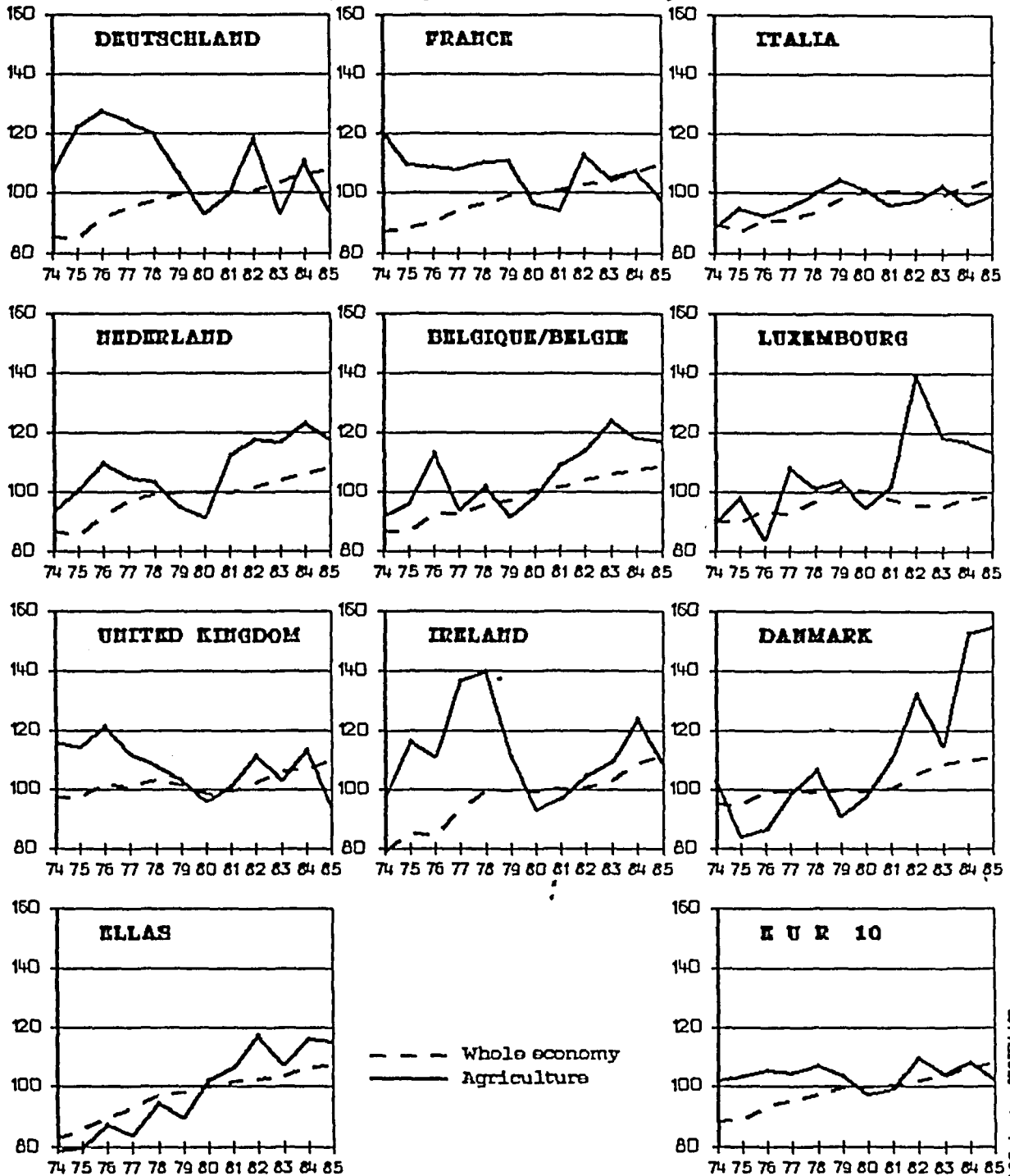
10. As has already been pointed out, the slower growth of agricultural incomes has been accompanied, even in the Community, by wider fluctuations from one year to another. This instability is attributable to the interaction of several factors. Firstly, the excellent weather enjoyed one year has often been followed by rather unfavourable weather the next year. Secondly, whereas the agricultural "input/output" ratio (that is, the ratio between prices obtained by farmers and prices paid for inputs) has deteriorated when the volume of production has increased considerably from one year to another, thus adding to the problem of surpluses, it has not necessarily improved when the volume of production has been reduced to a lower level.
11. It is in this multiannual context and in the light of the foregoing considerations that one must view the provisional estimates of farm incomes in the Community in 1985 (Figure 1).

Tentative estimates made by the Commission in mid-December 1985 on the basis of data sent in for this purpose by the Member States suggest that the net value added at factor cost per work unit declined by 5,7% in real terms in 1985, in the Community as a whole (EUR 10), whereas in 1984 the same income indicator had increased by 4,2% on average. In 1985 the drop in farm incomes was, as a rule, more substantial in those regions and Member States which experienced the greatest contrast between the excellent weather conditions of 1984 and the bad weather (persistent rain or drought) of 1985. In the United Kingdom, for example, where farm incomes increased by 10% in 1984, they fell by about 17% in 1985. The same applies to Ireland (+14% in 1984, -12% in 1985), Germany (+18,5% in 1984, -15% in 1985), France (+2,4% in 1984, -9% in 1985), the Netherlands (+5,4% in 1984, -4,4% in 1985) and Greece (+8,5% in 1984, -0,8% in 1985). For the second consecutive year, agricultural incomes were slightly down in Belgium (-4,6% in 1984, -0,6% in 1985) and in Luxembourg (-1,6% in 1984, -2,9% in 1985). In Denmark, however, incomes continued to rise (+32,6% in 1984, +1,5% in 1985). In Italy farm incomes are estimated to have increased by 3,2% in 1985, after falling by 5,7% in 1984. No comparable figures are yet available for Spain and Portugal.

Graph 1

REAL INCOMES FOR THE WHOLE ECONOMY AND FOR AGRICULTURE

(Average 1979, 80, 81 = 100)



AGRICULTURE: Net value added at factor cost per work unit in real terms
 ECONOMY GENERAL: Net domestic product at factor cost per person in employment, in real terms

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The decline in farm incomes in the Community as a whole in 1985 would be even greater, on average, than the above estimate if the indicator used was the net income of the farmer and his family (that is, the income remaining after deduction of wages, interest and rent payments): this indicator fell by about 12% in 1985, whereas it had increased by 5% in 1984 (average for nine Member States, no figures being available for Greece).

As in previous years the Commission intends to publish towards the end of February 1986, on the basis of the most recent estimates available, a detailed report on the trends in Community farm incomes in 1985 and over the past ten years and on the factors underlying these trends. In this context, therefore, we shall confine ourselves to a brief survey of the outstanding features of the past year.

12. The bad weather and poor growing conditions in many regions of the Community, particularly in northern Europe, were among the main reasons for the drop in the volume of crop production in 1985 (after the record harvests of 1984) and for the deterioration in the quality of production in certain regions. This was the case with cereals, production of which fell by some 12 million t (-8%) as compared with the record harvest of the previous year. The quality of the cereals harvested was also poor compared with that of previous years. It should be added, however, that despite this relative decline in 1985 cereal production was well above the average for recent years. In terms of volume, the fall in crop production was most pronounced in Ireland, the United Kingdom and Germany but other Member States (Italy and Belgium, for example) were also affected. As regards livestock production, 1985 saw a drop in milk production (by about 1,4%) and in beef/veal production (by about 3%). Production of other types of meat rose by 1-2%, however.

The decrease in the volume of production was accompanied in several Member States by a deterioration in the agricultural "terms of trade" (the input/output price ratio), although this was generally speaking less serious than in 1984. This deterioration occurred despite the fact that agricultural input costs were increasing at a much slower rate (almost 5 points down on 1984) and even decreased in nominal terms in certain Member States. This was because farmgate prices either fell more sharply than input prices or increased less rapidly than the latter. In other Member States, on the other hand, the "terms of trade" showed a distinct improvement, mainly because of the appreciable drop in feed prices in 1985 (on average, 3,6% lower than

in 1984). The positive impact which this improvement could have had on farm incomes was in most cases, however, insufficient to offset the effect of the drop in the volume of production. These various factors combined, as we have seen, to bring about an almost universal decrease in farm incomes in 1985.

13. Tentative estimates of developments with regard to incomes by type of farming indicate that in 1985 the drop in income was particularly serious in the cereal and field-crop sectors, but it must not be forgotten that in 1984 incomes (net value added at factor cost) in these sectors increased by more than 20% or even 30% in real terms. On the other hand, the incomes of wine-growers, market gardeners and fruit-growers showed on average a net improvement in 1985. For the second consecutive year there was an appreciable increase in the incomes of pig farmers. On most other types of stock farm, however, incomes were down on 1984. This applied to both specialized and mixed stockfarming, and particularly to beef production.

III. The markets: situation and outlook

Preliminary remarks

14. While it is true that weather conditions, varying from year to year, and the frequently erratic developments on the world markets for agricultural products go far to account for the instability of farm incomes in most of the main producer countries, these incomes have also been marking time, or even actually declining, in the last ten years, mainly because of the gradual deterioration in the demand/supply situation. The most obvious symptoms of this have been a spectacular increase in stocks of several items and flagging prices, both at the farm gate and for exports. Not only the farmers but also the public purse have suffered: the authorities have been spending more and more on agricultural markets and have had to accommodate the growing cost of disposal or of storing surpluses, although this has not necessarily brought with it any significant improvement in farm incomes.

15. As already noted, Community agriculture has not escaped the economic consequences of the imbalance between supply and demand for quite a large number of agricultural products: although the common agricultural policy includes a system of support and stabilization for the internal market, combined with machinery sheltering European farmers from price movements which may occur on world markets, in the present circumstances, with domestic and world markets saturated and stocks building up, the machinery that has been constructed is inadequate to the task of improving market equilibrium and ensuring effective management of surplus stocks.

16. In view of the foregoing, the context of the proposals on prices and accompanying measures for 1986/87 - the situation on the markets and the medium-term outlook for production and consumption - must be made completely clear. The general part of this volume summarizes the market situation in 1985 and production and consumption forecasts up to 1992 (1991/92 marketing year) for the main products. A more detailed review of developments on the market in recent years is given in the product memoranda in Part B of the document COM(86) 20 final and in the Commission's 1984 Report on the Situation of the Agricultural Markets (COM(85)722 final). In January 1986 the Commission also published (in conjunction with the Nineteenth General Report on the Activities of the European Communities) its 1985 Report on the Agricultural Situation in the Community.

As in the past, the Commission's staff have used a number of different methods. The forecasts are not merely extrapolations of past trends, but allow for recent and future developments in productivity, production structures (acreages, livestock numbers), the competitive situation of a given product vis-à-vis others, and external trade (Figure 2).

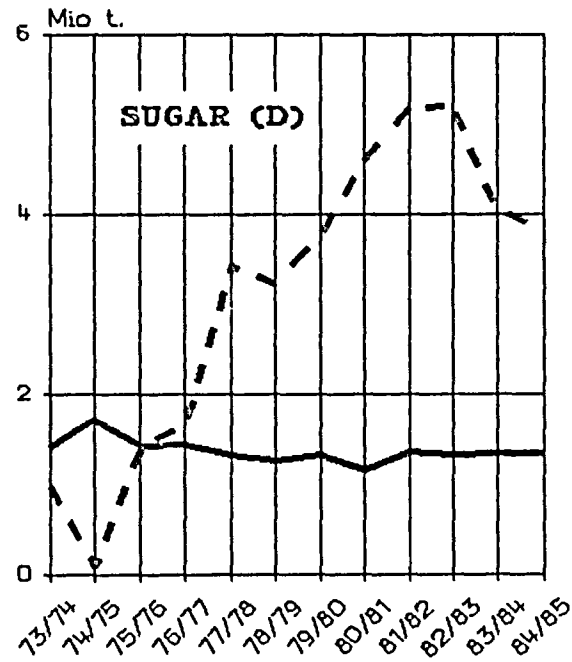
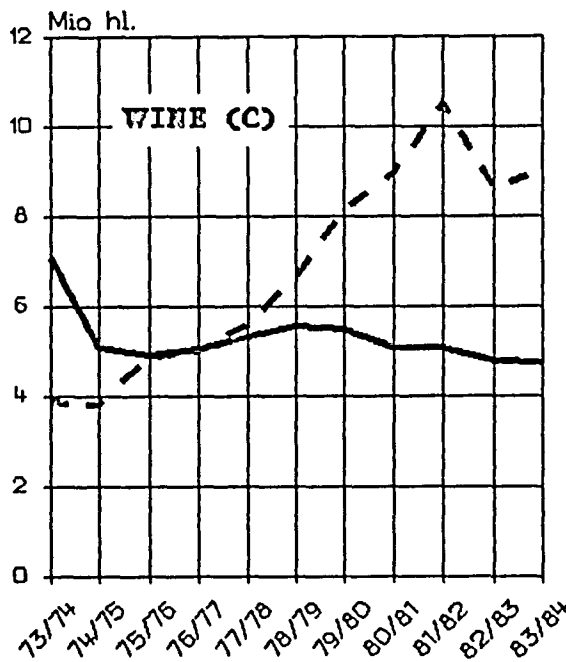
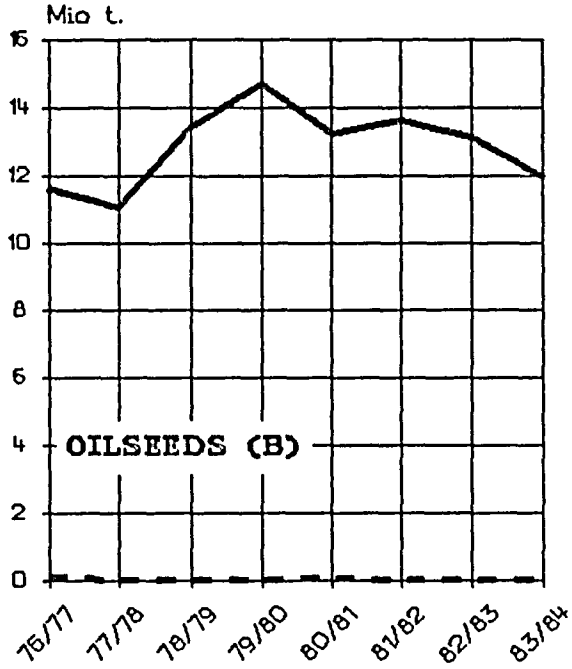
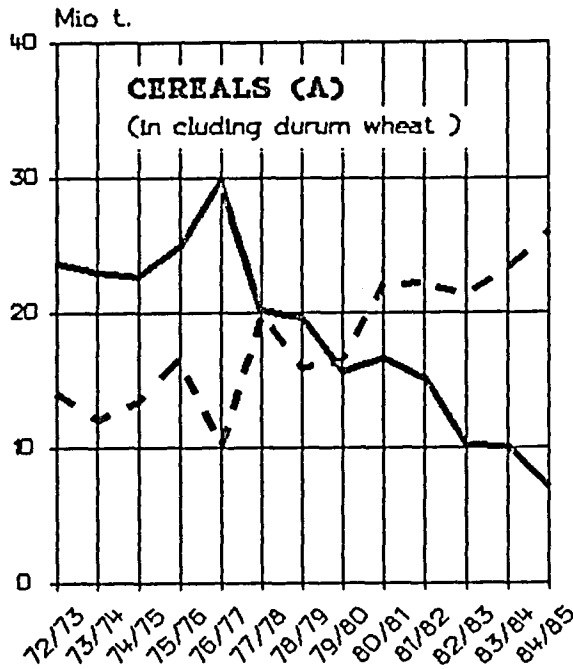
The basic hypothesis underlying the exercise is that of the continuity of the present market organization system; any other assumption will be stated explicitly.

17. Essentially, the work has been carried out for the Community of Ten, for which long and quite homogeneous statistical series are available.

Portugal and Spain joined on 1 January 1986. Farming is economically important in both these countries, so that their influence on the results of forecasts is also important. These two Member States must therefore be included in this work.

Graph 2

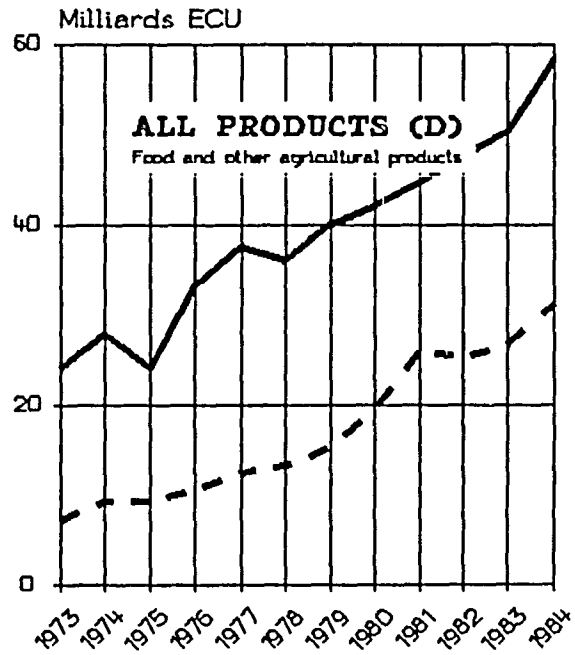
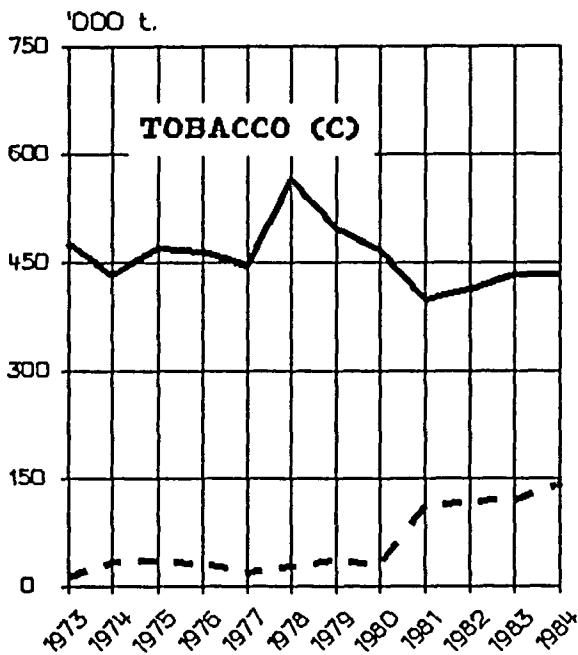
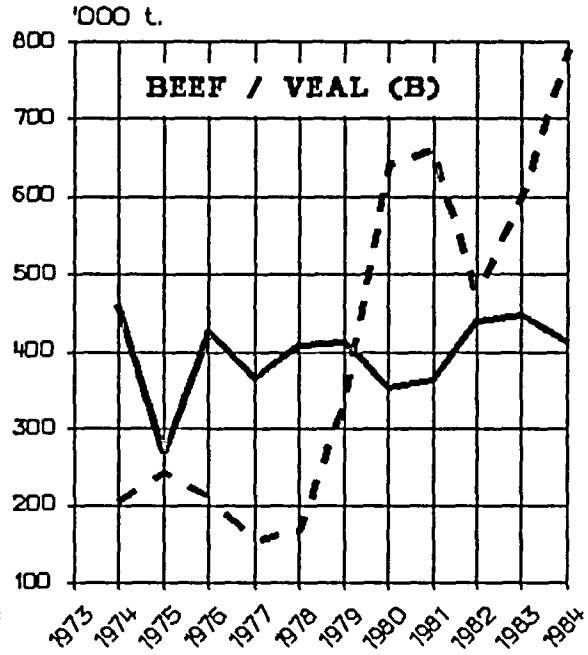
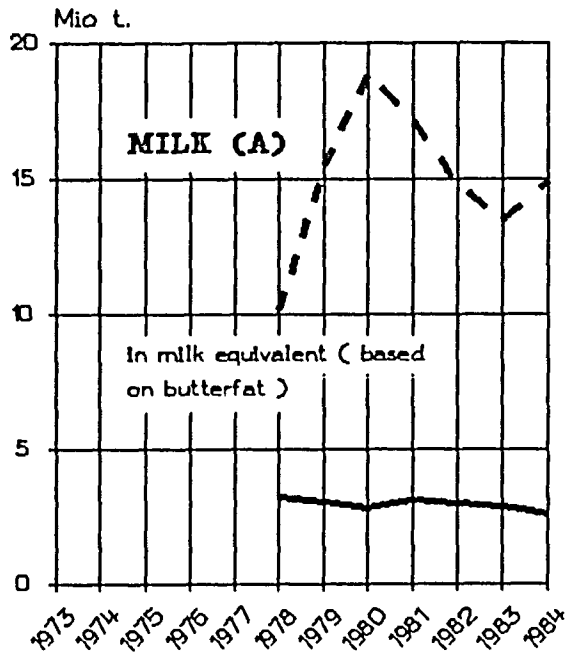
AGRICULTURAL EXPORTS AND IMPORTS



Graphs A B C D 72/73 - 80/81 EUR 9 since 81/82 EUR 10

— — — — — IMPORTS
- - - - - EXPORTS

AGRICULTURAL EXPORTS AND IMPORTS



Graph A = 73 - 83 EUR 10
 Graphs B C D 73 - 80 EUR.9 / 81 - 83 EUR 10

— — — IMPORTS
 - - - EXPORTS

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However, Portuguese and Spanish agriculture will be phased into the common market in the course of transitional periods the first of which will still be incomplete in 1992, the year to which the forecasts have been carried. During this period, there will be changes in agriculture on a scale which is not easy to predict. This was also the case with the first and second enlargements of the Community.

Accordingly, also bearing in mind that the same statistical bases are not always available, the results of the forecasts for the two new Member States, and consequently for EUR 12, can only be referred to with certain reservations.

18. Changes in the production and consumption of agricultural products depend on a large number of factors, some endogenous and some exogenous.

The impact of the economic environment on consumption is expected to be fairly favourable.

The population in EUR 10 will increase at an annual rate of 0,18% to reach 276 million in 1992; for EUR 12, the annual rate of increase will be 0,24%, so that the population may be expected to increase between 1986 and 1992 from 322 million to 326 million.

As for the income of the population, forecasts suggest that following the decline up to 1984, private consumers' expenditure per capita in EUR 10 will increase from 4.802 ECU in 1985 to reach 5.490 ECU in 1992 (an annual growth rate of 2%). No figures are available for Portugal or Spain.

Crop production

Cereals

19. The cereals crop for 1985, estimated at 138,6 million t, is the second best after the 1984 record; this confirms the steady underlying increase in production noted over the last seven years. The key to the increase is still an improvement in yields (at an annual rate of 2-3%), with areas sown showing little change or even contracting a little (to 27,5 million ha). The pattern of sowing of the three main cereals is also much the same as in 1984: an average

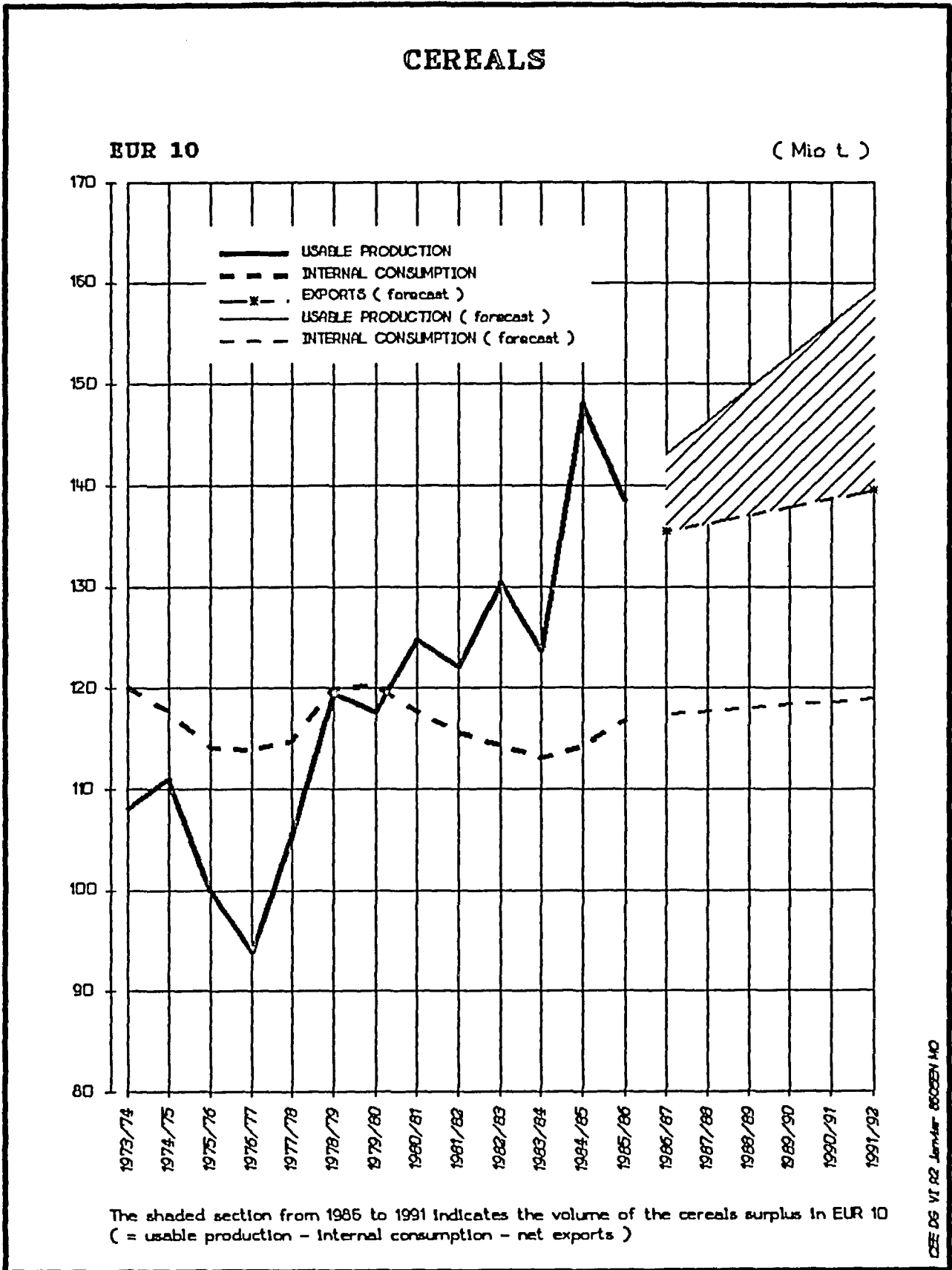
of 45% for common wheat, 30% for barley and 15% for maize. A point of note, however, is that for the first time in its history, the Community has achieved self-sufficiency in maize production.

20. Assuming retention of the present market organization system, i.e. taking as reference the underlying trend, it may be estimated that from now until the 1991 harvest (1991/92 marketing year), sowings of cereals should remain stable at 27,8 million ha; the distribution among the three main cereals may be expected to shift in favour of common wheat and away from barley, but more slowly than in the past. As a result, the major progress to be expected in yields should bring total cereals production to 159,3 million t for 1991/92, compared with 140,0 million t in 1985 (Figure 3).

The advent of the two new member countries means a 31% increase in the area sown and a 16% increase in production. This production increment of about 18 million t may be expected to rise to 21 million t by 1991/92, because of yield improvements in Spain. Yields in the two new Member States are low (45% and 17% of the average for the old Community in Spain and Portugal respectively). Given the weather conditions in their grain-growing areas, these productivity discrepancies should tend to widen.

Cereals production should therefore reach 159,3 million t for the Community of Ten in 1991/92, and 180,0 million t for the whole of the Community.

21. In the last fifteen years, internal demand has shown very little change, marking time at between 110 and 115 million t. Human consumption, accounting for 26% of all internal demand, and seed requirements (5% of the total) should remain stable at 38,0 million t between now and 1992. Industrial uses (starch, brewing, etc.), accounting for 8% of internal utilization, could well grow to reach 10,1 million t by the same date. Total internal requirements for uses other than as feed should therefore be running at 48,1 million t by 1991/92. It should be noted, however, that about 10 million t of this total reverts to animal feed in the form of industrial residues or grain substitutes.
22. The key to changes in the overall demand for cereals must therefore remain livestock consumption, accounting for about 60% of total internal utilization. The overall volume of cereals used in animal feed rose from 69,4 million t in 1983/84 to 71 million t in 1984/85,



mainly because of the combination of a prudent policy on cereals prices (particularly for common wheat) with high prices for grain substitutes and a high US dollar in terms of European currencies. Consumption as feed has grown in recent years; however, in view of action to cut down milk production and its induced effects on beef/veal production, the best assumption for the period up to 1992 is one of stable consumption at the 71 million t figure already reached.

This means that the Community of Ten's overall cereals requirements up to 1992 may be put at 119,1 million t, a little more than the present basic figure (117,0 million t). Should Community cereals become available at more competitive prices, internal demand could well show further gains of some 5-7 million t.

23. Trends in world trade in cereals for the rest of the decade are not easy to predict, because although supply is bound to increase because of productivity gains to be expected in other grain-growing countries as well as in the EEC, demand on the world market will depend on the level of production in importing countries or on their ability to pay. Also, in view of budget constraints, the Community will not even be able to maintain its market share unless Community grain prices are kept reasonably close to those of the main outside competitors. The bulk of exports is common wheat (70%). Between now and 1992, imports may decline in so far as the policy pursued enables the deficit in certain cereals to be covered more fully from Community production.
24. The comparison between supply (production plus imports) and demand (internal consumption plus exports) for the Community of Ten shows a structural surplus which is steadily growing. The structural surplus for 1991/92 may be put at nearly 20 million t. This would mean a build-up of stocks in the Community, with no outlet, most of which would be held by the intervention agencies. Thus, at the beginning of 1985/86, intervention stocks totalled 13,9 million t, despite heavy exports during the previous marketing year.

However, the enlargement, though it will not reverse this trend, could well tend to slow it down during this period. By 1991/92, about 3 million t of Community cereals should have taken the place of the cereals usually imported from non-member countries by Spain and Portugal (i.e. half their grain imports). The residual surplus of

production over utilization in the Community of Twelve is estimated at 14,4 million t by 1991/92, representing 8% of the area under grain. The net accumulated stocks for the 1985-1991 period would thus come to about 80 million t (including normal stocks).

Oilseeds (rape and sunflower seeds)

25. The part played by oilseeds in the crop-rotation system is steadily increasing in importance. In 1985/86 they accounted for a total of 2,4 million hectares (including 83% under rape and sunflower). The 1985 harvest of those two types of oilseed is again up: by 4% in the case of rapeseed and no less than 44% in the case of sunflower seeds.
26. Taking account of the likely increase in the total area sown to rape and sunflower (3% per year) and of the increase in yields (2% per year) oilseed production is expected to rise to about 7,4 million t (grown on 2,5 million hectares) in 1991/92, with rape accounting - as at present - for about two thirds of that tonnage (Figure 4). There could well be an even more marked upward trend if price differentials improve the competitiveness of oilseeds.

The internal use of oilseeds poses a tricky problem in the Community of Ten since, although the trend as regards consumption in the form of cakes is, subject to certain improvements in varieties, likely to be very favourable (in 1991/92, demand is expected to reach 11,3 million t seed equivalent), the situation with regard to oilseed oil will be somewhat different. Rapeseed oil is already being overproduced; there could in due course be a similar surplus of sunflower-seed oil (the overall demand in terms of seed equivalent in 1991/92 is expected to be 5,2 million t.).

27. The differing trends as between oilseeds used in the form of cakes and those used for oil are clearly shown by the Community of Ten's present and future self-supply rates :

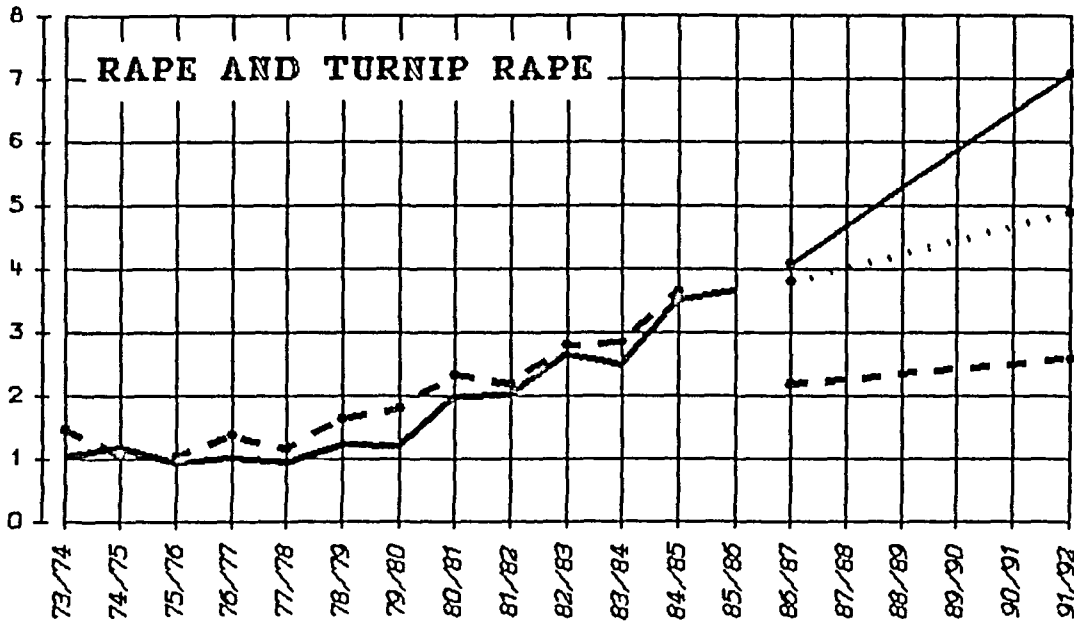
		Rape			Sunflower		
		1983-85	1985/86	1991/92	1983-85	1985/86	1991/92
Self-	Oil	) 119,6	) 120))))
supply	Cakes	) 92,9*	)	)	) 75,1*	) 81,5*	) 86*
rate		) 94,8*	) 96*))))

* A self-supply rate of less than 100% means that the Community is a net importer of the product in question.

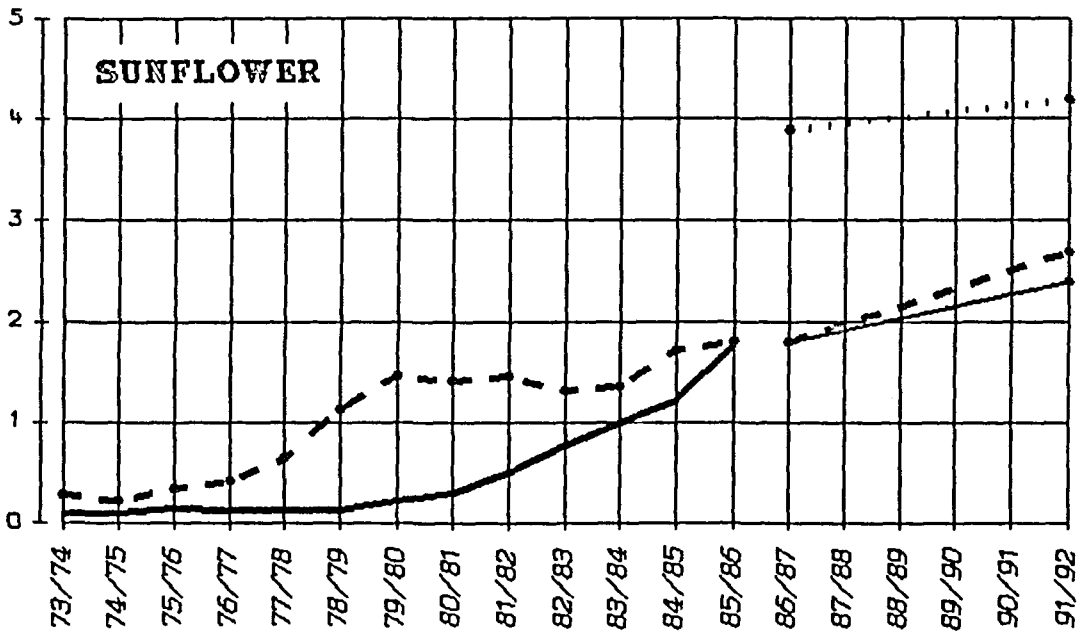
OILSEEDS

EUR 10

(Mio t.)



- — — — — USABLE PRODUCTION
- - - - - INTERNAL USE
- · · · · CONSUMPTION OF MEAL (forecast)
- · · · · PRODUCTION (forecast)
- - - - - CONSUMPTION OF OIL (forecast)

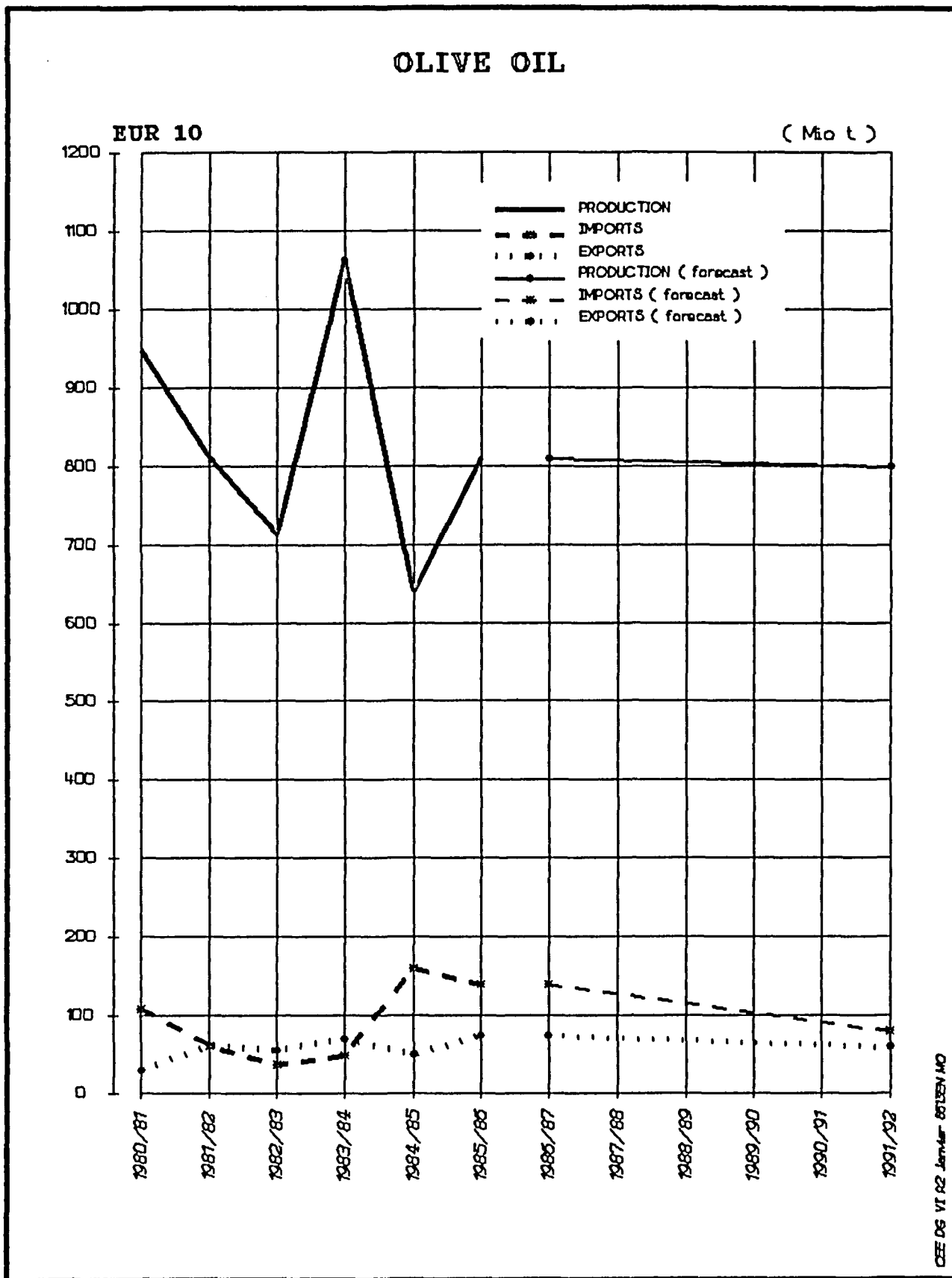


Spanish membership (Portugal is a very small producer) will, from the very first marketing year, increase the Community's production by almost 1,0 million t (sunflower only). By 1991/92 the Community of Twelve's production is expected to reach 9,3 million t (+25% compared with the EUR-10 figures). It is expected that until then, given the provisions of the Treaty of Accession, the quantities of oil reaching the market in the two new Member States will remain virtually unchanged.

Olive oil

28. The Community is the world's biggest producer of olive oil. Before 1981 it already accounted for 30% of total world production; since the accession of Greece the figure has been almost 50%. In the Community of Ten, production tends to be concentrated in Italy (one million growers), and Greece (400.000 growers) and accounts for a fairly small share of total agricultural production (1,2% by value and 2,7% in terms of area), but it plays a key role in the agricultural economy of certain regions. The quantities produced often vary considerably from year to year, mainly because harvesting tends to take place in alternate years. With areas and yields more or less unchanged, trends suggest that production in 1991/92 will still be about 800.000 tonnes, the present average level for the Community of Ten (Figure 5).
29. Prior to 1975 the Community was about 70% self-sufficient in olive oil. After the accession of Greece the figure rose to almost 100%. Although the demand for certain qualities of olive oil sometimes tends to outstrip supply, imports (the bulk of which is shared more or less equally by Spain and Tunisia) are usually slightly higher (about 60.000 tonnes) than exports, except when the harvest is poor (cf. in 1984/85); in the case of the Community of Ten that pattern of trade is expected to continue.
30. In due course, Spanish and Portuguese membership will probably increase the Community's production by about 500.000 tonnes, i.e. 63% more than at present. Although the actual harvests vary, Portugal and Spain tend to have a combined self-supply rate of 125%. Spain is the world's biggest exporter of olive oil, with exports accounting for about one third of production. Until 1991/92, even after taking into account the constant volume of olive oil imports from southern Mediterranean countries, the supply situation in the Community of Ten and in the two new Member States is unlikely to change significantly, provided Spain's current level of exports to third countries can be maintained.

Graph 5



Sugar

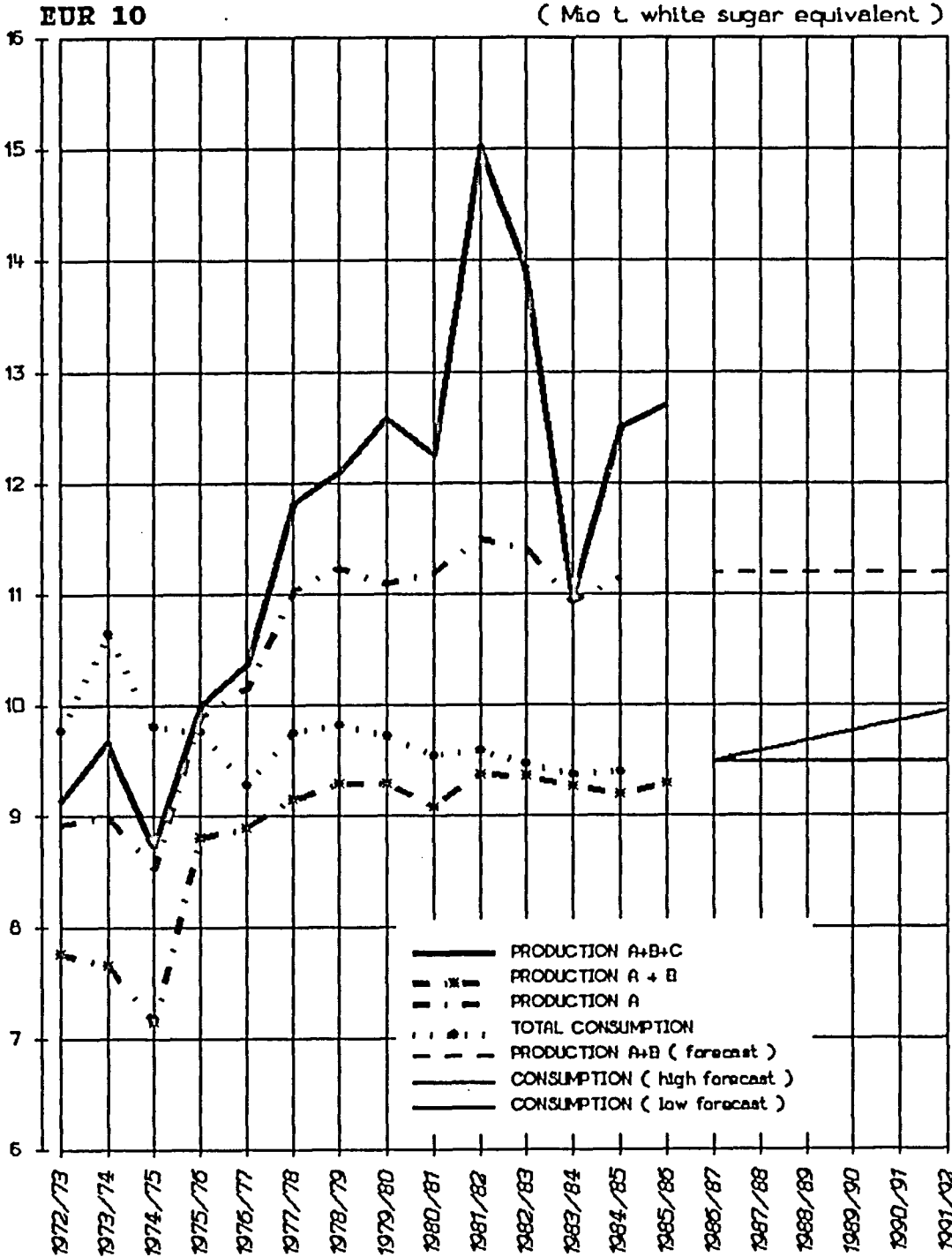
31. The Community of Ten's combined quotas of A and B sugar amount to 11,76 million tonnes and correspond to 124% of domestic consumption; with consumption unchanged at 9,5 million t, the 1985/86 surplus of production within the quotas is 1,7 million t. That situation is not expected to change, assuming that the period of validity of the new two-year arrangements adopted at the end of 1985 is extended; improving the production-refund system could well, however, increase the quantity of sugar used by industry by between 400.000 t and 500.000 t (Figure 6) which, with a corresponding reduction in the production surplus available for export in 1991/92, could bring that surplus down to about 1,2 million t. Given the steady increase in yields per hectare (+1,5% in sugar), beet acreages are not expected to exceed 1,6 million hectares.

Of the two new Member States, only Portugal is a net importer of sugar (Spain is self-sufficient). Enlargement would raise the Community's consumption to 10,73 million tonnes and would reduce the production surplus by 0,3 million t, to 0,9 million t (taking the increased demand by industry into account).

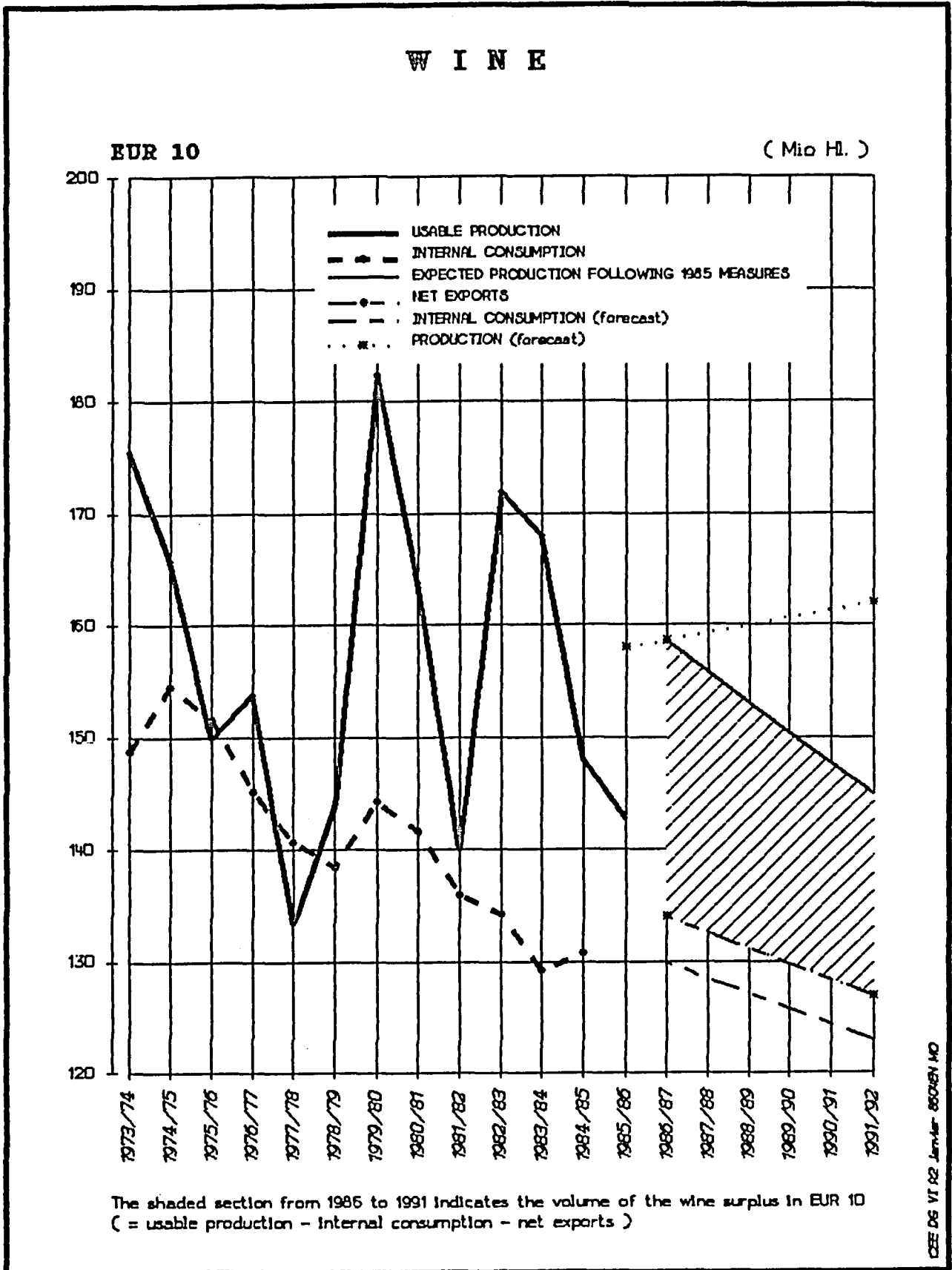
Wine

32. The market in table wine - as distinct from that in quality wines, which is facing fewer problems - is marked by a major imbalance between production and consumption. Despite a reduction in the area under vines and because of the replacement of old vines by new, higher-yielding varieties, average surpluses are likely to remain fairly high. It is more than ever necessary to implement on a co-ordinated basis the measures which were decided in 1985 in the light of the guidelines drawn up at the European Council meeting in Dublin, viz.:
- structural reduction in the Community's wine-producing potential;
 - freeze on guide prices until the surpluses are eliminated;
 - reinforcing the distillation machinery, and using compulsory distillation to discourage overproduction.
33. The upward trend which the production of wines has followed in the Community of Ten since 1971/72 has been less marked during the two most recent wine years (1985 harvest: 140 million hl; 1984 harvest: 145 million hl); there has even been a slight fall in table-wine production (0,18% annually). Accordingly, total production of wine in 1991/92 may be expected to reach

SUGAR



Including French Overseas Departments. Sugar production by quota for countries prior to their accession was determined on the basis of the breakdown in 1981/82



162 million hl (through higher yields alone). The measures adopted in 1985 to encourage the permanent abandonment of wine-growing could well, however, reduce the Community's table-wine-growing potential by 180.000 ha (i.e. 17 million hl), in which case the 1991 harvest will total 145 million hl, although this figure is given as an indication only, since harvests tend to vary widely (Figure 7).

34. Consumption has been falling in the two major wine-producing countries (France and Italy) since 1971/72, and this has not been offset by the increases in consumption in other Member States. Assuming an annual fall of 1%, internal utilization of wine is expected to total 123 million hl in 1992 and if, in the medium term, net exports remain at their present level of about 4 million hl, the structural surplus will fall to 18 million hl. This would be a major improvement on the results achieved by the distillation measures which the Community has subsidized over the last two years (upwards of 30 million hl).
35. The fact that the market rules will apply to Spain as from 1986 (1991 in the case of Portugal) is, in the short term, unlikely to affect trade with the Community of Ten, given the introduction of a corrective amount for table wine. The Community of Twelve's production will be 38 million hl up in 1991/92 (after taking grubbing-up in Spain and Portugal into account); its domestic consumption and, above all, its exports, will rise and its structural surplus will total 22 million hl. Over the longer term, production will be influenced by the fact that yields in Spain are one third of those in the Community at present and that Spain's lower guide prices will be aligned on those of the rest of the Community in seven years' time.

Tobacco

36. In 1985, as a result of drought in the production areas, the Community's total production of leaf tobacco was 344.209 t, i.e. somewhat down on 1984. Production has shown a 3,9% annual increase since 1981, mainly as a result of an increase in the area under cultivation (2,3%) and, to a lesser extent, the upward trend of yields (1,6%). When broken down by variety, the figures for the 1985 harvest confirm the trends recorded in the past, namely an increase in the production of varieties which are in demand on the market (such as light air-cured and flue-cured tobaccos, which have in recent years accounted for 45% of the Community's total production) and a slight fall in the production of varieties which are less in demand.

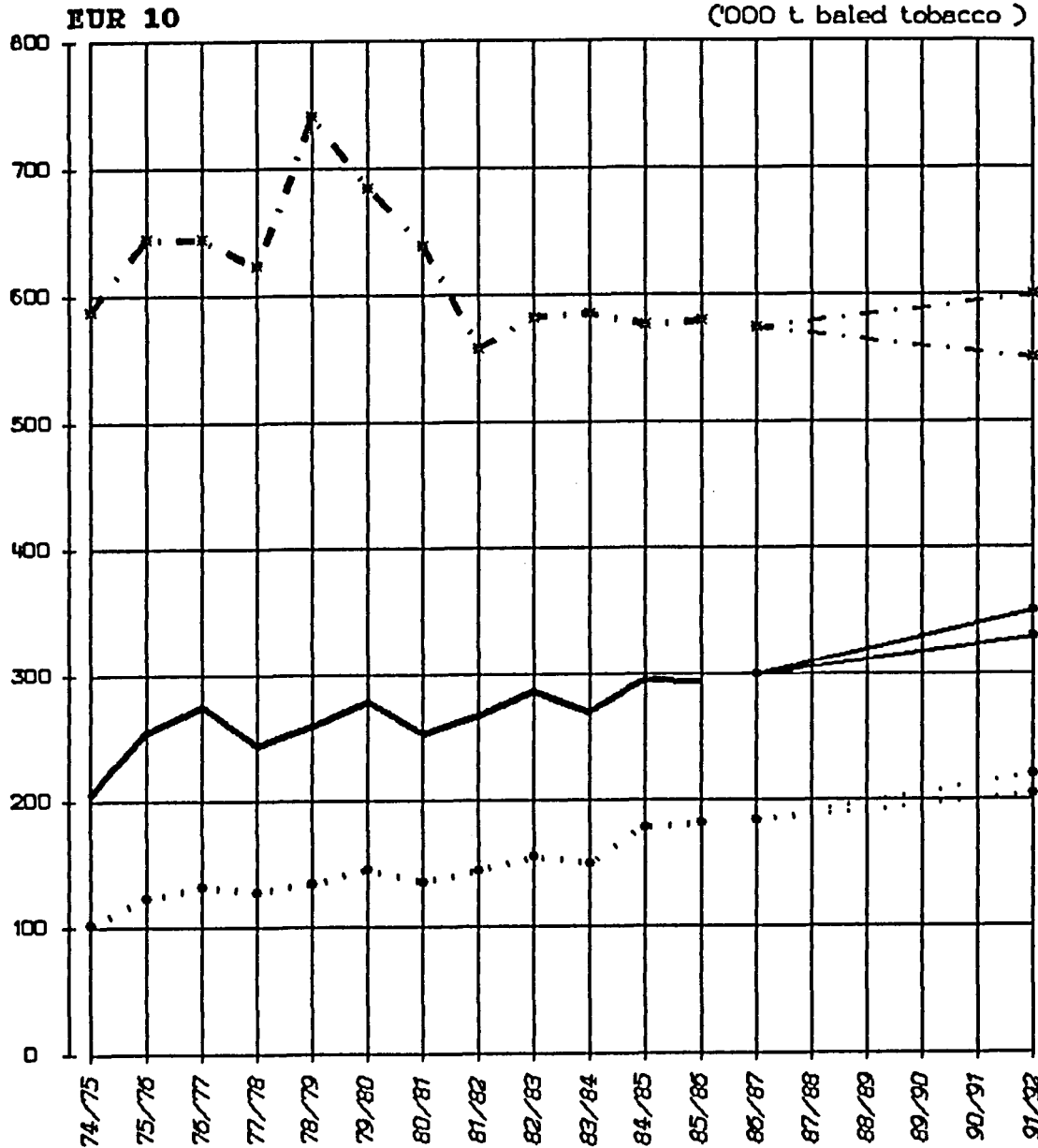
Barring changes in policy, it is expected that, if yields go on increasing as in the past, production will continue to rise, to between 330.000 t (lower estimate) and 350.000 t (higher estimate) of baled tobacco in 1991/92 (Figure 8). The actual figure will depend on how successful the policy of switching to new varieties will be: if that policy fully meets its objectives, the production of varieties which are in demand on that market will tend to increase and the total area under tobacco will therefore remain unchanged at 187.000 ha (lower estimate). If, however, the area under tobacco continues to increase as in the past it could total 195.000 ha in 1991 (higher estimate).

37. The consumption of tobacco, which is to a very large extent dependent on that of cigarettes (which account for 85% of the total), has followed a downward trend in recent years; with demand picking up to a certain extent in a number of countries (Greece, Italy, Germany and France) and increased exports to the developing countries, consumption is expected to steady somewhat in 1992 (at 550.000 tonnes of baled tobacco, or even to increase to 600.000 t, as against 577.000 tonnes in 1984). Given the types of soil and climate found in the Community, much of that domestic demand (the figure is currently 73%) will be met by imports, since the Community cannot, for each tobacco variety, produce enough of the top qualities of tobacco (e.g. those of flue-cured and light air-cured tobaccos) which manufacturers seek. Since the mismatch between the varieties sought by manufacturers and those grown in the Community is expected to continue, a high proportion of production (55% in 1991/92, as against 45% at present) will fail to find an outlet on the Community market.

38. The accession of Spain and Portugal will raise the Community's tobacco-growing potential to between 380.000 t and 400.000 t of baled tobacco in 1991/92 (i.e. by 15% compared with the Community of Ten) and its domestic consumption to 670.000 t (i.e. by 22%). Low self-supply rates in Spain (35%) and in Portugal (22%) will increase the Community's reliance on imports, since the Community of Ten's exports of tobacco and tobacco products cannot offset its heavy dependence on imports of raw tobacco. That situation is not expected to change substantially after enlargement.

Graph 8

T O B A C C O



- — — — — USABLE PRODUCTION
- - - - - INTERNAL CONSUMPTION
- PRODUCTION OF READILY MARKETABLE VARIETIES
- USABLE PRODUCTION (forecast)
- INTERNAL CONSUMPTION (forecast)
- PRODUCTION OF READILY MARKETABLE VARIETIES (forecast)

Fruit and vegetables

39. The production of fruit and vegetables, which is more labour-intensive than capital-intensive, accounts for 11% of final agricultural production and 3% of the utilized agricultural area in the Community of Ten. It has a particularly important place in Mediterranean agriculture which provides a considerable proportion of the Community's fruit and vegetables: Italy accounts for 48% of the fruit and 43% of the vegetables produced in the Community of Ten. This sector is one of those most affected by enlargement: Community production of fresh fruit and vegetables (excluding citrus fruits) will increase by about one-quarter and citrus fruit production by more than three-quarters as a result of the accession of the two new Member States.
40. Overall, 1985 (the 1985/86 marketing year) will not have been a good year for fruit and vegetables, especially when compared with the large quantities harvested in 1984. Vegetable production is down by 3% and production of tomatoes, whether fresh (grown in the open or under cover) or intended for processing, is also declining. Summer stone fruit production also fell in 1985 (down 3% on 1984), except in the case of apricots and nectarines, and bad weather in the main consumption areas in northern Europe during the marketing period hampered the disposal of these products. Production of eating apples and pears fell by 12% and 16% respectively to a level below the average for the last 5 years. This poor harvest, coupled with a good quality and size of fruit, should make for successful marketing. The 1985/86 Community production of citrus fruit, unlike other fruits and vegetables, will show an increase of more than 6% over the previous marketing year which was affected by a severe winter: there was a better harvest of all citrus fruits but especially of small fruit (mandarins and clementines) for which there was, in any case, an increase in consumer demand.
41. The perishable nature of most fruits and vegetables along with the vagaries of the weather to which they are so sensitive have made it necessary to set up flexible market management systems for these products. It is probably the flexibility of such support mechanisms which gives the Community a self-sufficiency level of about 100% in fruit and vegetables, or just short of this figure (as in the case of citrus fruit).

The accession of Spain and Portugal, however, will bring about changes in this sector, changes which might have a considerable effect on production structures and on trade. Vegetable production will respond to this new situation, taking account of the transitional period, more swiftly than fruit production because fruit trees are planted on a permanent basis.

Little change can be expected in the trade situation up to 1991/92 since all fresh fruit and vegetables are subject to a transition by stages and, as from 1990 (in the case of Spain) or 1991 (in the case of Portugal), will be subject to the supplementary trade mechanism (STM) and, in the case of products having reference prices, to the compensatory mechanism. Production structures and capacities should be adapted, over this period, to the new prices and productivity situation with a view to complete integration on 1 January 1996.

42. The following table shows the changes in the levels of self-sufficiency in major fruits and vegetables which may be expected between now and the 1991 harvest and which may give rise to difficulties in balancing supply and demand :

		Average 1983-85		1991/92	
		EUR 10	Spain and Portugal	EUR 12	%
:	:	:	:	:	:
:	:	:	:	:	:
:	:	:	:	:	:
:	Apples	94,2	103,5	97	:
:	Pears	99,5	102,8	101	:
:	Peaches	103,5	104,8	105 - 118	:
:	Citrus	:	:	:	:
:	fruits	53 (approx.)	181,0	86	:
:	Tomatoes	96,3	112,0	101	:

Clearly, the progressive application of the CAP in Spain and Portugal will have effects, which are difficult to assess at present, on the total quantity of fruit and vegetables produced, on the quality of these products available in the two new Member States, and on the likely volume of exports.

The foreseeable situation in 1991/92 may be summarized as follows (Figure 9) :

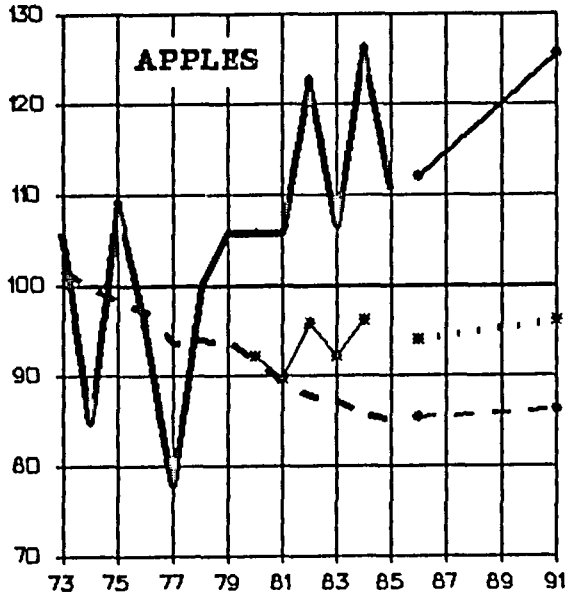
- the market in seed fruit should be relatively stable thanks to a slight increase in the number of fruit trees but especially because the range of species and varieties grown in the Community of Ten are complemented to a large extent by those grown in the two new Member States;
- production of stone fruit, and in particular peaches, may exceed normal requirements by as much as 18%. The cause of this unfortunate trend is the current increase in the planting of fruit trees. However, the range of varieties currently grown in the Community of Ten tends to complement those grown in the two new Member States, indicating that, in spite of the abovementioned difficulties, a new market outlet might be found for late peaches grown in the Community of Ten;

FRUITS AND VEGETABLES

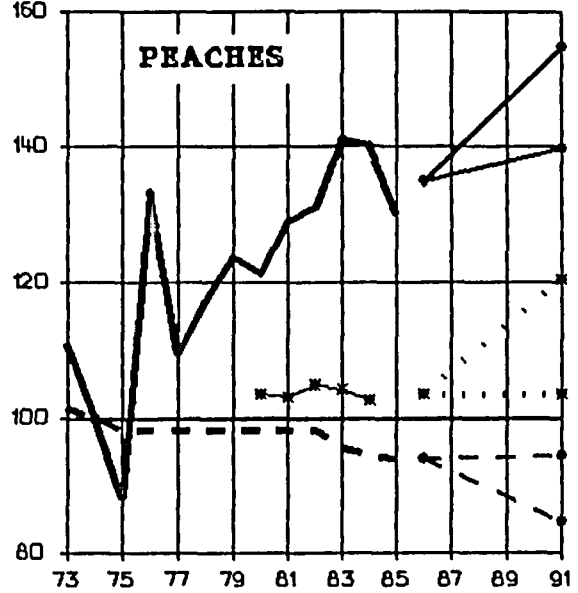
(Basis 100 = Average 73/74/75)

EUR 10

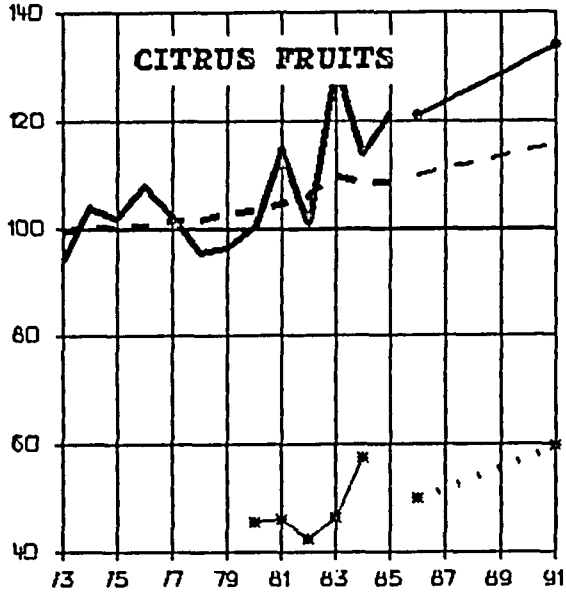
In %



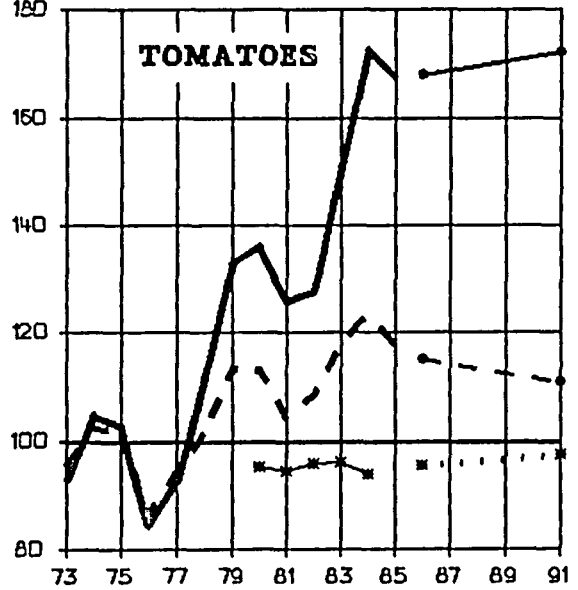
In %



In %



In %



- PRODUCTION INDEX
- - - AREAS INDEX
- *— RATE OF SELF-SUFFICIENCY
- PRODUCTION INDEX (forecast)
- - - AREAS INDEX (forecast)
- ... * ... RATE OF SELF-SUFFICIENCY (forecast)

- there will be a sharp increase (from about 50% to 86%) in the level of self-sufficiency in citrus fruit. Provided that the number of fruit trees is permanently adjusted in line with the demand for small fruits and for early and late varieties, only lemons would pose long-term difficulties, since demand for this fruit is inelastic but the number of trees and their yields have been increasing for some time;
- despite an exportable surplus of tomatoes in Spain, there is no reason at present to foresee an imbalance in this sector, in view of the mechanisms which have been set up and given the fact that the range of varieties and qualities of fresh tomatoes grown in the Community of Ten and the times at which they become available complement those in the new Member States.

43. The more complete the state of commercial integration, the less dramatic will be the changes in production and trade brought about by enlargement. This is shown in the following table :

	: Spain's share of total	: Proportion of Spanish
	: imports into the	: exports going to the
	: Community of Ten (1984)	: Community of Ten*
	: (%)	: (%)
: Apples	: 7	: 50
: Pears	: 22	: 85 - 90
: Peaches	: 100	: 85 - 90
: Citrus fruit	: 61	: 85
: Tomatoes	: 77	: 85 - 90

* approximate figures for the most recent marketing years.

Animal products

Milk

44. As a result of the application of the milk delivery quota system (from April 1984), the headage of dairy cattle fell by 3,4% between the start of 1984 and the beginning of 1985 to a total of 24.903.000 in the Community of Ten. Milk production in 1985 was 109 million tonnes, down by 1,4% on the 1984 figure. The quantity delivered, 99,7 million tonnes, was roughly equal to the average Community reference quantity

for the 1985 calendar year, given that deliveries for the first three months fell short of the established quantities but exceeded them over the next nine months.

Total consumption of milk products was fairly stable in 1985, with a slackening in consumption of fresh products being offset by increased consumption of cheese. Butter consumption remained roughly stable.

45. Estimates of production until 1992 are based on the following assumptions :

- Without prejudice to the Council's decisions concerning the application of the quota for the years beyond 1988/89, it has been assumed that milk deliveries to dairies will remain at 99,5 million tonnes in the Community of Ten.

No account could be taken of the possible effect of the measures proposed by the Commission concerning the buying-up of milk quotas (COM(85)583: proposal for a Regulation fixing compensation for the definitive discontinuation of milk production).

- The level of milk delivery to dairies is estimated at 91,3% as from 1986, which represents a slight fall.
- An annual growth rate of 1,5% has been assumed for the milk yield per cow.

On the basis of these assumptions, it is expected that, in 1992, in the Community of Ten, there will be about 22 million head of dairy cattle and milk production will remain stable at 109 million tonnes (Figure 10).

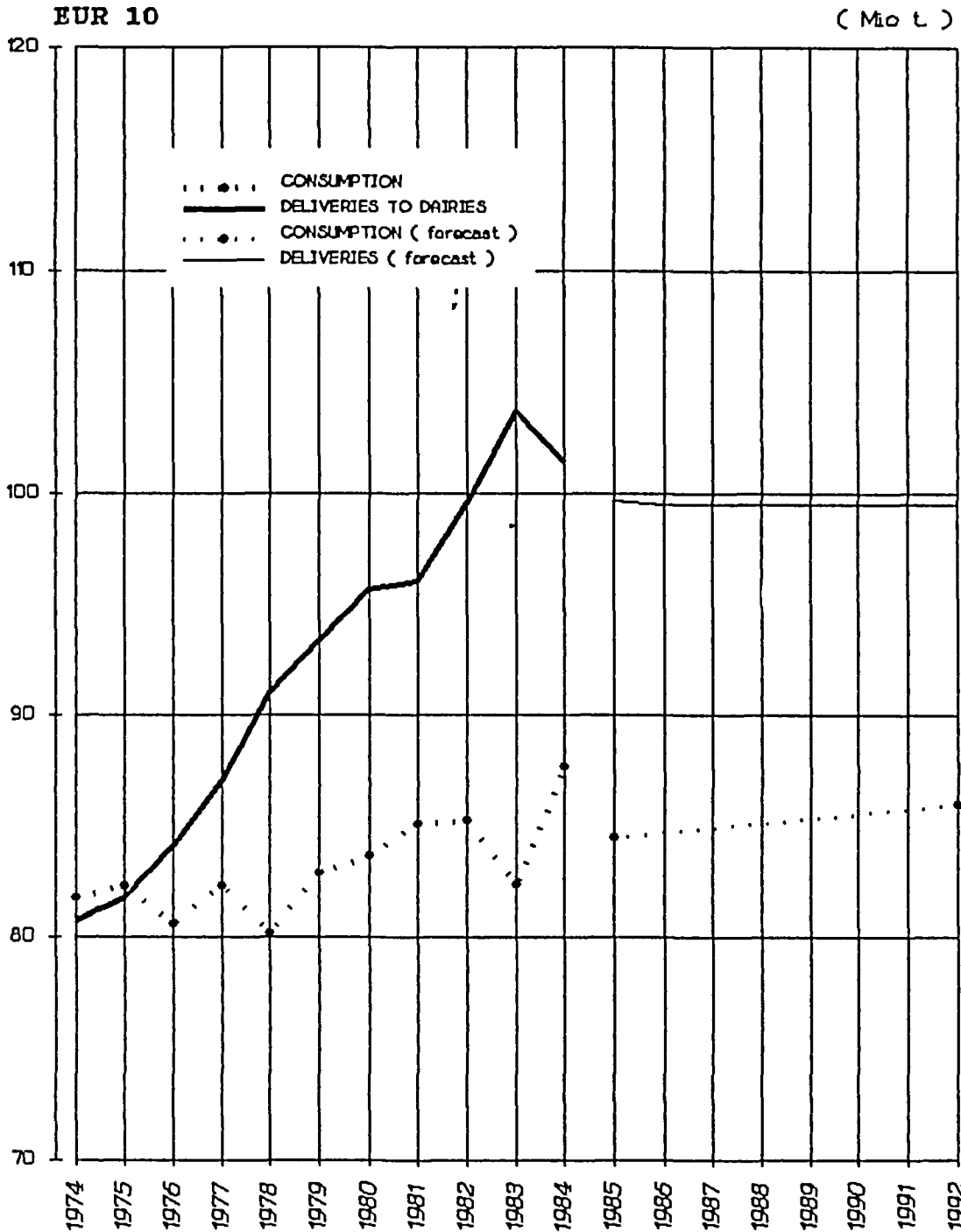
46. For the new Member States, Spain and Portugal, the forecasts for 1992 have been based on the following assumptions :

- the milk delivery quota for Spain, from 1987, will be 4,65 million tonnes delivered to dairies;
- the milk yield will increase annually by 1,5%;
- the delivery rate for Spain will be 90% and for Portugal 50%.

On the basis of these assumptions, it can be forecast that, in 1992, in Spain and Portugal, the dairy herd will comprise 1.843.000 head and milk production will be about 6,9 million tonnes.

Graph 10

M I L K



Consumption has been calculated on the basis of an overall milk balance in milk equivalent terms (by reference to butterfat content)

Consequently, production estimates for the Community of Twelve until 1992 are as follows :

headage of dairy cattle : 23,9 million
milk production : 115,9 million tonnes
deliveries to dairies : 104,6 million tonnes.

47. The trend in consumption for dairy products as a whole observed between 1974 and 1984, in terms of whole milk equivalent (on the basis of fat content), was an increase of 0,48% per year. There were appreciable differences, however, between the various products: butter consumption fell by 2,2% a year and it was only by the application of special measures that the drop could be reduced to 1,2%. The average rate of increase in the consumption of other milk products was 1,9% a year.

It is expected that total consumption will continue to rise but at a slower rate. It may, consequently, be concluded that human consumption of dairy products in the Community of Ten will amount to around 86 million tonnes of milk equivalent in 1992.

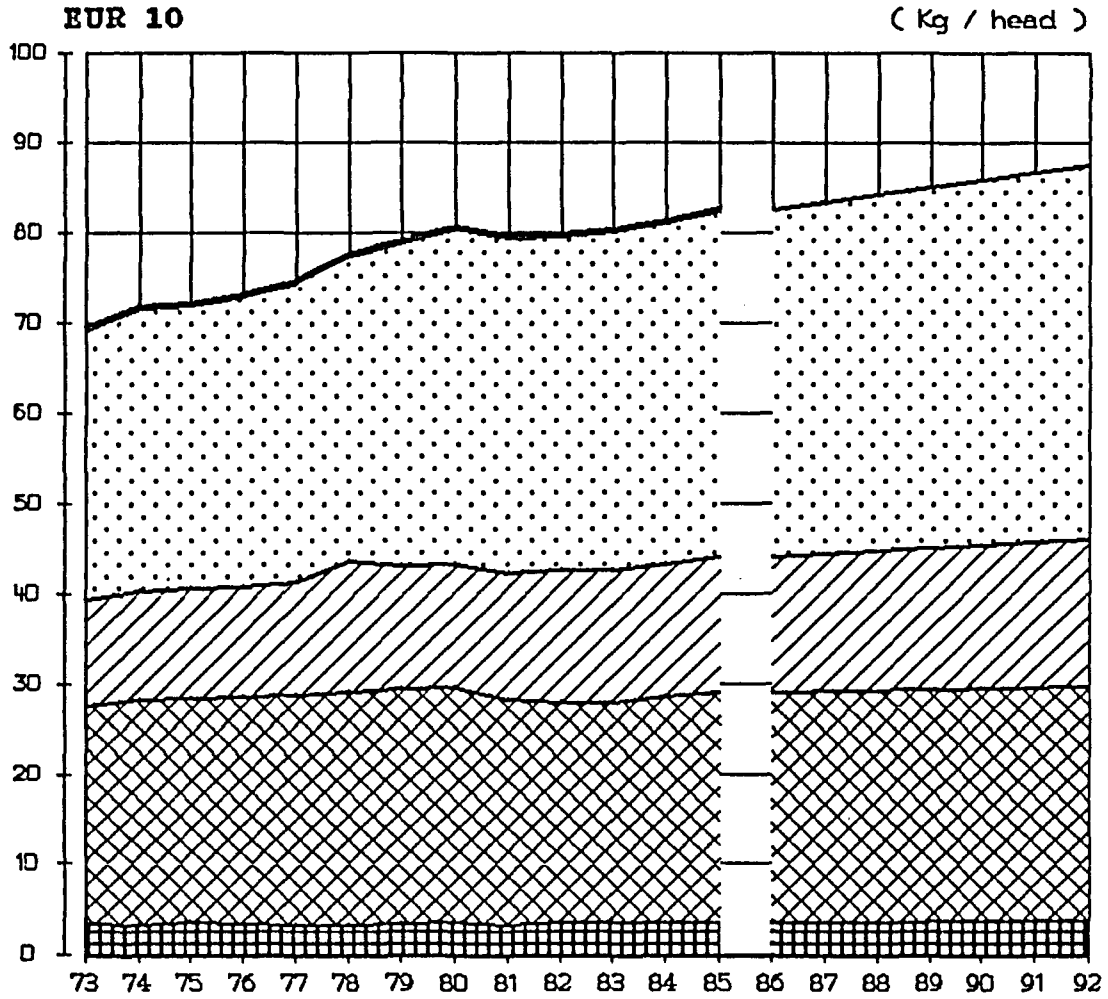
48. When foreseeable supply in 1992 (99,5 million tonnes of milk delivered to dairies) is compared with foreseeable internal demand in the Community of Ten (86 million tonnes of milk), deliveries to dairies can be expected to exceed consumption by 13,5 million tonnes.

All types of meat

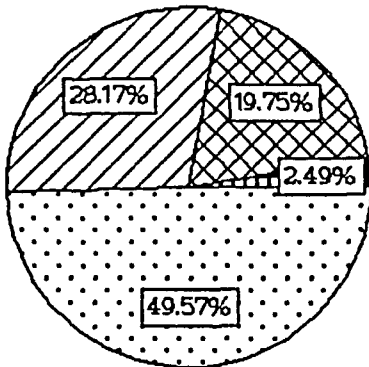
49. Production of meat as a whole in the Community of Ten may be expected to increase by about 0,6% a year until 1992. The annual rate of increase for beef/veal will be lower than this Community average (+0,2%) but the increases for pigmeat (+1,4%) will be higher than the average (Figure 11).

Per capita consumption is expected to increase by about 0,81% a year for meat as a whole with an increase of 0,28% for beef/veal, 0,97% for pigmeat and 1,20% for sheepmeat, goatmeat and poultrymeat.

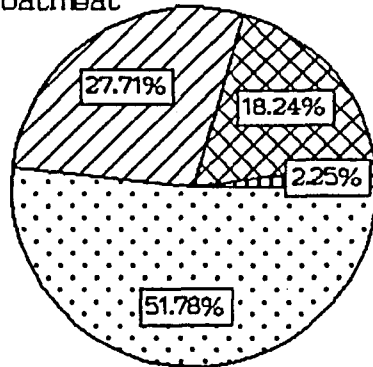
MEAT CONSUMPTION PER CAPITA



1973



1985



- Sheepmeat & goatmeat
- Beef / veal
- Poultrymeat
- Pigmeat

Beef/veal

50. The fall in milk production brought about by the introduction of quotas resulted in a fall in the number of dairy cows in the Community of Ten. Between the end of 1983 and the end of 1984, numbers declined by 3,4%, but this was partly offset by an increase of 4,7% in the number of other cows. However, since the output of meat per cow decreased by 1,7%, production of beef/veal in 1985 amounted to 7.250.000 t, down 3,3% on the 1984 figure.

Per capita consumption of beef/veal in 1985 rose from 25 to 25,5 kg, amounting to a total of 6.950.000 tonnes in the Community of Ten. In spite of this increase, there is still a surplus of beef/veal on the market. Net exports remained high (330.000 tonnes) but were insufficient to restabilize the situation. Public stocks were therefore still very heavy at the end of 1985 (742.000 tonnes unsold).

51. Medium-term forecasts (1) show that the number of dairy cows can be expected to fall further, reaching 22.020.000 head in 1992 in the Community of Ten.

This fall will be partly offset by an increase in the number of other cows, of which there will be 7.400.000 by 1992.

The headage of all cattle in the Community of Ten may therefore be estimated at 29.420.000 in 1992. This estimate does not take account of the measures concerning the buying-up of milk quotas, which may affect either the composition of the herd (fewer dairy cows, more non-dairy cows) or the total number of animals.

The Treaty of Accession provides that the milk quota shall apply to Spain from 1986, while the detailed rules for the application of the quota in Portugal are still to be negotiated.

In view of this situation, it is assumed that the number of dairy cattle will remain stable and that the number of other cows, accounting for about 30% of the total herd, will increase slightly. The total number of cows in the two new Member States is therefore expected to be 3.500.000 in 1992.

The total number of cows in the Community of Twelve in 1992 may be estimated at 32.919.000.

(1) Non-structural forecasts to 1988 are given in COM(85)834 final.

If it is also assumed that the output of meat per cow will continue to increase, the production of beef/veal in 1992 may be estimated at 7.3 million tonnes in the Community of Ten and 575.000 tonnes in Spain and Portugal, giving a figure of 7,90 million tonnes for the Community of Twelve (Figure 12).

52. Demand for beef/veal within the Community of Ten rose more sharply between 1984 and 1985 as a result of lower prices due to plentiful supply and a further slight rise is expected giving a per capita consumption of 26 kg in 1992. The total internal Community demand for beef/veal would then be about 7,20 million tonnes.

Present consumption per head of population in Spain and Portugal is well below the Community level (11,0 kg for Spain and 13,4 kg for Portugal in 1985). Assuming that per capita consumption in both countries increases by 1 kg by 1992, total consumption of beef/veal is estimated at 640.000 tonnes.

Total consumption within the Community of Twelve in 1992 should thus amount to about 7,82 million tonnes.

53. The Community's external trade will be affected by the world market situation and the Community's commitments. There is every sign that the traditional exporting countries in the southern hemisphere, where there has been a production shortfall in recent years, will increase their output.

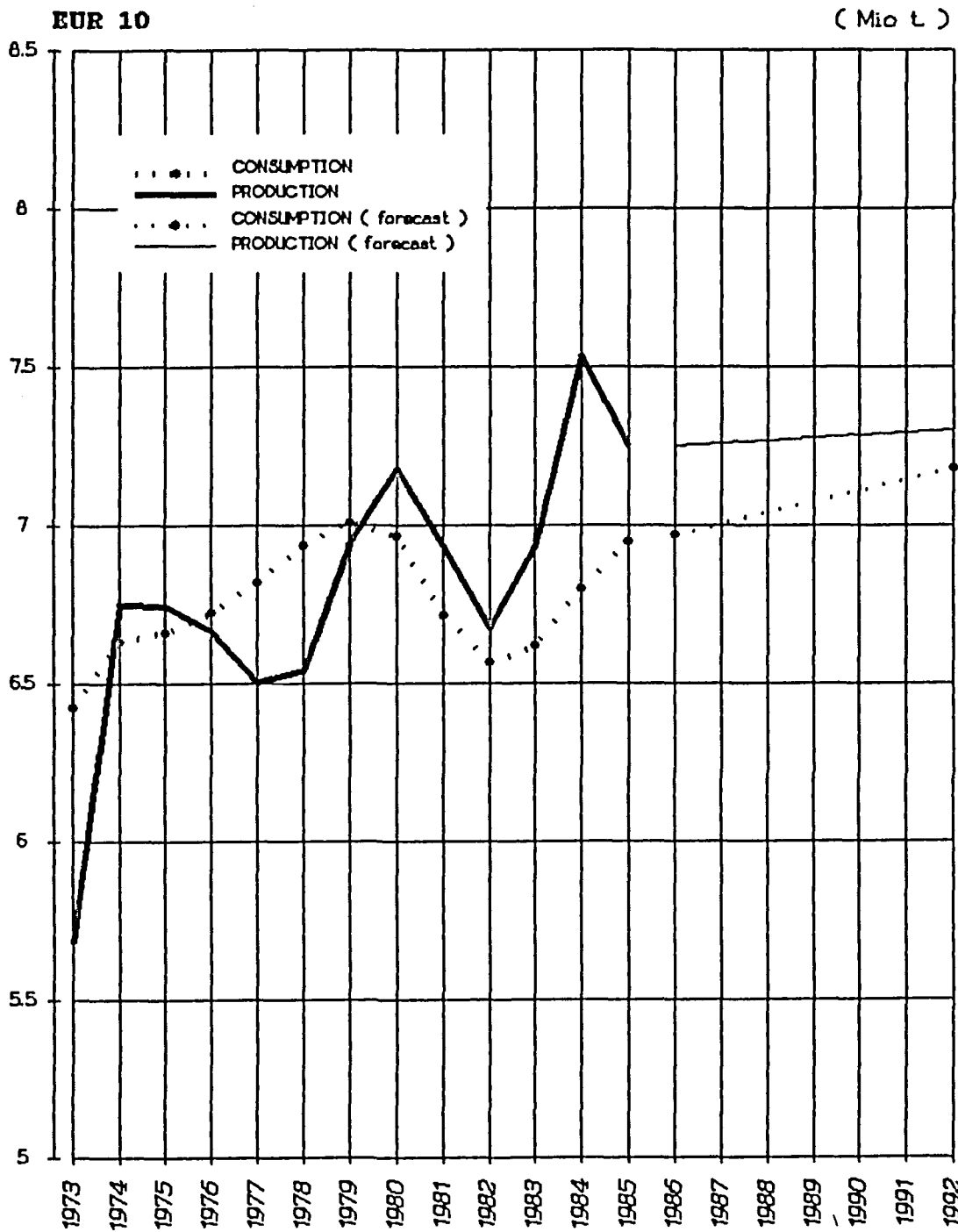
It can be estimated, therefore, that imports into the Community of Twelve will remain relatively stable at 433.000 tonnes but that exports will decline from 690.000 tonnes in 1985 to 590.000 tonnes in 1992.

Sheepmeat and goatmeat

54. Production of sheepmeat and goatmeat in the Community of Ten rose by 2,7% to 755.000 tonnes in 1985. Per capita consumption remained stable (3,6 kg), totalling about 980.000 t. Community self-sufficiency is thus 77%.

Portuguese and Spanish production has declined somewhat over the last three years, totalling 160.000 tonnes in 1984. Per capita consumption remained stable and total consumption in 1984 was about 159.000 t. The two new Member States are therefore nearly self-sufficient.

BEEF / VEAL



55. An increase in Community production of sheepmeat and goatmeat is expected by 1992, owing to the market situation. Continued pressure on the beef/veal market will probably encourage certain farmers to increase production or to convert to sheepmeat and goatmeat, production of which may amount to 870.000 tonnes in the Community of Ten. Assuming that Portuguese and Spanish production remains more or less stable at 160.000 tonnes, production in the Community of Twelve in 1992 may be estimated at 1.030.000 tonnes.

A slight increase is forecast in the per capita consumption of sheepmeat and goatmeat, leading to a total consumption in 1992 of about 1.075.000 tonnes in the Community of Ten. If foreseeable consumption in Portugal and Spain (173.000 tonnes) is added to this figure, consumption in the Community of Twelve may be calculated at 1.250.000 tonnes. The level of self-sufficiency would thus increase to 82%.

Pigmeat

56. In 1985, pigmeat production in the Community of Ten increased from 10,56 million tonnes to 10,72 million tonnes, i.e. an increase of 1,5%. Per capita consumption rose from 38,0 to 38,4 kg. Total pigmeat consumption rose from 10,34 to 10,47 million tonnes, i.e. an increase of 1,2%. Net exports to non-member countries amounted to about 250.000 t and were relatively stable.
57. In the years to 1992, consumption will continue to rise. With a per capita consumption of 41,6 kg, pigmeat will continue to be consumed in greater quantities than any other meat within the Community. Total pigmeat consumption within the Community of Ten may thus be estimated at 11,5 million tonnes. This quantity plus net exports of 220.000 tonnes will put production at 11.720.000 tonnes.
58. Pigmeat consumption in Portugal and Spain remains below the Community average, at 31,0 kg (Spain) and 18,9 kg (Portugal) per head of population. Assuming that this trend continues, per capita consumption will reach 34,4 kg in Spain and 20,4 kg in Portugal in 1992, bringing total consumption in the two new Member States to 1,6 million tonnes and pigmeat consumption in the Community of Twelve may therefore be estimated at 13,1 million tonnes in 1992.

Given that Portugal and Spain will remain more or less self-sufficient in pigmeat, their production may also be forecast at 1,6 million tonnes, bringing the total for the Community of Twelve to 13.320.000 tonnes.

Poultrymeat

59. Production of poultrymeat in the Community of Ten rose slightly (+1,0%) in 1985, whereas consumption appears to have risen more sharply (+2,5%). There was a continued surplus on the Community market but, as a result of increased domestic production in third countries which traditionally experience a shortfall, net Community exports fell.
60. This trend will probably persist in the Community of Ten. The two new Member States will probably continue to show a slight shortfall of 10.000 to 15.000 t and will import increasing quantities from the rest of the Community. It is estimated that, in 1992, the Community of Ten will produce 4.750.000 t of poultrymeat and consume 4.530.000 t. Net exports would thus amount to 220.000 t. Production within the Community of Twelve may be expected to increase by 1 million t to 5.750.000 t, whereas consumption within the Community of Twelve will rise by 1.020.000 t to 5.550.000 t.

IV. Price proposals and related measures for 1986/87

61. The Commission's proposals are the logical outcome of the analysis of the current and foreseeable situation set out in the foregoing paragraphs. They comprise three sections :
- common prices
 - related measures
 - agri-monetary measures

The Commission wishes to emphasize that its proposals concerning these three matters as set out in this document are coherently and inseparably linked not only with one another but also with the proposals whose purpose is to adjust or amplify the market organizations for milk and milk products, cereals and beef/veal. All these proposals are consistent with the guidelines laid down by the Commission as a result of the consultations which have taken place in

connection with the "Green Paper". Faced with a very disturbing increase in the structural imbalances of the markets and the increasing costs to the budget which they entail, the Commission has decided that, rather than proposing drastic specific measures which most farmers would find hard to accept, it would be better to put forward a package of schemes which would be effective because of their complementarity, selectivity and continuity. If the Commission's lead in this direction were not followed, it would be obliged to withdraw its proposals and to submit others based on Community legislation to date. These new price proposals would, of necessity, be designed to have the same effect on production levels and budget expenditure as the present ones, but would, because of the nature of the arrangements currently in force, have less satisfactory implications for farmers' incomes.

(a) Common prices

62. The Commission considers that it should propose maintenance of the common prices applied in 1985/86 for most products. However, for a limited number of products, the prices should be altered to take account of the market situation.

<u>Cereals</u>	Common wheat, barley, sorghum and maize :	intervention price	0
	Rye :	intervention price	- 1%
	Durum wheat :	intervention price	- 4,4%
		aid for production	+ 6,8%
<u>Rice</u>	Price for paddy rice		0
<u>Sugar</u>	Basic price for sugarbeet		0
<u>Olive oil</u>	Target price		0
	Intervention price		- 5%
	Aid for production		0
<u>Oilseeds</u>	Rape		0
	Sunflower		0
<u>Textile fibres</u>	Flax and hemp		0
	Cotton		0
	Silkworms		0

<u>Protein plants</u>	Peas, field beans and sweet lupins (minimum price)	+ 1%
	Soya	0
	Dried fodder	0
<u>Wines</u>	Guide price	0
<u>Tobacco</u>	Guide prices and premiums for four groups of varieties	) 0, -2,) -4 and -6
<u>Fresh fruit and vegetables</u>	Basic prices and marketing premiums for the different products	from 0 to +1
<u>Milk</u>	Target price	0
	Intervention price	
	- butter	- 4%
	- skimmed-milk powder	+ 3,5%
	- cheese	+0,7/+0,8%
<u>Beef/veal</u>	Guide price	0
<u>Sheepmeat</u>	Basic price	0
<u>Pigmeat</u>	Basic price	0

63. For Portugal and Spain, the situation is as follows :

- (i) The joint declarations concerning agricultural products which are subject to the general transitional arrangements, annexed to the Act of Accession, provide that the prices and aids recorded in the acts of the Conference are to be updated on 1 March 1986. Such prices and aids are to be fixed in ECU and will apply during the period from 1 March 1986 to the end of the 1985/86 marketing year for each product.

This updating has shown that the increase in Spanish prices and, in some cases, a fall in the common prices has resulted in the Spanish prices for cotton and peas and field beans exceeding the common prices. The common prices for those products will, therefore, apply from 1 March 1986. For the same reasons, this will also apply, in Portugal, to soya beans, rapeseed, linseed, sweet lupins, dehydrated fodder, peas and field beans, peaches in syrup and dried figs.

The Commission also notes that, in the case of dried figs in Spain and cherries in syrup and sugarbeet in Portugal, the discrepancies between the common prices and Spanish and Portuguese prices are currently less than 3%. The Commission therefore proposes that, pursuant to Article 69 of the Act of Accession, the common price be applied as from 1 March 1986.

For the period after the end of the 1985/86 marketing year, provided that the prices for the products referred to in these proposals have not been aligned with the common prices, the move towards alignment will be made, from 1986/87, in accordance with the principles and procedures laid down in the Act of Accession.

(ii) In the case of certain products:

- In the case of pigmeat, the basic prices and buying-in prices will apply in Spain from 1 March 1986.
- The prices and premiums for the market organizations for sheepmeat and tobacco will be fixed, in respect of Portugal and Spain, as from 1 March 1986.

(iii) The common prices for fresh fruit and vegetables, in the case of Spain, and for agricultural products which are subject to transition by stages, in the case of Portugal, will not apply immediately but the Portuguese and Spanish authorities are asked to exercise considerable price restraint. The Commission will forward a separate communication concerning these products.

(b) Related measures:

64. Along with its price proposals, the Commission is submitting proposals for related measures. These measures are set out in document COM(86) 20 final and in document COM(86)30 on changes in the cereals market organization and in document COM(86)31 on changes in the

(1) The Commission has forwarded to the Council its proposals concerning the fixing of the official prices and Community aids to be applied in Portugal and Spain for the period from 1 March 1986 to the end of the 1985/86 marketing year for agricultural products which are subject to the general transition arrangements (COM(85)859 final of 22 January 1986).

beef/veal market organization. The Commission wishes to emphasize yet again that all these measures, along with the price proposals, form an indissoluble whole. The principal related measures are as follows :

65. Regarding cereals, the Commission proposes, in document COM(86)30, to consolidate three of the schemes which it had suggested in its Memorandum on changes in the cereals market organization (COM(85)700 final), namely: the financial co-responsibility of producers, policy on quality, and changes in the intervention mechanisms. The purpose of co-responsibility is that producers should bear some of the costs of disposing of surplus production. This may be achieved by a levy on the quantities placed on the market or sent directly into intervention by the producer, the levy-free quantity to be 25 tonnes. The long-term objective is that the income from the levy should be equal to the cost to the EAGGF budget of buying into intervention the quantities which exceed a certain reference level. The policy on quality could be improved if, for example, the production of fodder grain were discouraged by increasing the specific rate requirements for barley and introducing a scale of reductions. The Commission also proposes an adjustment to the ratio of the prices of common wheat to that of durum wheat. Finally, it is proposed that intervention in this sector be limited to a certain period of the marketing year.
66. As regards beef/veal, the Commission set out its guidelines for improving the market organization in its memorandum on the subject (COM(85)834 final). In document COM(86)31, the Commission proposes that intervention should once again be used as a safety net and should be limited, from 1 December 1987, to situations involving serious disturbances to the market. To offset the effect of these changes, it is proposed that a single direct premium be introduced, payable only to producers specializing in beef/veal. This single premium comprises a basic amount for the first 50 bovine animals and a "suckler cow" amount for all suckler cows.
67. The Commission notes that the system of guarantee thresholds introduced for rape and sunflower has not worked as efficiently as expected. Accordingly, it proposes the replacement of this system by one of maximum quantities with guaranteed prices, similar to the arrangements in force for cotton, along with a system of payments on account making it possible to pass on, in the course of the marketing year, the effects of exceeding the maximum quantities.

(c) Agrimonetary proposals

68. Since the Council's agrimonetary decisions of 16 May 1985, the main events concerning the currencies have been the following :

- an alteration of the central rates under the EMS, taking effect on 22 July 1985, with a devaluation of the lira by 6%, a revaluation by 2% of all the currencies complying with the 2,25% fluctuation margin and an alignment of the notional central rates of sterling (revaluation by 7,47%) and the drachma (11,54% devaluation) on their actual market rates. The net effect of these changes taken as a whole was a devaluation of the ECU by 0,15%, entailing a corresponding increase in the correcting coefficient applicable in agriculture;
- a 15% devaluation of the drachma vis-à-vis the USD with effect as at 14 October 1985.

69. From the agrimonetary point of view, the situation (week beginning 3 February 1986) is the following :

- France, Ireland, Denmark and BLEU have zero MCAs;
- Germany and the Netherlands have positive MCAs of 2,9 for milk products and 2,4 for the other products, except sugar and beef/veal (1,8). However, for pigmeat and eggs and poultry, the "gap" referred to for fixing the monetary coefficient is 1,8;
- Italy, the United Kingdom and Greece have negative MCAs: -4,5 for Italy, (-1,0 for wine), -8,1 for the United Kingdom and -35,3 for Greece (-31,8 for wine).

70. With regard to the positive MCAs, Article 5(1) of Council Regulation (EEC) No 855/84 stipulates that "The positive monetary compensatory amounts for the Federal Republic of Germany and the Netherlands remaining after 1 January 1985 shall be abolished by the beginning of the 1987/88 marketing year at the latest for each product by means of a modification of the representative rates". The Commission takes the view that the objective of dismantling the positive MCAs at latest by the beginning of the 1987/88 marketing year must be retained. Nonetheless, the general situation is as yet not conducive to action along these lines in this marketing year.

71. With regard to the negative MCAs (Italy, France and Greece), the Commission is proposing certain adjustments. For Italy, the Commission is proposing a 2,5 point dismantlement of the applied MCAs. For France, the Commission is proposing, in accordance with the Council's undertaking given on 23 May 1985, that the 1,5 point neutral margin still applied for all products (except pigmeat, sheepmeat, wine and milk and milk products, for which the neutral margin has already been discontinued) should now be abolished. For Greece, the Commission is proposing that the applied MCAs be dismantled in accordance with the general economic guidelines introduced by the Greek Government and approved by the Commission when the drachma was devalued on 14 October. On the basis of the MCAs applicable on 3 February 1986, this would mean a dismantlement of 14,4 points. As regards the United Kingdom, fluctuations in the value of sterling on the exchanges are such that the MCAs are sometimes positive and sometimes negative; the Commission therefore reserves the right to submit a proposal at a later stage in this connection, in the light of developments with regard to this currency.
72. Table 2, giving details of the Commission's proposals and their incidence on the agricultural prices expressed in national currency, is to be found at the end of this Volume.
73. In accordance with the decisions adopted in connection with the 1984/85 prices, the Commission will lay before the Council before 31 December 1986 a report on the application of the new agrimonetary system introduced since 31 March 1984, and will make proposals in the light of the economic and monetary situation of the Community, developments with regard to farm incomes and experience gained.

V. Financial consequences

74. The price proposals and the related measures for EAGGF guarantee expenditure in 1987, including the scheme for discontinuing milk production in 1986, should yield savings of 786 million ECU.

However, because proposed measures apply only from the beginning of the various marketing years, the savings for 1986 are estimated at 408 million ECU, i.e. about half. On the other hand, although the further implementation of the scheme for the cessation of milk production and the conversion of the beef/veal system will entail additional expenditure in 1987 (of 530 million ECU), these measures lay the foundations for major savings in subsequent years.

It may thus be expected that from 1988 onwards, when the proposed reforms will have full effect, it should be possible to administer the markets policy within the maximum amounts fixed in terms of agricultural budgetary discipline, provided a satisfactory solution can be found for the formidable problem of the heavy stocks which have built up.

75. It should be noted that the present price proposals package, with the related measures, builds further on the adaptations to the CAP approved in 1984.

The many measures then adopted included the introduction of milk quotas, the extension of the guarantee thresholds and the introduction of a restrictive prices policy governing several years.

Without these major adaptations to the CAP, the expansion of expenditure would have been much faster than is now the case: it is estimated that since then, had the policy not been changed, expenditure would have exceeded the present figure by at least 4.000 million ECU.

Also, a constant US\$/ECU ratio corresponding to the average 1983 level (1,12), i.e. near the present level, would have involved additional disbursements in respect of 1984 and 1985 of about 3.000 million ECU.

76. With regard to the 1986 budget, the Commission estimates that there is a supplementary requirement for appropriations for the EAGGF Guarantee Section of 790 million ECU. Of this amount, 750 million ECU are due to the exceptional decline in the dollar vis-à-vis the ECU, which means that the agricultural part of the budget will be executed in conditions very different from those obtaining when the 1986 budget was drafted.
77. This exceptional requirement for appropriations does, however, include a major butter and beef disposal operation. The Commission takes the view that this operation should form part of a three-year intervention stock disposal scheme, i.e. for 1986, 1987 and 1988, the aim of which is to achieve reasonable stock levels by the end of 1988. This scheme, not easily costed given the uncertainties on the world market, could total several thousand million ECU over the three years. Part of this sum should be financed from savings within the common agricultural policy, by a combination of savings on the market management front and temporary restrictions with regard to the Community financing of public intervention (1).

(1) Market management savings: 200 million ECU per year
Limitation to three quarters of the Community financing of technical storage costs and reduction in interest rates on capital immobilized: 300 million ECU per year.

78. Application of the rules concerning agricultural budgetary discipline would mean a maximum for 1987 of about 23.200 million ECU. This is budgetary discipline calculated initially for the ten Member States, plus the latest expenditure forecast in respect of Portugal and Spain (1).

But although agricultural forecasting is necessarily very uncertain because of the many factors that cannot be predicted, it is already clear that exceptional circumstances will arise in 1987 due not only to the probably much lower quotation of the dollar than in 1985 but also to the appreciably lower world market prices, depressed by the new United States Farm Bill as well as by other factors. Another point is the temporary effect of the additional expenditure on strengthening cessation of milk production and conversion of the beef/veal arrangements, which will yield savings in subsequent years.

79. Taking as basis a US\$/ECU ratio close to the present one (1,10), the Commission believes that it should be possible to submit a preliminary draft 1987 budget enabling the market improvement policy (including a stock disposal scheme) to be pursued while budgetary discipline is also complied with. The two objectives could be achieved, provided the following conditions are met:

- adoption by the Council of the Commission's proposals on prices and related measures for 1986/87, whereby in the long run both improved market equilibrium and major budget savings can be achieved,
- adoption by the Council of the proposals for the cessation of milk production and conversion of the beef/veal arrangements, which, while involving extra spending in 1987, should yield budget savings in subsequent years,
- adoption by the Council of a supplementary budget for 1986 to assist in starting up the three-year stock disposal programme, and coverage of further implementation of the programme when the 1987 budget is established,

(1) EUR 10:	21.818 million ECU
Estimate Portugal, Spain	<u>1.345 million ECU</u>
Total:	23.163 million ECU

rounded to 23.200 million ECU

- achievement by the Commission and the Council of additional savings in respect of:

- . market management,
- . temporary reduction in the Community financing of public stocks,
- . one-month deferral of reimbursement to the Member States of public storage expenditure.

Thus, it is a combination of agricultural and financial measures which will enable budgetary problems to be overcome in 1986 and 1987, given the active involvement of the various parties concerned in the operation of the common agricultural policy.

Table 1

Price proposals for individual agricultural products

Product and type of price or amount (Period of application)	1985/86		Proposals 1986/87		Spain			Portugal		
	Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase	Amounts 1985/86	ECU/tonne 1986/87	% increase	Amounts 1985/86	ECU/tonne 1986/87	% increase
1	2	3	4	5	6	7	8	9	10	11
Common wheat 1. 7.86-30. 6.87										
. Target price	* 254,98	* - 1,6	256,16	0,5	-	256,16	-	-	-	-
. Common single intervention price	* 179,44	* - 1,8	179,44	0,0	173,57	174,41	0,5	-	-	-
. Reference price for bread wheat - average quality	* 209,30	* - 1,8	-	-	-	-	-	-	-	-
Barley 1. 7.86-30. 6.87										
. Target price	* 232,61	* - 1,6	233,86	0,5	-	233,86	-	-	-	-
. Common single intervention price	* 179,44	* - 1,8	179,44	0,0	164,34	166,50	1,3	-	-	-
Maize 1. 7.86-30. 6.87										
. Target price	* 232,61	* - 1,6	233,86	0,5	-	233,86	-	-	-	-
. Common single intervention price	* 179,44	* - 1,8	179,44	0,0	173,57	174,41	0,5	-	-	-
Sorghum 1. 7.86-30. 6.87										
. Target price	* 232,61	* - 1,6	233,86	0,5	-	233,86	-	-	-	-
. Intervention price	* 179,44	* - 1,8	179,44	0,0	164,34	166,50	1,3	-	-	-
Rye 1. 7.86-30. 6.87										
. Target price	* 234,61	* - 1,6	233,86	- 0,3	-	233,86	-	-	-	-
. Intervention price	* 181,23	* - 1,8	179,44	- 1,0	169,14	169,16	0,0	-	-	-
Durum wheat 1. 7.86-30. 6.87										
. Target price	* 357,70	* 0,0	357,70	0,0	-	357,70	-	-	-	-
. Intervention price	* 312,08	* 0,0	298,23	- 4,4	211,00	215,45	2,1	-	-	-
. Aid (a)	* 101,31	* 0,0	108,24	6,8	-	15,46	-	-	-	-
Rice 1. 9.86-31. 8.87										
. Target price - husked rice	548,37	1,6	548,37	0,0	-	548,37	-	-	-	-
. Intervention price - paddy rice	314,19	0,0	314,19	0,0	248,64	258,00	3,8	-	-	-
Sugar 1. 7.86-30. 6.87										
. Basic price for sugarbeet	40,89	0,0	40,89	0,0	52,89	52,74	- 0,3	42,46	42,46	0,0
. Intervention price for white sugar	541,80	1,3	541,80	0,0	688,30	685,00	- 0,5	528,00	531,70	0,7

* Interim Commission Decision

(a) In the case of Greece, aid for durum wheat was aligned on the Community level for 1985/86, which represented (in ECU) an increase of 27,8% for the regions having received national aid prior to accession and of 13,4% for the other regions in Greece.

Product and type of price or amount (Period of application)	1985/86		Proposals 1986/87		Spain			Portugal		
	Amounts	%	Amounts	%	Amounts	ECU/tonne	%	Amounts	ECU/tonne	%
	ECU/tonne	increase	ECU/tonne	increase	1985/86	1986/87	increase	1985/86	1986/87	increase
1	2	3	4	5	6	7	8	9	10	11
Olive oil 1.11.86-31.10.87										
Production target price	3225,6	2,0	3225,6	0	3225,6	3225,6	0	3225,6	3225,6	0
Intervention price	2276,2	0,0	2162,4	- 5	1355,1	1401,2	3,4	2125,2	2132,8	0,4
Production aid (b)	709,5	2,0	709,5	0	92,6	154,6	66,4	0	71,0	-
Rape seed 1. 7.86-30. 6.87										
Target price	* 464,1	* - 1,8	464,1	0	414,3	419,3	1,2	464,1	464,1	0
Intervention price	* 421,5	* - 1,8	421,5	0	371,7	376,7	1,3	421,5	421,5	0
Sunflower seed 1. 8.86-31. 7.87										
Target price	573,5	- 1,5	583,5	0 (2)	416,9	432,6	3,8	508,4	514,9	1,3
Intervention price	524,7	- 1,5	534,7	0 (2)	368,1	383,8	4,3	459,6	466,1	1,4
Soya beans 1. 9.86-31. 8.87										
Guide price	575,8	1,0	575,8	0	424,7	439,8	3,6	575,8	575,8	0
Minimum price	506,7	1,0	506,7	0	355,6	370,7	4,2	506,7	506,7	0
Dried fodder										
Fixed-rate aid 1. 4.86-31. 3.87	8,49	1,0	8,49	0	0	1,21	-	0	1,21	-
Guide price 1. 4.86-31. 3.87	178,92	1,0	178,92	0	143,78	148,80	3,5	178,92	178,92	0
Peas and field beans (1) 1.7.86-30.6.87										
Activating price	506,4	- 1,2	509,6	0,6	500,20	504,10	0,8	506,4	509,6	0,6
Guide price	324,8	- 1,9	328,0	1	320,8	324,6	1,2	324,8	328,0	1
Minimum price - peas	283,5	- 1,9	286,3	1	279,5	282,9	1,2	283,5	286,3	1
- field beans	273,5	- 5,4	276,2	1	273,5	276,2	1	273,5	276,2	1
Lupins 1. 7.86-30. 6.87										
Activating price	482,5	0,9	485,0	0,5	458,2	464,0	1,3	482,5	485,0	0,5
Minimum price	317,9	0,0	321,1	1	305,4	310,3	1,6	317,1	321,1	1
Flax 1. 8.86-31. 7.87										
Guide price (seed)	554,1	1,0	554,1	0	445,3	460,8	3,5	554,1	554,1	0
Fixed-rate aid (fibre)(per ha) (b)	355,09	1,0	355,09	0	-	50,73	-	-	50,73	-
Hemp 1. 8.86-31. 7.87										
Fixed-rate aid (per ha) (b)	322,48	1,0	322,48	0	-	46,07	-	-	46,07	-
Silkworms 1. 4.86-31. 3.87										
Aid per box of silkseed (b)	108,67	1,0	108,67	0	-	15,52	-	-	15,52	-
Cotton 1. 9.86-31. 8.87										
Guide price	960,2	2,0	960,2	0	-	960,2	-	-	960,2	-
Minimum price	912,3	2,0	912,3	0	-	912,3	-	-	912,3	-

* Interim Commission Decisions

- (b) In the case of Greece for 1985/86 : Olive oil - production aid was aligned on the Community level (an increase in ECU of 28,9%)
 Flax - fixed-rate aid was aligned on the Community level (an increase in ECU of 27,8%)
 Hemp - fixed-rate aid was aligned on the Community level (an increase in ECU of 27,8%)
 Silkworms - aid was aligned on the Community level (an increase of 13,4%)

(1) The reductions at the beginning of 1985/86 were due to the introduction of a system of monthly increases.

(2) Taking into account the change in the oil content of the standard quality.

Product and type of price or amount (Period of application)	1985/86		Proposals 1986/87		Spain			Portugal		
	Amounts	%	Amounts	%	Amounts	ECU/tonne	%	Amounts	ECU/tonne	%
	ECU/tonne	increase	ECU/tonne	increase	1985/86	1986/87	increase	1985/86	1986/87	increase
1	2	3	4	5	6	7	8	9	10	11
Milk 1. 4.86-31. 3.87										
. Target price	278,4	1,5	278,4	0,0	-	-	-	-	-	-
Butter (1)										
. Intervention price	3 132,0	- 2,0	3 006,7	- 4,0	3 886,0	3 664,6	- 5,7	-	-	-
Skimmed-milk powder (1)										
. Intervention price	1 740,4	4,9	1 800,9	+ 3,5	2 687,4	2 614,5	- 2,7	-	-	-
Grana padano cheese 30-60 days (1)										
. Intervention price	3 889,3	1,9	3 922,3	+ 0,8	-	-	-	-	-	-
Grana padano cheese 6 months (1)										
. Intervention price	4 803,3	1,6	4 838,1	+ 0,7	-	-	-	-	-	-
Parmigiano-Reggiano 6 months (1)										
. Intervention price	5 291,9	1,5	5 326,7	+ 0,7	-	-	-	-	-	-
Beef/veal 1. 4.85- 1. 4.87										
. Guide price for adult bovines	2 050,2	0,0	2 050,2	0	1 831,7	1 863,0(3)	1,7	-	-	-
. Intervention price for adult bovines	1 845,2	0,0	1 845,2	0	1 647,6	1 676,7	1,7	-	-	-
Sheepmeat (2) 5. 1.87- 3. 1.88										
. Basic price (carcase weight)	4 323,2	1,0	4 323,2	0	4 323,2	4 323,2	0	4 323,2	4 323,2	0
Pigmeat 1.11.86-31.10.87										
. Basic price (carcase weight)	2 033,3	0,0	2 033,3	0,0	2 033,3	2 033,3	0,0	(1 960)a	(2 033,3)	(+ 3,7)

- (1) The adjustments for milk products take account of a revaluation of the components of milk (the fat/protein ratio was 48,22:51,78 in 1985/86 and is 46,13:53,87 for 1986/87).
- (2) It was decided that the basic price for the transitional marketing year of 1985/86 should remain unchanged and that the basic price for the "1986" marketing year be increased by 1% to 4.323,2 ECU/tonne (carcase weight).
- (3) As for the EEC of Ten these prices relate to "live weight". They correspond to intervention prices for carcase weight (R3) 3.072,8 ECU/t for 1985/86 and 3.125,2 ECU/t for 1986/87.
- (a) Basic price $ESC 290.607 \times 0,00674624$ (rate in force since 10.12.85) = 1.960,5 ECU/t.

Product and type of price or amount (Period of application)	1985/86		Propositions 1986/87		Spain			Portugal		
	Amounts	%	Amounts	%	Amounts ECU/tonne	%	Amounts ECU/tonne	%		
	ECU/tonne	increase	ECU/tonne	increase	1985/86	1986/87	increase	1985/86	1986/87	increase
1	2	3	4	5	6	7	8	9	10	11
Fruit and vegetables Basic price					-	-	-	-	-	-
.Cauliflowers 01. 5.86-30. 4.87		1,0		1,0	-	-	-	-	-	-
.Tomatoes 11. 6.86-30.11.86		- 3,0		* 0,0	-	-	-	-	-	-
.Peaches (a) 01. 6.86-30. 9.86		- 1,5		* 0,0	-	-	-	-	-	-
.Lemons 01. 6.86-31. 5.87		- 3,0		* 0,0	-	-	-	-	-	-
.Pears 01. 7.86-30. 4.87		0,0		0,0	-	-	-	-	-	-
.Table grapes 01. 8.86-31.10.86		0,0		0,0	-	-	-	-	-	-
.Apples 01. 8.86-31. 5.87		0,0		0,0	-	-	-	-	-	-
.Mandarins (b) 16.11.86-28. 2.87		- 3,0		* 0,0	-	-	-	-	-	-
.Sweet oranges (b) 01.12.86-31. 5.87		- 3,0		* 0,0	-	-	-	-	-	-
.Apricots 01. 6.86-31. 7.86		- 1,5		* 0,0	-	-	-	-	-	-
.Aubergines 01. 7.86-31.10.86		1,0		1,0	-	-	-	-	-	-

(a) In the case of Greece, the differences in ECU for 1985/86 were + 3,6 % for les tomatoes and + 4,0 % for peaches; for 1986/87 they will be + 6,47 % for tomatoes and + 5,28 % for peaches.

(b) In the case of Greece in 1985/86, the prices were aligned on the Community prices, i.e. an increase of 0,8 % for mandarins and 3,7 % for sweet oranges.
* A change in the basic price/withdrawal price ratio is proposed in the related measures.

Table wine 1. 9.86-31. 8.87										
. Guide price Type RI	3,42	0,0	3,42	0,0	1,98	2,19	10,6	-	-	-
. Guide price Type RII	3,42	0,0	3,42	0,0	1,98	2,19	10,6	-	-	-
. Guide price Type RIII	53,30	0,0	53,30	0,0	30,86	34,07	10,4	-	-	-
. Guide price Type AI	3,17	0,0	3,17	0,0	1,83	2,02	10,4	-	-	-
. Guide price Type AII	71,02	0,0	71,02	0,0	40,98	45,27	10,5	-	-	-
. Guide price Type AIII	81,11	0,0	81,11	0,0	46,80	51,70	10,5	-	-	-

Product and type of product or amount (Period of application)	1985/86		Propositions 1986/87		Spain (2)			Portugal (2)		
	Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase	Amounts 1985/86	ECU/tonne 1986/87	% increase	Amounts 1985/86	ECU/tonne 1986/87	% increase
1	2	3	4	5	6	7	8	9	10	11
Raw tobacco (1) 1986 harvest										
.Forchheimer Havanna, Beneventano, Mavra, Tsebelia	Price(x) Premium	- 2,5 - 4,0	Price Premium	- 6 - 6						
.Burley Ferm. .Havana ESP					Price Premium		- 6 - 6	Price Premium		- 6 - 6
.Badischer Geudertheimer, Paraguay, Nijkerk, Missionero, Round-Tip, Xanti-Yaka, Perustitza, Erzegovina, Kaba Koulak (non classic)	Price(x) Premium	- 1,0 - 1,0	Price Premium	- 4 - 4						
.Santa Fe .Round Scafati					Price Premium		- 4 - 4	Price Premium		- 4 - 4
.Badischer Burley, Burley I, Burley GR, Virginia GR, Kaba Koulak (classic) Zichnomyrodata, Myrodata Agrinion	Price(x) Premium	0,0 1,0	Price Premium	- 2 - 2						
.Burley ESP .Burley P					Price Premium		- 2 - 2	Price Premium		- 2 - 2
.Virgin D, Bright, Virgin GR, Basmal, Maryland, Katerini, Kentucky	Price(x) Premium	0,0 1,0	Price Premium	0 0						
.Virgin ESP .Virgin P					Price Premium		0 0	Price Premium		0 0
Seeds (3)		0								

(1) For 1985/86 the figures for the Greek varieties were increased by incorporating the fourth (and last) 25% of national aid.

(2) For the Spanish and Portuguese varieties, the basis for the 1986/87 proposals was the average of the 1983-1985 guaranteed prices.

(3) The Council decided that the aids would remain unchanged for 1985/86 and 1986/87.

Table 2 - Agri-monetary proposals 1986/87

Country	Sector	Present situation (1)				New situation				Revaluation/ Devaluation	Effect on prices (%)	
		Monetary gap		Green rate: (1 ECU =)		Monetary gap		Green rate: (1 ECU =)				Dismantling of gap
		real	applied	real	applied	real	applied	real	applied			
F	Milk/pigmeat/wine/											
	Sheepmeat	7,10590	0,0	0)	-	-	-	-	-	-	
					)	7,10590					
	Other	7,00089	-1,500	0	)	-	-	-	-	-1,478	+1,500
I (2)	All sectors	1.482,00	-5,548	-4,5)	1.511,00	-3,514	-2,0	2,034	2,5	-1,919	+1,957
GR (2)	All sectors	102,345	-37,053	-35,3)	114,626	-22,360	-20,9	14,693	14,4	-10,714	+12,000

(1) Valid : 3.2.1986.

(2) Reference period : 22 to 28.1.1986.

Table 3

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

		% change in prices (1)	
		in ECU (2)	in national currency (3)
: Deutschland	:	0	0
: France	:	0	0,8
: Italia	:	-0,6	1,4 (4)
: Nederland	:	0	0
: Belgique/België	:	0	0
: Luxembourg	:	0	0
: United Kingdom	:	0	0
: Ireland	:	0	0
: Danmark	:	0	0
: Ellas (5)	:	-0,4	11,6 (6)
: EUR 10	:	-0,1	0,9
: Espana (5)	:	1,8	1,8
: Portugal (5)	:	2,1	2,1

- (1) Percentage difference between the support prices proposed for 1986/87 and the support prices in force when the proposals were adopted. In the case of Spain and Portugal: percentage difference between the prices proposed for 1986/87 and the prices applicable from 1 March 1986 to the beginning of 1986/84.
- (2) Common prices in ECU (intervention or equivalent price) weighted according to the relative importance of the various products on the value of agricultural production subject to common prices.
- (3) Common prices in ECU converted into national currency at the green rates given in these proposals.
- (4) Calculated on the basis of a dismantling of 2,5 points of MCA (reference period : 22 to 28.1.1986).
- (5) Taking into account the effect of the alignment of Greek, Portuguese and Spanish prices on common prices due to accession arrangements.
- (6) Calculated on the basis of a dismantling of 14,4 points of MCA (reference period : 22 to 28.1.1986).

Table 4 - Guarantee thresholds and similar measures

Product	Thresholds or quantity fixed EUR-10					Proposed EUR-12		Situation on the market in 1984/85 (the figures for 1985 are provisional)	Threshold exceeded
	1982/83	1983/84	1984/85	1985/86	1986/87	1992			
Cereals (except durum wheat)	119,5	120,56	121,32	(1) 121,9			1983 harvest 119,870 1984 harvest 144,210 <u>1985 harvest 133,160</u> Three-year average 132,413 Imports of cereal substitutes 1983/84: 14,25 million tonnes	by 10,5 (= 8,6 %)	
Durum wheat			4,6	4,622 (1)			1983 harvest 3,86 1984 harvest 6,04 <u>1985 harvest 5,470</u> Three-year average 5,123	by 0,501 (= 10,8 %)	
Sugar									
A Quota	9,5	9,5	9,5	9,5	10,5		Production quota A 9,285		
B Quota	2,2	2,2	2,2	2,2	2,3		Production quota B 1,934 Production C 1,366		
	t	t	t	t	t				
Isoglucose									
A Quota	157,649	157,649	157,649	157,649	240,743		Production quota A 147,000 t		
B Quota	40,436	40,436	40,436	40,436	50,342		Production quota B 36,000 t Production C 0		
Rape	2,15	2,29	2,41	2,6 (2)			1983 harvest 2,492 1984 harvest 3,518 <u>1985 harvest 3,660</u> 3,223	by 0,623 (= 24,0 %)	
Sunflower seed			1,0	1,115 (2)			1983 harvest 0,977 1984 harvest 1,224 <u>1985 harvest 1,760</u> 1,320	by 0,205 (= 18,4 %)	
Cotton	t 450,000	t 450,000	t 500,000	t 567,000	t 752,000		The harvest will probably be below the threshold		
Milk	96,71	97,2	99,4 quota	98,570 quota	104,122				
transfer of "direct sales" quantities - total			+ 0,5 99,9	+ 0,902 99,472	(without Portugal)				

(1) The Council has not fixed thresholds - the figures shown relate to the Commission's previous proposal.

(2) The Council has not fixed thresholds for 1985/86. The figures are proposed by the Commission.

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