

# Bulletin

OF THE EUROPEAN  
COMMUNITIES



Supplement 4/83

## **Adjustment of the common agricultural policy**

Commission  
of the European Communities

## Supplements 1983

- 1/83 Commission opinion on the status of Greenland
- \*2/83 Employee information and consultation procedures
- 3/83 Increasing the effectiveness of the Community's structural Funds
- 4/83 *Adjustment of the common agricultural policy*

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\* In preparation.

Bulletin  
of the European Communities

Supplement 4/83

Common agricultural policy

Commission report and proposals

(Commission communication to the Council,  
presented on 29 July 1983)

EUROPEAN COMMUNITIES

Commission

This publication is also available in the following languages:

DA ISBN 92-825-3949-0  
DE ISBN 92-825-3950-4  
GR ISBN 92-825-3951-2  
FR ISBN 92-825-3953-9  
IT ISBN 92-825-3954-7  
NL ISBN 92-825-3955-5

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 1983

ISBN 92-825-3952-0

Catalogue number: CB-NF-83-004-EN-C

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*Printed in Belgium*

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## Introduction

1. The common agricultural policy constitutes one of the major achievements of the Community. In this domain, to a greater degree than in most others, competence for the execution of the common policy lies with the Community institutions, in accordance with the objectives of Article 39 of the EEC Treaty; and since a common policy implies common financial responsibility, its cost is borne to a large extent by the Community budget.

2. Agriculture plays an important role both in supplying food and in promoting development in poor and rich countries alike. The common agricultural policy has had considerable success. But Europe must adapt its agricultural policy. The adjustment of regulations adopted after difficult political compromises will require a firm political will. It will demand difficult decisions on the part of all the Community institutions, and an acceptance on the part of all the social and professional groups involved.

The adaptation of the CAP is not a technical affair, but a political challenge. Europe is entitled to demand the necessary efforts of its rural community and its food industry, provided that it offers them a well-defined and stable framework for their development. Moreover, the adaptation can be successfully accomplished only if the charge is distributed equitably between the different Member States, the different market organizations, and in general between the various interested parties.

3. It is normal that, in view of the future development of the Community, the agricultural policy should be examined and adapted, so that it can adequately fulfil its aims in the changed conditions now prevailing. The agricultural policy, like other policies, must respond to the need for the most efficient use of the Community's financial resources.

However, it must be emphasized that the budgetary costs of the CAP are a consequence of the measures adopted to implement its social and economic objectives. Those objectives, which include the assurance of a fair standard of living for the agricultural community, and the availability of supplies to consumers at reasonable prices, are common to agricultural policies in all developed countries of the world. The Community

should pursue these objectives at a cost which is reasonable, and not disproportionate to the costs experienced in other countries.

4. It must also be understood that the specific conditions of agriculture distinguish it from other sectors in a number of ways. For example, the fact that agricultural markets, within and outside the Community, are subject to fluctuations outside the control of the Community means that expenditure can vary unexpectedly.

5. For these reasons, the adaptation of the policy cannot be made according to exclusively budgetary criteria, but rather with the aim of fulfilling the fundamental objectives in the most cost-effective way. A cost-cutting exercise, conducted without regard to the social and economic consequences, would render no service to the development of the Community. It would lead to the fragmentation of the common policy, and to the reappearance in national budgets of expenditure now assumed by the Community.

6. The aim must therefore be to rationalize, not renationalize, the common agricultural policy. Only such an approach can give a good assurance of positive results.

7. It is in this spirit that the Commission has for a number of years advocated the adaptation of the agricultural policy. Already in October 1981 in its memorandum 'Guidelines for European agriculture'<sup>1</sup> the Commission outlined a programme for adapting the CAP to the new realities, both of general economic conditions and of the agricultural sector itself: this programme included a number of measures, and in particular the establishment of guarantee thresholds taking account of the long-term prospects for production, consumption and trade.

More recently, in June 1983, the Commission presented a further statement of its views in its communication 'Further guidelines for the development of the CAP'.<sup>2</sup> The Heads of State and Government, meeting in the European Council on 18 June 1983, requested that there should be an examination of the agricultural policy, taking account of a number of elements, and resulting in concrete steps to ensure effective control of

<sup>1</sup> Supplement 4/81 – Bull. EC.

<sup>2</sup> Bull. EC 6-1983, point 2.1.135; COM (83) 380.

agricultural expenditure (see text in Annex I). The Commission submits the present document in response to that request.

## The general context

8. During the last two decades, since the creation of the common agricultural policy, the advance of technical progress and productivity in agriculture has been rapid. The long-term trend of increase in the volume of agricultural production in the Community has been 1.5 to 2.0% a year, while consumption has increased by about 0.5% a year. Consequently the Community has become more than self-sufficient for many of the principal products, and has come to rely increasingly on exports, or on subsidized sales within the Community, for the disposal of its production.

9. Meanwhile, the reduction in agricultural employment has also been rapid. There are now approximately 8 million persons employed in agriculture in the 10 Member States, and 5 million farms of one hectare or more. This development has been accompanied by an increase in part-time farming, in different ways in the different Member States. The Community must take account of this factor in taking its decisions concerning agriculture.

10. Despite the support afforded by the common agricultural policy, incomes from agricultural employment have increased less rapidly than other incomes since 1973. There remain large differences in the level of agricultural incomes between types of farming, between regions, and between Member States. The high rates of inflation, and the divergences of inflation between Member States, have also created problems for the CAP.

11. In these difficult economic conditions, the Community nevertheless remains the world's largest importer of food. It has maintained for several agricultural products a particularly liberal import system (entry at zero or reduced rates).

12. After a relative stabilization of expenditure from the Guarantee Section of the EAGGF in the period 1980-82, during which less was spent than provided for in the budgets, mainly because of the

favourable conjuncture on world markets, an abrupt change has been experienced in 1983, when expenditure is expected to be about 30% higher than in the preceding year. The tables in Annex II show the development of this expenditure, including the share represented by each product sector, and by each type of expenditure. The rate of growth of agricultural expenditure, taken over a period of years, is now higher than the rate of increase in the Community's own resources.

13. The Commission underlines that the situation cannot be remedied by short-term palliatives, or economies of an *ad hoc* nature. Only determined action to adapt the CAP in a rational long-term framework can serve to place the agricultural policy in a sound economic and financial context for the coming years.

14. The adaptation necessary in European agriculture is only part of the general adaptation of our society, faced with technological progress and a rate of economic growth lower than in earlier years. The diverse structure of agriculture in the Member States is the inheritance of many generations, and its well-being is essential to the fabric of rural life. But its well-being can be ensured only by a better integration into the economy as a whole, not by its isolation from the underlying factors which are affecting modern society.

Two factors of particular importance are the following :

- Because of the lower rate of increase of population, overall demand for food in the Community will increase less rapidly than in the past. On world markets the capacity to pay – that is, effective demand – will depend on economic growth and credit possibilities, which are uncertain. The Community must continue to play an important part in food aid, but it must also encourage the developing countries to satisfy more of their food requirements from their own resources by the development of food strategies.

- Thanks to scientific research and development, there is a constant improvement of crops and breeds of animals, machinery and techniques which mean that the factors of production can be combined more and more efficiently and at lower real cost. These trends will continue and even accelerate in the coming years.



The development of new technology has led, particularly in the case of animal production, to the setting up of agricultural enterprises for which land is no longer a limiting factor. There is a risk that this development may aggravate the problems of overproduction which have been experienced in the milk sector. The Commission has taken account of this aspect in the proposals which it makes on the subject.

15. The adaptation of the CAP must not ignore the consequences of agricultural activity for the industries upstream and downstream of agriculture itself. The development of agriculture must necessarily be integrated more fully into the overall chain of economic activity which first provides the requisites for production and then carries food and raw materials from the farmgate to the factory, the shop and the table. In modern economic conditions, a common agricultural policy can hardly exist except within the broader concept of a common food policy. It must be remembered also that the Community's agricultural exports are increasingly in the form of processed products, rather than basic agricultural products. This trend, which means that a greater share of value added (and therefore employment) is generated within the Community, must be encouraged.

16. Another development which has manifested itself in the last decade is the use of agricultural materials as a source of organic chemical products. The development of biotechnology represents an important challenge for the future, and if this activity is to be developed within the Community, it is essential that the provision of Community raw materials should be assured in the same conditions of competition as for its external competitors.

Other domains where the Community must promote the most efficient use of its resources of land and labour are the development of materials for use as energy (biomass) and the production of the forestry sector. Since the Community is deficient in both energy and wood products, these two domains represent real possibilities for alternative activity and employment in the rural regions.

The Commission intends to make suggestions on the relationship between agricultural policy and fundamental research. For this purpose, what is required is a system for forecasting the fundamen-

tal changes which may take place in the medium and long term, and also an examination of the possibilities for new outlets for agricultural production, particularly for products in surplus.

17. Agriculture, as the inheritor and guardian of the rural environment, contributes to the well-being of the vast majority of the population who live in urban conditions but wish to enjoy and preserve Europe's traditional landscape, flora and fauna. For these reasons the development of agriculture must continue to be made in a way which reconciles the interests of human recreation, and the protection of habitats and species, with the economic interests of those who live and work in the country.

18. It cannot be the Community's aim to stop the development of its agriculture. But in view of the future perspectives, the Community has no choice but to adapt its policy of guarantees for production. If Community agriculture is to succeed – as it should – in expanding its exports and maintaining its share of world markets, it must increasingly accept the market disciplines to which other sectors of the Community's economy are subject. In this dynamic approach, which rejects any Malthusian limitation of agriculture's potential, the accent must be placed more and more on production at a competitive price. Hitherto, the price guarantees for most products have been unlimited in nature. This situation cannot continue if the CAP is to develop on a rational basis.

## **Rationalization of the market organizations**

### **Guarantee thresholds**

19. The stagnation or decline in demand, both in the Community and on external markets, for important products such as milk, wheat, beef and wine confirms the diagnosis already made by the Commission in its memorandum 'Guidelines for European agriculture' of October 1981.<sup>1</sup> It is no longer reasonable to provide unlimited guarantees of price and intervention when there is doubt

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<sup>1</sup> Supplement 4/81 – Bull. EC.

about the possibility of outlets in the coming years. In other words, Europe's agricultural producers must understand that they will have to participate more fully in the cost of disposing of production beyond a certain threshold. The measures necessary to ensure respect of such guarantee thresholds constitute the centrepiece of the Commission's proposals.

20. Guarantee thresholds can be applied by different procedures according to the product concerned. For example, thresholds can be applied by:

- (a) lowering the increase in the target price or intervention price if production exceeds a global quantum;
- (b) limiting the aids paid under the market regulation to a global quantum;
- (c) participation of producers, by means of a levy, in the cost of disposing of additional production (or in the cost of net exports);
- (d) quotas at national level, or at the level of the enterprise.

A choice is therefore necessary, in the light of the situation in each sector, as to which procedures should be applied.

All these various modalities have in fact been used, in differing degrees, in the context of the existing market organizations. For example, the approach at (a) was followed in the decisions taken by the Council concerning the common prices for cereals and milk for 1983/84; the modality under (b) exists in the market organization for cotton (and has been proposed for dried raisins); the coresponsibility levy introduced for milk in 1977 goes in the direction of (c); and quotas on the model of (d) have existed for sugar since the inception of the market organization.

### **Price policy**

21. Alongside the introduction of guarantee thresholds, the Commission considers it necessary to pursue a restrictive price policy. Its annual price proposals will continue to take account not only of the development of agricultural incomes in the Community, but also of the agricultural market situation, the budgetary situation, and other general economic factors.

In addition, special attention must be paid to the proper hierarchy of prices between the different

products: to a satisfactory balance between the varieties produced and those demanded by users; and to the improvement of the quality of produce required by consumers.

For certain products (for example, milk and cereals) it reserves the right to propose the fixing of common prices more in advance (for example, for two marketing years) in order to make the price policy more effective.

22. As regards the level of Community agricultural prices in relation to those applied internally by its competitors on the world market, the Commission notes that in many cases (particularly for milk) the common prices are at about the same level (or in some cases lower) than in other countries. However, particularly in the case of cereals, it continues to advocate a progressive reduction in the gap between Community prices and those of its principal competitors, not only in the interest of a more competitive production of Community cereals (and the elimination of the advantage presently enjoyed by imports of cereals substitutes, for which there is a low or zero level of protection) but also with a view to the importance of cereals and feed costs in the economy of animal production.

23. The application of such a price policy in future years cannot exclude the possibility that, in certain cases where the market situation is particularly difficult, or where the effective application of a guarantee threshold so requires, the common prices expressed in ECU may be frozen or even reduced; and consequently that the Community support prices expressed in national currency may be reduced in nominal terms.

24. The Commission has given particular consideration to the consequences which this new approach to price policy could have in countries with a high rate of inflation. In this context it should be recalled that the Commission's new proposals for the dismantling of monetary compensatory amounts will contribute to a better convergence between agricultural incomes in Member States. In addition, the structural measures developed by the Community, with their efficiency strengthened by a better coordination, as suggested in the special Commission report to the Council, will also contribute to a solution to such problems in the medium term. In the third place, measures which could be taken for the

incomes of small producers (see point 27) will principally benefit farmers in countries with high inflation. Finally, the Commission recalls that a fall in the different rates of inflation must be achieved essentially by the efforts of economic policy to be pursued in these countries.

## Market management

25. In the light of experience, the Commission considers that the rational management of the agricultural markets has encountered difficulties because of the automatic nature of certain instruments (intervention, etc.) which do not permit a flexible reaction to the development of the market situation. It is evident that frequent recourse to decisions at the level of the Council for the management of the agricultural markets is liable to lead to delays, or to linkage with other questions, which are detrimental to the proper execution of the common agricultural policy.

26. In response to the solemn declaration adopted by the Heads of State and Government in Stuttgart on 19 June 1983,<sup>1</sup> which 'confirmed the value of making more frequent use of the possibility of delegating powers to the Commission within the framework of the Treaties', it is the intention of the Commission to propose, in appropriate cases, the delegation by the Council of further powers in the context of agricultural management. The objective is to make the management of the policy more flexible and less automatic, with a view to the most efficient use of the instruments and of the financial resources.

## Incomes of small producers

27. The Commission will propose, in those cases where it would be necessary, further measures to alleviate the possible consequences for the incomes of certain small producers, or producers in certain less-favoured regions. Such measures, which would be defined on a Community basis and limited to producers whose principal income is from agriculture, and whose opportunity for other economic activity is limited, could be financed totally or partly by the Community budget.

It should be noted that measures of this kind are already being implemented. Thus, for example, farmers in hill areas and less-favoured areas

already receive aid under Directive 75/268,<sup>2</sup> to compensate for the natural handicaps and to maintain a farming activity which helps to protect the environment. In the milk sector, the Council adopted in respect of the 1982/83 and 1983/84 marketing years a special aid of 120 million ECU for small-scale milk producers.<sup>3</sup>

## Aids and premiums

28. It is a normal feature of many market organizations that there exist aids and premiums, paid by the Community budget. As can be seen from Annex IV, this category of measures financed by the Guarantee Section of the EAGGF comprises:

- aids with the general objective of supporting producers' incomes;
- aids to offset the difference between the prices for Community production and prices on the world market;
- aids to encourage the sale of Community produce on the internal market; in most cases, these measures are applied to products when similar products are imported free of charge or at low rates of duty.

This type of payment has increased in importance in recent years, and has now overtaken the category 'export refunds' as the largest single category of expenditure from the Guarantee Section of the EAGGF.

29. The Commission has made a systematic examination of the aids and premiums under the market organizations covered by this report, in order to verify their economic justification and to see if their objectives are properly attained. In some cases, the market situation which existed at the time of the original introduction of the measures has changed, and their justification is no longer evident. The Commission therefore makes specific proposals for improvement or discontinuation, as indicated in the product-by-product examination. In addition, the Commission will pursue the examination of the other aids and premiums, particularly those under market

<sup>1</sup> Bull. EC 6-1983, point 1.6.1 *et seq.*

<sup>2</sup> OJ L 128, 19.5.1975.

<sup>3</sup> OJ L 140, 20.5.1982; OJ L 132, 21.5.1983.

organizations not covered in this report, and will propose appropriate measures.

## External trade

30. Faced with difficulties of disposal on its own markets, and increased competition on external markets, the Community must base its agricultural trade policy on a combination of three elements:

- international cooperation with the principal exporting countries, to prevent the deterioration of world prices;
- the development of a policy at the Community level for promoting exports on a sound economic basis;
- the exercise of the Community's international rights, particularly in GATT, for the revision of the external protection system in those cases where the Community is taking measures to limit its own production.

31. The introduction of measures permitting the observance of guarantee thresholds, particularly the participation of producers wholly or partly in the cost of disposal, should permit the agricultural exports of the Community to develop on a sound basis. This will create the necessary conditions for envisaging the conclusion of long-term contracts for the supply of agricultural produce to third countries, particularly certain developing countries which have requested them of the Community in the framework of their policies for food security.

32. As regards agricultural imports, the Community is obliged to re-examine the regimes applicable for the different products, with a view to adapting them to the market situation. In some cases, the Community has contracted international commitments concerning agricultural imports in exchange for reciprocal concessions in the agricultural sector, or other sectors; in these cases, an adjustment of the import regime must take account of the possibilities of negotiation and of the reactions of the Community's trading partners. In other cases, autonomous concessions have been granted for reasons of general commercial policy and foreign policy. Nevertheless, if the Community is to demand greater discipline of its own agricultural producers; it must be prepared to take parallel action in respect of imports and to

ensure a satisfactory observance of Community preference.

## Guidelines for the principal sectors

33. The adaptation of the agricultural policy must be made in accordance with the market conditions prevailing in each product sector; the aim must be not to achieve economies irrespective of the economic and social conditions particular to agriculture, but to streamline expenditure in such a way that the financial resources available are concentrated on the areas where those resources are most needed, where the interest of Community action is most clearly demonstrated, and where budgetary intervention can be most cost-effective.

34. With this objective in mind, the Commission has made a thorough examination of the principal market organizations, and of the measures resulting in expenditure from the Guarantee Section of the EAGGF. In presenting its proposals, the Commission observes that for the most part the adaptations indicated require Council decisions; however, certain measures fall within the competence of the Commission under its own powers. The Commission requests the Council to decide on its proposals before the end of the year, so that they can be applied as from the next agricultural marketing year.

35. In some cases, the adaptations require modification of the administrative procedures and economic instruments hitherto applied by Member States. If there is resistance to making adjustments, or if the administrative difficulties inherent in any such improvements are invoked, this will be seen as an excuse for delaying the necessary decisions. The Commission emphasizes strongly that the improvement of the functioning of the CAP implies the acceptance of change by the Member States. It underlines also that its proposals represent a global package, which cannot be significantly modified without compromising its overall balance.

36. The Commission has examined the economic context of each market organization for which adaptations appear to be required, taking account of all market organizations with a share

of more than 2.0% of the expenditure of the Guarantee Section:

Milk	Oilseeds
Cereals and rice	Olive oil
Beef	Tobacco
Sheepmeat	Wine
Fruit and vegetables	

A descriptive note on each of these market organizations is included in Annex III. The Commission will pursue its examination of market organizations of a lesser importance, not covered in this report, and will, if necessary, propose suitable adaptations.

37. Before coming to the individual products, however, the Commission draws attention to the fact that the sector of milk products presents the most urgent problem. In this sector the trend of annual increase of milk deliveries was about 2.5% in the period from 1973 to 1981, but the annual increase has accelerated in 1982 and 1983 to about 3.5%; meanwhile, consumption in the Community of milk products in all forms, which showed an annual increase of the order of 0.5% in the 1970s, is now tending to stagnate; thus the milk sector is different from other agricultural sectors by virtue of the unremitting and even accelerating divergence of the trends of production and consumption. The volume of milk produced in the Community now exceeds the realistic possibilities for additional disposal, except at rates of subsidy which are hardly acceptable for the Community taxpayer.

38. In its examination the Commission has concluded that, at this stage, adaptations are not necessary in the sugar sector, whose market organization was already revised by the Council in 1981, and renewed for a period of five years.<sup>1</sup> It includes a system of production quotas which gives to producers themselves (beet-growers and sugar-processors) the entire responsibility for financing the disposal of sugar exceeding the Community's internal consumption.

## Milk

### *Guarantee threshold*

39. The market imbalance, already grave when the guarantee threshold was first introduced in

1982,<sup>2</sup> has deteriorated further.<sup>3</sup> World market prospects do not indicate the possibility of further significant increases in the Community's exports. The cost of subsidized disposal on the Community's own markets has reached very high levels. Consumption of milk products within the Community shows signs of stagnation. The Community is therefore faced with the need for radical action to correct the situation.

40. It is evident that the price decisions taken over the last 10 years have not been sufficient to redress the market balance. Although the guarantee threshold has been applied in such a way as to limit severely the 1983/84 milk price increase, this does not appear to have had an effect so far in restraining production. Since milk deliveries in 1983 are now expected to increase by at least 3.5%, the threshold fixed for 1983 will be exceeded by at least 6%. The Commission estimates that, in order to offset fully the additional expenditure likely to arise from the guarantee threshold being exceeded in 1983, the milk price for 1984/85 would have to be abated by as much as 12%. A measure of this kind would evidently have grave and immediate effects on the revenues of producers, while there would be some delay before the full effect on production was achieved.

41. The Commission has considered, as an alternative, an increase in the existing co-responsibility levy in the milk sector (currently applied at the rate of 2%) but with a differentiation of the levy according to the volume produced so as to alleviate the effect on the incomes of small producers. But such a measure, to be both financially and socially efficacious, would involve a differentiation so great as to risk resulting in inequalities between Member States, and could even compromise the unity of the price mechanism.

42. In these conditions, the Commission considers that other modalities for the application of the guarantee threshold must be considered. Experience in developed countries in other parts of the world suggests that, for the control of milk

<sup>1</sup> OJ L 177, 1.7.1981; Fifteenth General Report, point 386.

<sup>2</sup> OJ L 140, 20.5.1982.

<sup>3</sup> Bull. EC 12-1982, points 1.4.3 and 1.4.6; see also *The Agricultural Situation in the Community - 1982 Report* (Official Publications Office, Luxembourg).

production, the only practical alternative to action through the common price mechanism is the application of quotas. The Organization for Economic Cooperation and Development, in which the Community and its Member States participate, has recently conducted an in-depth study of policies in the dairy sector, which concludes:

'There is increasing recognition that the critical state of the international dairy situation calls for more severe measures than have been taken so far. One possibility would be a more drastic reduction in real prices than has been imposed up to now. Another possibility would be the imposition of quotas which effectively reduce supply. A price policy that would bring about market equilibrium would result in a more efficient use of the resources in the economy. It would also have beneficial effects on consumption, though certain social, regional, environmental and other non-economic policy objectives might be imperilled. The second option, the imposition of quotas, might be politically easier to bring about, and though it would not make use of market forces to bring about a reallocation of resources – one of the prime objectives of positive adjustment – it would at least limit the resources used in dairying and hence provide an opportunity for their use elsewhere in the economy. If no efficient measures are taken there would be a risk of bringing about a complete disruption of the international market.'

43. The Commission, having taken into account the gravity of the imbalance in the milk sector, and the economic and social aspects of the situation, is of the view that in future the principle of the guarantee threshold in this sector should be implemented through a quota system, accompanied by a restrictive price policy.

This system should be applied by means of a supplementary levy, analogous to that already suggested by the Commission in its memorandum of October 1981.<sup>1</sup> A reference quantity (quota), corresponding to the concept of the guarantee threshold, would be established for each dairy, based on deliveries in 1981. All deliveries in excess of this quantity would be subject to a supplementary levy, calculated in such a way as to cover the full cost of disposal of the additional milk. The dairies in turn would apply the charge to producers, according to criteria to be fixed in Community legislation.

Such a measure would stabilize milk deliveries without aggravating the problem of the income of small producers. It would have a rapid effect in discouraging additional production; and if pro-

duction increased, it would give sufficient income to cover the cost of disposing of milk in excess of the threshold. In order to avoid undesirable effects on the structure of milk production, and to provide for the possibility of establishing newcomers (such as young farmers), the Commission will propose measures to allow the transfer of quotas from one enterprise to another.

#### *Intensive production*

44. The Commission is concerned that the possibility of increasing output through purchases of concentrated animal feed is leading to the development of 'milk factories' where the connection with the land is diminished. The Commission already suggested in its memorandum of October 1981 the introduction of a special levy on milk from intensive farms, for example, those which deliver more than 15 000 kg per hectare of forage.<sup>1</sup>

The Commission now proposes a levy of this kind, and will submit the detailed measures to the Council at a later stage.

#### *Intervention measures*

45. The problems in the milk sector have been aggravated by the possibility for dairies to rely on intervention purchases as a more or less permanent outlet for production. To restore the balance of the market, the Commission will propose to suspend intervention for skimmed-milk powder for the part of the marketing year extending from 1 October to 31 March. During this period the aids for feeding powder to animals should be sufficient to maintain the stability of the market; or if necessary, powder could be purchased into intervention by tender.

#### *Subsidies for disposal*

46. The cost of disposing of butter on the Community's internal market is high, particularly through general consumer subsidies, because the volume of extra butter consumed as a result of the subsidy (paid on all butter consumed) is relatively

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<sup>1</sup> 'Guidelines for European agriculture', in Supplement 4/81 – Bull. EC.

small. The Commission is conscious of the importance of this measure to consumers, but it does not seem to be fully justified; and it is the consumer, in his capacity as taxpayer, who finally has to bear the cost.

The Commission therefore proposes to eliminate, in two steps, the special subsidy for butter consumption. This will result in some loss of butter consumption, but compensating increases in disposal of milk fat can be obtained by more cost-efficient measures (extension to other foods of the aid for butter used in pastry and ice-cream, introduction of a special aid for whole concentrated milk). The disposal possibilities should also be increased by an increase in the fat content of whole milk for human consumption.

The Commission has decided not to propose a scheme of disposal involving the free distribution of surplus butter in proportion to quantities bought commercially. Experience of such schemes on the retail market, notably with Christmas butter, has shown that consumers simply store the concessionary butter and reduce future purchases accordingly. There is therefore little if any additional butter consumed, despite the very high cost.

#### *Measures for the cessation of production*

47. The Commission will pursue the examination of measures to allow certain farmers to give up milk production. In view of the difficulties (and even fraud) encountered in the past, additional technical studies will be necessary to ensure that such a programme can be conducted successfully, with positive results in cost-benefit terms.

#### *External trade*

48. The Commission has examined the question of imports of New Zealand butter, for which the special arrangements expire at the end of 1983.<sup>1</sup> Bearing in mind the trend in butter consumption, especially on the United Kingdom market, a reduction in the import quantities could be envisaged. However, although this would permit additional disposal of Community butter on the Community market, the imported butter thus displaced would enter into competition with Community butter on the world market.

The Community has to take account of the overall balance of economic and commercial interest which it has in continuing such an arrangement with New Zealand, which is a major supplier of the world market for dairy products; since the level of world dairy prices has a direct impact on the Community budget, cooperation for the stabilization of prices in this sector can be of mutual benefit. If the advantages to be gained by the Community from this cooperation balance the costs of these special imports, the arrangements for imports of New Zealand butter should be continued. The Commission will present a separate communication and proposals on this matter to the Council shortly.

#### **Cereals and rice**

##### *Guarantee threshold*

49. A guarantee threshold was first fixed in this sector for 1982/83, at the level of 119.5 million tonnes.<sup>2</sup> The Council decided that, if average production of cereals (excluding durum wheat) in the three most recent seasons exceeded the threshold, the intervention price would be abated. However, it also decided that, if imports of cereals substitutes exceeded 15 million tonnes, the guarantee threshold would be increased accordingly. Since the threshold for 1982/83 was exceeded, the increase in the intervention price for 1983/84 was abated by 1%.<sup>3</sup>

The threshold fixed for 1983/84 is 120.56 million tonnes.<sup>4</sup> Taking account of the harvest prospects, and the level of imports of cereals substitutes, it is unlikely that the threshold will be exceeded in the coming season.

50. A prerequisite for implementing the guarantee threshold in future is a rapid and effective limitation of imports of substitutes. The Community has already stabilized the import of manioc and brans; and the import of molasses is subject to a threshold price fixed in the framework of the sugar market organization. As regards corn gluten feed and citrus pellets, the limitation can be

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<sup>1</sup> OJ L 76, 22.3.1983.

<sup>2</sup> OJ L 164, 14.6.1982; Bull. EC 5-1982, point 2.1.79.

<sup>3</sup> Bull. EC 12-1982, point 1.4.5.

<sup>4</sup> OJ L 163, 22.6.1983; Bull. EC 5-1983, point 2.1.94.

achieved by the Community by using its rights under GATT. These rights, and their conditions of application, are:

#### **Article 11**

Quantitative restriction of imports (restriction of imports in connection with the limitation of the production of an animal product, which fully or substantially depends on the imported product: the domestic production of this imported product should be negligible).

#### **Article 19**

Safeguard clause (unexpected and unproportional development of imports; injury for domestic producers of similar or competing products; compensation).

#### **Article 28**

Modification of a binding (compensation).

The Commission will therefore propose one or other of these solutions, in the light of the particular situation of each product and of the possibilities of negotiation with supplier third countries.

#### *Price policy*

51. The Commission proposes that the speeding-up of the narrowing of the gap between its prices and those applied by its main competitors should be an objective in its future proposals for common prices for cereals.

If this objective is not attained by the prices policy, the Community will then have to consider, in spite of the administrative difficulties which such a solution would create, imposing a levy on cereals to cover all or part of the cost of exports.

To achieve a proper price relationship between different qualities of wheat, and thus obtain economies in expenditure on intervention and exports, there should be a reduction in the gap between the intervention price for minimum quality bread-making wheat and feed wheat. The present gap is 10%, and the correct gap (taking into account nutritional value) would be 5%.

With the same objective, there should be a reinforcement of quality standards for barley and wheat for use inside the Community and for export.

#### *Durum wheat*

52. Since the Community is now reaching self-sufficiency in this product, the Commission considers that it would be prudent to introduce a guarantee threshold. It will make the necessary proposals for application from the 1984/85 marketing year.

In order to discourage excessive recourse to intervention for durum wheat, the Commission will propose to apply intervention in this sector in the same way as for bread-making wheat.

#### *Rice*

53. The Commission will propose a prices policy that is modulated for the different varieties in order to encourage those for which there is real demand from European consumers, but without giving any advantage to imports of rice.

#### **Beef**

##### *Guarantee threshold*

54. Although the Community's beef production tends to follow a cyclical pattern, the long-term trend is for an increase of between 0.5% and 1% a year; meanwhile, consumption of beef is expected to stagnate because of competition from lower-priced meats and the limited growth in purchasing power of consumers. The Community has passed during the last decade from a situation of deficit to a position as a net exporter of beef.

In these circumstances, the Commission is concerned about the risk of future market imbalance in this sector. It reserves the possibility of proposing a guarantee threshold at a future date, if economic conditions justify its introduction. For the moment, it considers that the adaptation of the market organization could be limited to the following measures.



### *Intervention measures*

55. The intervention measures should be adapted, so as to conform more to market realities. The Commission will submit proposals to:

- restrict purchases to whole and half-carcases during two autumn months (peak period for slaughtering); limit purchases of forequarters to five summer months, and of hindquarters to five winter months;
- apply the carcase classification grid to purchases from 1 January 1984, on the basis of the prices already proposed by the Commission in March 1983; this will have the effect of reducing purchase prices in Member States now having high coefficients and possibly increasing prices in those having low coefficients;
- terminate all national exemptions (exemptions for 'stop and go', for packaging, etc.).

### *Premiums*

56. The system of premiums should be adapted in the following way:

- non-renewal of calf premiums, which were introduced 10 years ago to arrest the decline of herds in Italy, and were subsequently extended for other reasons to Greece, Ireland and Northern Ireland. Since the introduction of this measure, the market situation has changed markedly, and there are large public stocks of beef in several Member States, including Italy and Ireland. Its economic justification is therefore no longer valid in terms of the market organization. Moreover, the premium also applies to calves of dairy herds, and thus encourages milk production. The Commission will not therefore propose continuation of the premiums for the 1984/85 marketing year. At the same time, and for the same reasons, the import commitment for young calves for fattening should be implemented each year in a more flexible manner. It should be noted that measures in favour of beef producers in the Mediterranean regions are included in the proposed integrated programmes; and calves from specialized beef herds will continue to benefit from the suckler cow premium;
- termination of variable premiums applied in the United Kingdom from the beginning of the 1984/85 marketing year. This measure, which is a partial alternative to intervention, presents

numerous disadvantages because it is applicable in only one Member State, thus creating problems of competition; its modalities (payable on heifers, and on whole carcases) have also led to difficulties:

- continuation of suckler cow premium at its current level. This should henceforth be considered as the single Community premium, for the encouragement of specialist beef producers.

### *External trade*

57. The Commission considers that the import concessions for beef, including the autonomous concessions, should be adapted in keeping with the market situation and taking account of current international agreements and of reciprocal concessions granted to the Community.

Thus, for example, the determination of the annual estimates of the quantities of frozen beef for manufacturing, and of the number of calves for fattening, should be handled more flexibly, taking account of market conditions and the internal needs of the Community. The volume of imports of Alpine breeds could also be reviewed.

### **Sheepmeat**

#### *Premiums*

58. The principal expenditure in this sector, where a market organization was introduced only in 1980, arises from the payment of premiums to producers. The Community's level of self-sufficiency in sheepmeat is low. In view of the risk of further increases in expenditure, the Commission is of the view that the system of premiums should be modified in an appropriate way, without however radically changing the market conditions.

The Commission will therefore propose that, as from the 1984/85 marketing year, the system of premiums should be adapted in the following way:

- limitation of the variable premium applied in the United Kingdom to a certain proportion of the reference price. This would result in a corresponding increase in market prices, sufficient to maintain producers' revenue;

- application of the ewe premium according to strict criteria. There should be no advance payment of the premium.

#### *External trade*

59. The Commission considers that there should be an examination of the possibility of negotiation of a reduction in the quantities to be imported in the framework of the voluntary restraint arrangements with third countries, and at the same time the introduction of a minimum import price. Such an adaptation could lead to a reduction of Community expenditure in this sector, as a result of the strengthening of the market price, while maintaining the receipts enjoyed on the Community market by third country suppliers.

#### **Fruit and vegetables**

60. The market organization in this sector covers both fresh and processed products.

It should be borne in mind that the Council is already discussing the Commission's proposals concerning the *acquis communautaire* for fruit and vegetables in view of enlargement,<sup>1</sup> and proposals modifying the market organization for processed fruit and vegetables.<sup>2</sup>

The guidelines indicated below are therefore put forward without prejudice to the Council's decisions on these matters.

#### *Guarantee thresholds*

61. A guarantee threshold is already fixed for processed tomatoes at the level of 4.5 million tonnes of fresh tomatoes processed. A guarantee threshold is already proposed for dried grapes.<sup>2</sup> For processed pears, an analogous measure exists by virtue of the limitation of the aid to a certain quantity.

#### *Prices*

62. A restrictive price policy is particularly important in this sector, to avoid the development of excessive intervention, withdrawals and other expenditure.

#### *Aids and premiums*

63. With a view to the market situation, the Commission proposes to adapt the system in the following way:

- the system of aids for processing fruit withdrawn from the market into juice for free distribution has met with problems of cost and control. It would be advisable to discontinue this measure;
- the aids for processing oranges into juice are presently paid for all quality classes of oranges, which has had the result that a large quantity of Class I produce, normally destined for human consumption, has gone for processing. It would be advisable in future to limit the aids to Class II. The method of calculation of the aid should also be revised;
- the aids for processed cherries have mostly been paid on produce from non-Mediterranean Member States, despite the fact that this regulation was originally destined for produce of importance to the Mediterranean regions. Since the objective of the measure has not been attained, it would be advisable to discontinue it.

#### **Oilseeds**

64. This sector is characterized by the fact that the Community is below self-sufficiency, but nevertheless bears high and increasing costs due to the deficiency payments system which results from the duty-free regime for imports.

#### *Guarantee thresholds*

65. For colza and rapeseed there exists a guarantee threshold, fixed at 2.15 million tonnes for 1982/83 and 2.29 million tonnes for 1983/84. If production exceeds the threshold, the target price is abated. For 1983/84 the price increase was therefore limited to 4% (abatement of 'norm' increase of 5.5%). The Commission considers that the guarantee threshold should continue to be applied in this way, with a further abatement of the price to be proposed for 1984/85 if the

<sup>1</sup> OJ C 281, 4.11.1981; OJ C 74, 18.3.1983; Bull. EC 2-1983, points 2.1.86 to 2.1.88.

<sup>2</sup> OJ C 94, 8.4.1983; Bull. EC 3-1983, point 2.1.119.

threshold is exceeded. In addition, the Commission is studying the possibility of introducing in the oilseeds sector a system of minimum prices in place of the intervention system now in force.

For sunflower seed the Commission is of the view that a guarantee threshold should be introduced as from the 1984/85 marketing year, to avoid the risk of a too rapid increase in expenditure resulting from the expansion of production.

### *Prices*

66. Since the 'double zero' varieties of rapeseed are better adapted for use in animal feed, the prices for the other varieties should be reduced.

### **Olive oil**

#### *Prices and intervention*

67. The Commission considers that the Community should discourage excessive recourse to intervention by increasing the gap between the target price and the intervention price, and by reinforcing the conditions for intervention.

#### *Production aid*

68. There is a serious problem of control of the payment of the production aid in this sector. The Commission has drawn up proposals for improving the control of the payment by producer groups. If these measures prove ineffective, the Commission will be obliged to resort to arrangements under which responsibility for payment and control will be delegated entirely, under its supervision, to the national administrations, thus excluding producers' organizations from administering the aid.

Since production is spread among a large number of producers, many of them farming on a very small scale, the Commission is of the view that the burden of control of payment of the production aid could be alleviated in the following way:

- flat-rate payment for small producers (those with less than half a tonne of oil, or equivalent quantity of olives);

- for other producers, payment according to the real volume of production, with strict control of application;

- possibility for small producers to take the second option, if satisfactory control is assured.

### **Tax on oils and fats**

69. The development of the market in oils and fats in the Community is giving rise to increasingly serious imbalances. A comprehensive policy for the market in oils and fats is essential if the situation is to become healthier.

Apart from factors peculiar to the Community, notably the price policies which have been pursued, it should be stressed that the arrival of imported products free of duty has added to the imbalance in the market situation as between olive oil and other vegetable oils on the one hand and butter and other fats on the other.

This has had two consequences for the common agricultural policy:

- the consumption of butter and olive oil has fallen;
- it has pushed up costs in the oils and fats sector.

In order to restore balance on the market the Community has already applied remedial measures in the form of a coresponsibility levy on milk and a guarantee threshold for milk and oilseeds, which has resulted in a lowering of institutional prices.

Similarly, it has restricted aids for the production of olive oil to trees planted before a certain date.

If the Community reinforces these measures by introducing a supplementary levy on milk, and thus an internal check on butter production, it must supplement its measures for re-establishing balance on the market in oils and fats by introducing a non-discriminatory internal tax on the consumption of oils and fats other than butter, irrespective of their origin. Such a tax would be in conformity with the international commitments of the Community.

In this connection the Commission proposes introducing such a tax, therefore, which would yield around 600 million ECU.

The Commission will propose in the near future detailed rules for implementing this measure.

## **Tobacco**

70. A prudent price policy is particularly important in this sector. For varieties for which there is little demand, prices and premiums should be frozen, so as to encourage conversion to other varieties for which there is a market.

This objective should be assisted by appropriate structural measures.

## **Wine**

71. The Commission recalls that the Council recently adopted important changes in the *acquis communautaire* for wine, in view of enlargement.

### *Limitation of planting*

72. The Commission would point out that the restoration of long-term balance on the market in table wine will be determined primarily by strict observance of the limits on the planting of vines imposed by the Community regulation. It requests the Member States to do all in their power to ensure that these provisions are observed.

### *Prices*

73. Taking account of the long-term trend of production, which has been increasing while consumption has been declining, the Commission believes that a prudent policy must be followed in fixing prices.

It is necessary to reduce the excise duties on wine in certain Member States, in order to encourage consumption and to compensate for the decline in consumption in the traditional wine-producing countries.

### *Quality and aids*

74. The Commission will make proposals to increase the natural minimum alcohol content of wine, in order to improve the quality. It also considers it desirable to ensure the use of concentrated must, in place of sugar, for increasing the alcohol content of wine; it will therefore

propose to prohibit the use of sugar, which would permit the discontinuation of the aid for the use of concentrated must (except for the making of grape juice) and thus allow a saving of expenditure.

### *Intervention measures*

75. Certain measures in this sector could be adapted, or made more effective. The Commission proposes to:

- discontinue the aid for short-term storage for wine, since the economic justification for this measure is no longer evident in view of the availability of aids for long-term storage;
- improve the quality of wine marketed, by increasing the rate for compulsory distillation of by-products of wine from 8% of the quantity harvested to 10%;
- permit the more rapid and effective application of compulsory preventive distillation of wine, by fixing a specific threshold (e.g. five months' volume of availabilities) for triggering action, and by establishing precise criteria to ensure correct declaration of availabilities by Member States.

## **Monetary compensatory amounts**

76. For the agrimonetary system, the Commission proposes amending Regulation No 71/974 so that the MCAs can be dismantled in a more stringent and automatic manner.

Any monetary compensatory amount introduced after the entry into force of the new regulation would be eliminated in three stages by altering the green rate. The stages would be as follows:

- one third would be eliminated on the introduction of new monetary compensatory amounts;
- one third at the beginning of the marketing year immediately following the introduction of new MCAs; and
- one third at the beginning of the second marketing year following the introduction of the MCAs.

MCAs existing at the time of entry into force of the new regulation would be dismantled by

altering the green rate in two identical stages at the beginning of the two following marketing years. By way of derogation from the provisions set out above, the Commission could propose to the Council the more speedy dismantling of negative compensatory amounts.

This system would have the advantage of ensuring a precise and foreseeable dismantling over a relatively short period. It would result in increases in prices in national currency in the case of negative MCAs, and reductions in prices in the case of positive MCAs. To avoid harmful effects on the incomes of farmers in Member States with positive MCAs, aids on a degressive basis could be introduced as a transitional measure.

77. The Commission has also examined, but not adopted, a solution under which the MCAs would be calculated by reference to the green rate of the strongest currency. The results at the time of the changeover would be:

- no change in the price level in national currency, since there would be no change in green rates;
- the disappearance of all positive MCAs;
- the application of negative MCAs for all Member States other than that with the strongest currency, for which the MCA would be zero.

This arrangement would avoid the difficult problem of dismantling positive MCAs but would introduce negative MCAs, at a relatively high level, at least at the time of changeover. If the negative MCAs were adjusted too speedily, it could result in an inflationary pressure in the Member States in question. Moreover, this system would amount to the introduction of a green ECU.

78. Furthermore, in accordance with the undertaking given on the adoption of the decisions on prices for the 1983/84 marketing year, the Commission will examine and propose at a later stage certain amendments to the rules for calculating MCAs.

## Complementary measures

79. The measures hitherto outlined, concerning the market organizations and monetary amounts,

must be seen in the more general context of the actions already undertaken or proposed within the framework of the CAP and other Community policies. It would be an error to consider the price and markets policy in isolation from the other efforts of the Community to contribute to solving the problems of rural areas; indeed, if the Community is to find enduring solutions to these problems, it must put relatively more emphasis on long-term structural action, rather than on market intervention and price support.

The Commission recalls that, in addition to the measures considered in the present document, decisions should be taken on the following matters:

- the introduction of integrated programmes for the Mediterranean regions;<sup>1</sup> the Commission demands that the Council should examine without delay its proposals, which aim at integrating these regions into the general economy through agricultural and other actions;
- the renewal and adaptation of the principal socio-structural directives for agriculture,<sup>2</sup> which expire at the end of this year: the Commission will make the necessary proposals in September 1983;
- the general improvement of the efficacy of the structural Funds (Regional Fund, Social Fund, Guidance Section of the EAGGF), on which the Commission now transmits a separate communication to the Council.<sup>3</sup>

80. It is also necessary to emphasize the importance of action in the fields of:

- financial control;
- removal of internal barriers to trade;
- scrutiny of national aids.

## Financial control

81. Application of agricultural regulations in Member States has in a number of cases been defective, leading not only to opportunities for deliberate fraud and unlawful expenditure, but also to the ineffective use of market instruments.

<sup>1</sup> Bull. EC 3-1983, points 1.3.1 to 1.3.13 and 3.4.1 to 3.4.3.

<sup>2</sup> OJ L 96, 23.4.1972; OJ L 193, 3.7.1982.

<sup>3</sup> Supplement 3/83 – Bull. EC.

The Commission asks the Member States to assume to the full their national responsibility under the Community regulations and under Commission supervision in order to achieve greater rigour in administering the Community's financial resources.

The Commission has made new proposals in this document, for certain sectors, for the control of the organization of markets.

It will propose joint arrangements involving both national and Community administrations and will seek to increase the Commission's powers for dealing with problems which have emerged in certain specific sectors.

The Commission points out that it has already made horizontal proposals to the Council for improved control;<sup>1</sup> it is a matter of urgency that the Council adopt its position on these proposals quickly.

Lastly, the Commission would point out that it has adopted internal measures to speed up the procedures for clearing accounts.

It wishes to stress that it will apply the clearance procedure strictly in order to disallow expenditure which has not been incurred in full compliance with Community rules.

### **Internal barriers to trade**

82. The Commission will continue to carry out its obligations under the Treaty to ensure the free flow of trade in the agricultural sector, and to ensure that Member States assume fully their responsibilities in this regard. The Commission considers that there should be no further delay in harmonizing laws. Consequently, it requests the Council to draw up a strict timetable so that progress can be achieved in this area. It also requests it to give the necessary priority to its work in the veterinary, plant health and other areas, in view of the current proliferation of barriers to trade in those areas.

### **National aids**

83. The Commission recalls that for some years now it has been insisting that Member States should see to it that the rules regarding national aids for agriculture are more strictly observed.

It will continue to examine closely new aid proposals and existing aids to ensure that they are in compliance with the Treaty. It wishes to point out that aids which are not in conformity with the Treaty are especially harmful to competition and to trade within the common agricultural market. Such aids introduce an element of discrimination between Member States in relation to the economic and budgetary capabilities of each of them.

For these reasons, it will exercise fully its right under the Treaty in the event of infringements, including the right of recourse to financial penalties (the reimbursement of payments collected by recipients, the refusal of EAGGF expenditure in the market sectors concerned).

### **Financial guidelines**

84. In its report of June 1981 to the Council, pursuant to the mandate of 30 May 1980,<sup>2</sup> the Commission, after having presented the guidelines it recommended for the common agricultural policy, observed that if its guidelines were adopted, their effective implementation would result in agricultural expenditure increasing less rapidly in the future than the Community's own resources. This question was discussed both at the European Council at London in 1981<sup>3</sup> and at Stuttgart in 1983.<sup>4</sup>

The amendments to the rules on the common organization of markets proposed by the Commission constitute a global package based on the report to the Council of June 1981. It considers it essential that the Council should accept this package. The Commission, for its part, is determined to adopt a qualitative approach which will guide it in its own management, namely that the rate of growth of agricultural expenditure (as an average calculated over a number of years) remains below that of the Community's own resources.<sup>5</sup> It recommends that the Council adopt for itself the same guideline.

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<sup>1</sup> OJ C 79, 31.3.1982.

<sup>2</sup> Supplement 1/81 – Bull. EC.

<sup>3</sup> Bull. EC 11-1981, points 1.1.1 to 1.1.13.

<sup>4</sup> Bull. EC 6-1983, points 1.5.1 to 1.5.24.

<sup>5</sup> Account will have to be taken when calculating the rate of growth of potential own resources of any alteration of the basis for those resources in terms of comparable bases before and after the change.

The reference to an average calculated over several years will allow account to be taken of cases of the erratic development of conditions in which the common agricultural policy is implemented.

85. In addition, and in any case, the Commission proposes that special rules of procedure be adopted ensuring strict budgetary discipline in the management of the agricultural policy. These procedures should be applied to decisions having a decisive effect on the volume of agricultural expenditure, i.e. decisions on agricultural prices which the Agricultural Council must adopt each year on a proposal from the Commission, a proposal in support of which the Commission presents its estimates of the cost to the budget for the current financial year and in a full year.

The Commission proposes that the Council adopt the following rule: 'if the Agricultural Council is likely, in the opinion of the Commission, to exceed the costs proposed by the Commission, the final decision must be referred to a special Council meeting attended by the Ministers for Finance and the Ministers for Agriculture, and can only be adopted at that special meeting.'

86. The Commission also proposes the following measures which are designed to ensure the more effective and more transparent administration of agricultural expenditure:

- Firstly, that each year an appropriations reserve is entered in Chapter 100 of the budget for the EAGGF Guarantee Section to cover any economic uncertainties during the financial year. The conditions for releasing this reserve would have to be determined in such a way as to ensure that it is used only in properly established cases of necessity.
- Secondly, that EAGGF guarantee appropriations which are not used during a budget year are carried forward automatically to the Guarantee Section of the EAGGF for the following budget year.

#### **Financial consequences of the measures proposed**

87. A financial evaluation of the measures for the rationalization of the CAP proposed in this document depends on a large number of hypotheses concerning the future development of the

market, both within and outside the Community, the development of exchange rates, etc. In many cases, the determining factors are not in the control of the Community institutions. For these reasons, as is well known, all budgetary estimates for agriculture for a period of two or three years in advance are subject to serious reserves.

Nevertheless, the Commission considers that the following general indications can be given. If the measures proposed are adopted with effect from the 1984/85 marketing year, they will have an effect in that year, and an increasing effect in succeeding years, in reducing agricultural expenditure below what it would otherwise have been. The orders of magnitude of the effects of the measures proposed would be:

- 1984/85 marketing year: 2 500 million ECU less;
- 1985/86 marketing year: 2 900 million ECU less;
- 1986/87 marketing year: 3 200 million ECU less.

#### **Conclusion**

88. The Commission considers that the adaptation of the common agricultural policy in a long-term framework, on the lines indicated in the present document, will permit the rational development of the Community's agricultural potential in accordance with the objectives of the Treaty, while respecting the need for efficient use of the Community's financial resources.

89. The modification of agricultural regulations, adopted after arduous compromises, will not be easy. It will require difficult decisions on the part of the Community institutions, and a readiness by all parties to make concessions and sacrifices in the interest of safeguarding the operation of the CAP. It may result in some cases in transfers of charges between the different social and political groups concerned: taxpayers, farmers, consumers, processors, Member States, third countries. To make adjustments of this kind is not a technical matter: it is a question of political choice. To rationalize and streamline a policy for the agriculture of 10 (and soon 12) Member States, after more than 20 years of development, requires imagination and political will.

90. The Commission believes that, in the present conjuncture of the European Community, the determination exists to make the necessary adaptations. The Commission also warns that, unless decisions are now taken, there will be negative consequences not only for the agricultural policy but for the development of the Community itself. That is why it recommends to the Council a programme, set out in the present

document, for the rationalization of the common agricultural policy. The Commission, for its part, will present formal proposals, particularly for prices, only in strict conformity with the lines indicated in this document. There is general agreement that changes are necessary: and rational changes can validate, not weaken, the fundamental objectives of the Community in the coming years.



## **Annexes**



## *Annex I*

### **Extract from Declaration adopted by the European Council in Stuttgart on 18 June 1983**

The basic principles of the common agricultural policy will be observed in keeping with the objectives set forth in Article 39 of the Treaty establishing the EEC. The common agricultural policy must be adapted to the situation facing the Community in the foreseeable future, in order that it can fulfil its aims in a more coherent manner.

The following questions will in particular be examined:

- price policy,
- guarantee thresholds, in relation to objectives for production,
- coresponsibility of producers,
- intervention arrangements,
- export refund arrangements,
- substitutes and Community preference,
- monetary compensatory amounts,
- aids and premium arrangements,
- internal barriers to trade,
- type and size of farms, and particular situations of various categories of farmers,
- the need for strict financial guidelines,
- external agricultural policy,
- special problems arising in certain regions, such as in the Mediterranean regions, in mountain areas or other regions at a disadvantage because of natural or economic features.

The examination will result, among other things, in concrete steps compatible with market conditions being taken to ensure effective control of agricultural expenditure by making full use of available possibilities and examining all market organizations.

All Member States must contribute to achieving the savings.

## Trend of EAGGF Guarantee Section expenditure and trend of own resources

## Trend of expenditure by sector since 1973

(million ECU)

Sectors	EC 9								EC 10			
	1973 (12 months)	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 <sup>1</sup>	1984 <sup>2</sup>
Cereals	1 051.4	383.0	589.3	655.9	629.9	1 112.5	1 563.8	1 669.5	1 921.4	1 824.5	2 474	2 590
Rice	10.1	1.0	3.4	18.4	13.5	17.9	42.9	58.7	21.7	50.3	81	92
Sugar and isoglucose	141.2	106.1	271.2	229.3	598.4	878.0	939.8	575.2	767.5	1 241.8	1 433	1 417
Olive oil	246.2	109.5	158.7	143.4	177.1	182.1	388.2	317.9	442.7	493.1	676	773
Oilseeds	84.3	10.6	29.1	103.7	91.4	142.7	217.8	369.4	582.7	720.7	968	1 100
Protein products	—	3.7	11.4	15.4	13.8	43.9	61.9	60.5	65.4	82.8	109	126
Textile fibres and silkworms	7.0	12.0	15.0	20.7	14.8	15.9	18.1	17.2	72.2	116.4	166	193
Fresh fruit and vegetables	31.1	57.6	67.6	174.7	154.8	70.0	151.6	195.1	220.8	358.4	371	350
Processed fruit and vegetables	0.6	0.9	5.0	10.4	23.4	30.7	291.2	492.2	420.3	555.9	718	695
Wine	11.1	41.0	141.3	133.8	89.9	63.7	61.9	299.5	459.4	570.6	638	588
Tobacco	124.5	166.4	200.5	185.4	205.2	216.1	225.4	309.3	361.8	622.6	668	745
Other sectors or products (seeds, hops, bee-keeping)	20.7	20.7	32.4	40.1	28.0	31.4	40.2	38.2	46.7	53.4	63	55
Milk & milk products	1 583.6	1 257.9	1 193.7	2 277.7	2 924.1	4 014.7	4 527.5	4 752.0	3 342.8	3 327.7	4 723	5 006
— Expenditure before coresponsibility	(1 583.6)	(1 257.9)	(1 193.7)	(2 277.7)	(2 948.2)	(4 170.8)	(4 621.6)	(4 974.9)	(3 821.3)	(3 865.0)	(5 242)	(5 556)
— coresponsibility levy	(—)	(—)	(—)	(—)	(— 24.1)	(— 156.1)	(— 94.1)	(— 222.9)	(— 478.5)	(— 537.3)	(— 519)	(— 550)

Beef and veal	18.3	322.1	923.3	615.9	467.7	638.7	748.2	1 363.3	1 436.9	1 158.6	1 479	1 399
Sheepmeat and goatmeat	—	—	—	—	—	—	—	53.5	191.5	251.7	360	351
Pigmeat	107.2	69.7	56.9	29.0	37.3	45.0	104.9	115.6	154.6	111.7	180	197
Eggs and poultry	25.5	18.2	9.4	15.1	25.6	38.1	79.5	85.5	83.9	103.9	125	128
Non-Annex II products	27.7	13.7	23.9	67.0	136.3	208.5	252.2	221.3	282.4	414.4	320	327
<b>Total CMO<sup>3</sup></b>	<b>3 490.5</b>	<b>2 594.1</b>	<b>3 732.1</b>	<b>4 735.9</b>	<b>5 631.2</b>	<b>7 749.8</b>	<b>9 715.1</b>	<b>10 993.6</b>	<b>10 874.7</b>	<b>12 058.5</b>	<b>15 552</b>	<b>16 132</b>
Accession compensa- tory amounts	289.1	346.4	444.8	402.0	201.1	27.2	0.2	0.1	0.1	0.4	1	1
<b>Total CMO + ACAs<sup>4</sup></b>	<b>3 779.6</b>	<b>2 940.5</b>	<b>4 176.9</b>	<b>5 137.9</b>	<b>5 832.3</b>	<b>7 777.0</b>	<b>9 715.3</b>	<b>10 993.7</b>	<b>10 874.8</b>	<b>12 058.9</b>	<b>15 553</b>	<b>16 133</b>
Monetary compensa- tory amounts	147.4	153.5	335.6	438.2	989.3	880.3	708.4	298.5	238.3	312.7	416	367
<b>CMO + ACAs + MCAs<sup>5</sup></b>	<b>3 927.0</b>	<b>3 094.0</b>	<b>4 512.5</b>	<b>5 576.1</b>	<b>6 821.6</b>	<b>8 657.3</b>	<b>10 423.7<sup>6</sup></b>	<b>11 292.2</b>	<b>11 113.1</b>	<b>12 371.6</b>	<b>15 969</b>	<b>16 500</b>
Final settlement previous financial years									- 160.9		- 108	
<b>General total</b>	<b>3 927.0</b>	<b>3 094.0</b>	<b>4 512.5</b>	<b>5 576.1</b>	<b>6 821.6</b>	<b>8 657.3</b>	<b>10 423.7</b>	<b>11 292.2</b>	<b>10 952.2</b>	<b>12 371.6</b>	<b>15 861</b>	<b>16 500</b>
Payment of arrears CMO fisheries	1.3	1.2	10.0	11.0	8.8	15.4	17.0	23.0	28.0	34.0	37.05	42.9

<sup>1</sup> 1983 budget (14 050 million ECU) + preliminary draft supplementary budget No 2/1983 (+ 1 811 million ECU).

<sup>2</sup> Preliminary draft budget.

<sup>3</sup> Common market organizations.

<sup>4</sup> Accession compensatory amounts.

<sup>5</sup> Monetary compensatory amounts.

<sup>6</sup> Including 6 million ECU for final settlement of previous financial years.

## Trend of expenditure by sector since 1973

(%)

	EC 9								EC 10			
	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 <sup>1</sup>	1984 <sup>2</sup>
Cereals	26.8	12.4	13.0	11.8	9.2	12.9	15.0	14.8	17.3	14.8	15.5	15.7
Rice	0.3	p.m.	0.1	0.3	0.2	0.2	0.4	0.5	0.2	0.4	0.5	0.5
Sugar & isoglucose	3.6	3.4	6.0	4.1	8.8	10.1	9.0	5.1	6.9	10.1	9.0	8.6
Olive oil	6.3	3.5	3.5	2.6	2.6	2.1	3.7	2.8	4.0	4.0	4.2	4.7
Oilseeds	2.1	0.4	0.6	1.8	1.3	1.6	2.1	3.3	5.2	5.8	6.1	6.7
Protein products	—	0.1	0.3	0.3	0.2	0.5	0.6	0.5	0.6	0.7	0.7	0.8
Textile fibres and silkworms	0.2	0.4	0.3	0.4	0.2	0.2	0.2	0.2	0.7	0.9	1.0	1.2
Fresh fruit and vegetables	0.8	1.9	1.5	3.1	2.3	0.8	1.4	1.7	2.0	2.9	2.3	2.1
Processed fruit and vegetables	p.m.	p.m.	0.1	0.2	0.3	0.4	2.8	4.4	3.8	4.5	4.5	4.2
Wine	0.3	1.3	3.1	2.4	1.3	0.7	0.6	2.7	4.1	4.6	4.0	3.6
Tobacco	3.2	5.4	4.5	3.3	3.0	2.5	2.2	2.7	3.3	5.0	4.2	4.5
Other sectors or products (seeds, hops, bee-keeping)	0.5	0.7	0.7	0.7	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.3
Milk & milk products	40.3	40.7	26.5	40.9	42.9	46.4	43.4	42.1	30.1	26.9	29.6	30.3
— Expenditure before coresponsibility	(40.3)	(40.7)	(26.5)	(40.9)	(43.2)	(48.2)	(44.3)	(44.1)	(34.4)	(31.2)	(32.8)	(33.6)
— Coresponsibility levy	(—)	(—)	(—)	(—)	(— 0.3)	(— 1.8)	(— 0.9)	(— 2.0)	(— 4.3)	(— 4.3)	(— 3.2)	(— 3.3)

Beef and veal	0.5	10.4	20.5	11.0	6.9	7.4	7.2	12.1	12.9	9.4	9.3	8.5
Sheepmeat and goatmeat	—	—	—	—	—	—	—	0.5	1.7	2.0	2.2	2.1
Pigmeat	2.7	2.2	1.3	0.5	0.5	0.5	1.0	1.0	1.4	0.9	1.1	1.2
Eggs and poultry	0.6	0.6	0.2	0.3	0.4	0.4	0.4	0.8	0.8	0.8	0.8	0.8
Non-Annex II products	0.7	0.4	0.5	1.2	2.0	2.4	2.4	2.0	2.5	3.4	2.0	2.0
<b>Total CMO</b>	<b>88.9</b>	<b>83.8</b>	<b>82.7</b>	<b>84.9</b>	<b>82.5</b>	<b>89.5</b>	<b>93.2</b>	<b>97.4</b>	<b>97.9</b>	<b>97.5</b>	<b>97.4</b>	<b>97.8</b>
Accession compensa- tory amounts	7.4	11.2	9.9	7.2	3.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total CMO + ACAs</b>	<b>96.3</b>	<b>95.0</b>	<b>92.6</b>	<b>92.1</b>	<b>85.5</b>	<b>89.8</b>	<b>93.2</b>	<b>97.4</b>	<b>97.9</b>	<b>97.5</b>	<b>97.4</b>	<b>97.8</b>
Monetary compensa- tory amounts	3.7	5.0	7.4	7.9	14.5	10.2	6.8	2.6	2.1	2.5	2.6	2.2
<b>CMO + ACAs + MCAs</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Final settlement previous financial years									- 1.4		- 0.7	
Payment of arrears CMO fisheries			0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.3	0.2	0.3

<sup>1</sup> Figures for the preparation of preliminary draft supplementary and amending budget No 2/1983.

<sup>2</sup> Preliminary draft budget.

*Annex II (contd)*

*Trend of guarantee expenditure<sup>1</sup> by economic nature*

	Total Guarantee (CMO + ACAs + MCAs) <sup>1,2</sup>	Export refunds	Storage <sup>2</sup>	Aids <sup>2,3</sup>	Other (distillation and withdrawals)	Coreresponsi- bility receipts from milk
	million ECU					
1979	10 441	4 982	1 658	3 779	116	- 94
1980	11 315	5 695	1 617	3 928	298	- 223
1981	11 141 *	5 209	1 631	4 343	436	- 478
1982	12 406	5 054	1 818	5 468	603	- 537
1983 (Budget)	14 087	6 388	1 874	5 941	468	- 584
(Supplementary and amending budget No 2/83	16 006 *	6 083	2 862	6 971	609	- 519
1984 (preliminary draft budget)	16 543	6 596	3 159	6 814	524	- 550
	(in %)					
1979	100	47.7	15.9	36.2	1.1	- 0.9
1980	100	50.4	14.3	34.7	2.6	- 2.0
1981	100	46.8	14.6	39.0	3.9	- 4.3
1982	100	40.7	14.6	44.1	4.9	- 4.3
1983 (Budget)	100	45.3	13.3	42.2	3.3	- 4.1
(Supplementary and amending budget No 2/83	100	38.0	17.9	43.5	3.8	- 3.2
1984 (Preliminary draft budget)	100	39.9	19.1	41.2	3.1	- 3.3

<sup>1</sup> Including common organization of the market in fisheries.

<sup>2</sup> Aids to producers, processing aids and marketing aids for products with the exception of rebates granted on storage (for example, butter for pastry-making, the use of skimmed-milk in animal feed) included under the heading 'storage', in accordance with the budget nomenclature.

<sup>3</sup> The MCAs for extra-Community trade are included in the refunds and the MCAs for intra-Community trade are included in the aids.

\* These amounts do not include reductions following final settlement of earlier periods, 161 million ECU in 1981 and 108 million ECU in 1983.



## Trend of EAGGF Guarantee Section expenditure and own resources (not including fisheries but including refunds for food aid)

(million ECU)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983		1984 <sup>4</sup>
											SAB No 1	SAB No 2 <sup>3</sup>	
Total	3 927 <sup>1</sup>	3 094 <sup>1</sup>	4 513 <sup>1</sup>	5 576 <sup>1</sup>	6 822 <sup>1</sup>	8 657	10 424	11 292	10 952 <sup>2</sup>	12 372	14 050	15 861	16 500
Variation		- 833 - 21.2%	+ 1 419 + 45.9%	+ 1 063 + 23.6%	+ 1 246 + 22.3%	+ 1 835 + 26.9%	+ 1 767 + 20.4%	+ 868 + 8.3%	- 340 - 3.0%	+ 1 420 + 13.0%	+ 1 678 + 13.6%	+ 3 489 + 28.2%	+ 639 + 4.0%

<sup>1</sup> For purposes of comparability expenditure before 1978 has been converted from millions of IMF units of account into millions ECU; similarly the figures for 1973 have been corrected to correspond to a 12-month payment period.

<sup>2</sup> Taking account of the reduction of 161 million ECU following the final settlement of the 1974 and 1975 financial years.

<sup>3</sup> Figures for the preparation of preliminary draft supplementary and amending budget No 2/1983.

<sup>4</sup> Preliminary draft budget.

The trend of the EAGGF Guarantee Section share of the Community's general budget (including common organization of the market in fisheries)

(in %)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983		1984 <sup>3</sup>
											SAB No 1	SAB No 2	
Original budget <sup>1</sup>	71.4	69.2	68.3	68.1	72.9	70.3	71.2	73.4	66.7	62.3	61.5	—	64.8
Budget including supplementary and amending budget <sup>2</sup>	74.1	67.2	67.6	69.4	74.1	70.3	72.0	71.1	63.0	—	—	—	—
Annual payments <sup>2</sup>	79.3	72.6	75.2	73.6	70.8	77.5	72.6	69.4	61.8	—	—	—	—

<sup>1</sup> Including provisional appropriation entered in Chapter 100.

<sup>2</sup> Source : Reports of the Court of Auditors.

<sup>3</sup> Preliminary draft budget.

## Own resources with 1% VAT (not including other types of revenue)

(million ECU)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983		1984 <sup>2</sup>
											SAB No 1	SAB No 2	
Total	(8 260) <sup>1</sup>	(9 180) <sup>1</sup>	(10 120) <sup>1</sup>	(12 120) <sup>1</sup>	(14 080) <sup>1</sup>	14 961	16 712	18 600	19 825	22 247	24 375	—	25 867
Variation		+ 920 + 11.1%	+ 940 + 10.2%	+ 2 000 + 19.8%	+ 1 960 + 16.2%	+ 881 + 6.3%	+ 1 751 + 11.7%	+ 1 888 + 11.3%	+ 1 225 + 6.6%	+ 2 422 + 12.2%	+ 2 128 + 9.6%	— —	+ 1 492 + 6.1%

<sup>1</sup> Estimated figures owing to the fact that for those years VAT was not taken into consideration.<sup>2</sup> Preliminary draft budget.

## Variation in own agricultural resources

(million ECU)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983		1984 <sup>1</sup>
											SAB No 1	SAB No 2	
Levies	438	280	534	1 040	1 817	1 873	1 678	1 535	1 265	1 522	1 558	—	2 000
Sugar levy	105	81	86	133	320	406	465	467	483	706	1 013	—	997
Total	543	361	620	1 173	2 137	2 279	2 143	2 002	1 748	2 228	2 571	—	2 997
Variation		- 182 - 33.5%	+ 259 + 71.7%	+ 553 + 89.2%	+ 964 + 82.2%	+ 142 + 6.6%	- 136 - 6.0%	- 141 - 6.6%	- 254 - 12.7%	+ 480 + 27.5%	+ 343 + 15.4%	—	+ 426 + 16.6%

<sup>1</sup> Preliminary draft budget.

## Annex III

### Description of market sectors

#### Milk

1. The number of milk producers can be estimated at more or less 1 670 000, of which about 625 000 hold less than five cows and 660 000 between five and 20 cows. The producers holding less than 20 cows (1 285 000 or about 77% of the total) hold less than 34% of the total number of milk cows and deliver about 30% of the milk collected.

2. Total milk deliveries in 1983 are forecast at about 104 million tonnes, showing an increase of 3.5-4% in comparison with 1982. The total consumption is slightly higher than 88 million tonnes (the long-term trend of consumption is estimated at 0.5% per year, whereas it is of 2.5% per year for the deliveries).

3. End June 1983, public stocks of skimmed-milk powder were 916 000 t. Public stocks of butter were 513 000 t (to which should be added more than 100 000 t of private stocks). End June 1982, the public stocks were 396 000 t of skimmed-milk powder and 44 000 t of butter.

4. Exports of skimmed-milk powder and butter decreased dramatically during the last two years and in 1983 will reach only 81% of butter exports and 59% of skimmed milk exports in 1981. The Community exported in 1981 292 999 t of butter and 309 000 t of skimmed-milk powder, excluding food aid. The Community imported 115 000 t of butter and no skimmed-milk powder.

5. The forecast expenditure for the milk sector in 1983 is 4 723 million ECU, which represents about 29.8% of the total EAGGF guarantee expenditure, in the amending budget.

#### Cereals

1. The number of producers involved in 1977 for all cereals was 3.9 million (EC 10); for wheat the number of farms was 2.8 million (EC 10).

2. Production has a tendency to increase because of better yields. The average yields for common wheat in the EEC have climbed from about 40 dt/ha 10 years ago to 51.1 dt/ha in

1982. There are still genetic reserves for further increases. The total Community cereal production in 1982/83 was 130 million tonnes, of which 56 million to common wheat and 41 million to barley. About 60% of the total Community production is used as animal feed.

3. The rapid increase of levy-free or low-duty raw materials for animal feed used as substitutes for cereals has led to a stagnation of internal cereal used in such feed, to a fall in leviable cereal imports, and in conjunction with the higher internal production to an increase in cereal exports. In 1981/82 the Community imported 28.7 million tonnes of total cereals and substitutes (of which 2.8 million tonnes common wheat, and 8.3 million tonnes maize; the imports of cereal substitutes increased, between 1978/79 and 1981/82 from 9.8 million tonnes to 16.4 million tonnes). Community exports for all cereals amounted for 1981/82 to 21.8 million tonnes (of which 14.2 million tonnes common wheat<sup>1</sup> and 6.6 million tonnes barley<sup>2</sup>). Between 1978/79 and 1981/82 the exports of common wheat more than doubled.

4. EAGGF expenditure for this sector amounts in the amending budget 1983 to 2 474 million ECU (= 15.6% of EAGGF Guarantee Section).

#### Beef

1. The number of producers involved at the end of 1981 was 2 580 000.

2. Total beef production in 1983 is forecast at about 6 830 000 t, showing an increase of 2.6% in comparison with 1982, after two years of substantially reduced production (1981: - 3.5%; 1982: - 3.9%). Total consumption is slightly higher than 6 775 000 t, more or less stable since the past two years.

End June 1983, public stocks of beef were approximately 300 000 t. End June 1982, public stocks were 74 000 t.

3. Imports of beef are rather stable to increasing: some 364 000 t in 1981, 440 000 t in 1982 and 430 000 t in 1983 (estimation); exports of beef have declined in 1982 (from 662 000 t in

<sup>1</sup> Flour and food aid included.

<sup>2</sup> Malt included.

### *Annex III (contd)*

1981 to 480 000 t in 1982) and are stable to increasing in 1983 (estimated to reach 500 000 to 575 000 t).

4. The actual market price for beef is rather low, compared with the guide price (80.13%).

5. The forecast expenditure for the beef sector in 1983 is 1 479 million ECU, which represents about 9.3% of the total EAGGF guarantee expenditure in the amending budget.

#### *Sheepmeat and goatmeat*

1. The number of producers involved at the end of 1980 was about 600 000.

2. Total production in 1983 is forecast at about 740 000 t, showing an increase of 4.2% in comparison with 1982, after one year of slight oncreased production (1982: + 1.6%).

Total consumption is somewhat higher than 979 000 t and slightly increasing since the last two years (1982: + 6.9%).

3. Imports in the sheep sector are rather stable to increasing: approximately 226 000 t in 1981, 281 000 t in 1982 and 250 000 t in 1983 (estimation); the total imports realized are below the total quantities contracted with 12 third countries in the voluntary restraint arrangements (about 322 000 t); not withstanding that some third countries are fulfilling their full quota.

Exports in the sheep sector are low and stable (some 5 000 t in 1983).

4. The actual market price for sheepmeat is rather low, compared with the basic price (89%); already in early July 1983, the variable premium is about 70% of the market price in Great Britain.

5. The forecast expenditure for the sheepmeat and goatmeat sector in 1983 is 360 million ECU, which represents about 2.2% of the total EAGGF Guarantee Section expenditure in the amending budget.

#### *Fruit and vegetables*

1. The number of producers involved in 1977 for vegetables was 93 800 (EC 9) for plantations of fruit and berries 677 000 (EC 10), for crops under glass 97 300 (EC 10).

#### **Fresh products**

2. The production of fruit and vegetables in the Community is fairly stable in the medium term, even if annual variations of some importance do occur, and represents an average of 18 million tonnes of fruit, 25 million tonnes of vegetables. Per capita consumption is stable too, but varies considerably from one Member State to the other.

3. The degree of self-sufficiency is, in round figures, 95% for vegetables, 75% for fruit other than citrus, and 45% for citrus.

4. EAGGF expenditure has gone up progressively over the years to reach 371 million ECU, which represents 2.2% of total guarantee expenditure in the amending budget for 1983.

#### **Processed products**

5. The processing of fruit and vegetables is increasing constantly. Although no precise statistics are available concerning the type of processing (whole product in tins, juice, deep freezing, etc.) it is estimated that the total production of the Community exceeds seven million tonnes. Consumption per capita proceeds accordingly, whereas imports from non-member countries are relatively small. It should be noted that for tomato concentrate the Community has become an important net exporter.

6. EAGGF expenditure for this sector has gone up rapidly after 1977 when a processing aid, together with a minimum price to be paid to the agricultural producer, was put into force for a number of products (tomatoes, peaches, pears, cherries, plums, grapes, figs), in order to keep up with foreign competition.

7. The forecast budget cost for this operation in the 1983 amending budget is 718 million ECU, which represents 4.5% of total EAGGF guarantee expenditure.

#### *Colza and sunflower seed*

1. Growers of colza and sunflower seed number an estimated 150 000 (colza 100 000). Colza is mostly grown as an alternative to cereals and beet.

2. Production in the Community has risen steeply in recent years, more than doubling since 1979. Colza-seed production is up from 1.2 tonnes in 1979 to 2.8 (estimated) in 1983, and sunflower-seed production from 0.2 to 0.9.

3. Exports of colza seed are negligible (22 000 tonnes in 1982/83) and of sunflower seed nil. Imports of colza seed are declining (110 000 tonnes in 1982); imports of sunflower seed can fairly steadily at 1-1.2 tonnes a year until 1981, but dropped to 600 000 in 1982.

The two products have, however, to be seen in the much wider context of oilseeds, oils and oilcakes as a whole: in 1982 for instance the Community imported 12 tonnes of soya seed and 8.9 of soya cake.

4. The forecast EAGGF guarantee expenditure in respect of colza and sunflower seed is 968 ECU in 1983, which represents 6.1% in the amending budget.

#### *Olive oil*

1. Producers, in Italy and Greece, number 1 500 000, each owning an average 1.8 hectares of olive groves and producing an average 0.5 tonne of olive oil.

2. Production is subject to swings (682 000 tonnes in 1975/76, 296 000 in 1979/77, 714 000 in 1977/78, 447 000 in 1978/79) according to the quantities eligible for aid, the total being necessarily restricted (apart from doubts over the production statistics) by limitation of the acreage qualifying for producer aid.

3. Since Greece's accession, the Community of the Ten has become practically self-sufficient in olive oil, which has meant lower imports and higher exports, particularly of certain grades.

4. The forecast expenditure for 1983 is 676 million ECU, or 4.3% of the total EAGGF guarantee spending in the amending budget.

#### *Tobacco*

1. The number of producers involved in 1981 was 208 000 (EC 10).

2. The production of tobacco in the Community is fairly stable from year to year and reached,

after Greek accession, a level of 310 000 tonnes (Greece alone accounts for some 130 000 tonnes). Consumption of tobacco within the Community is fairly stable.

3. Imports of tobacco run at a level of about 500 000 tonnes per year, so that the degree of self-sufficiency is approximately 40%.

4. In the absence of protective measures at the border concerning quantities or prices of imported tobacco, a premium is paid to the processing industry in order to create a preference for the use of Community-grown tobacco and to ensure that a correct price is paid to the agricultural producers.

5. The premium, which represents almost the entire EAGGF guarantee expenditure for the tobacco sector, was at a level of about 350 million ECU immediately prior to Greek entry, but doubled thereafter to reach in the amending budget 1983, 668 million ECU, which represents 4.2% of total guarantee expenditure.

#### *Wine*

1. The number of producers involved in 1977 (EC 10) was 2 060 300.

2. The production of wine in the Community varies from year to year, but is on average at a level of about 160 million hl, whereas total consumption does not exceed 140 million hl. The per capita consumption shows a downward trend in the important producer countries, which is not compensated for by an upward consumption trend in the non-producing countries.

3. Exports exceed imports by about 5 million hl, so that the Community is slightly more than self-sufficient in this sector.

4. The full effects of a large structural programme recently adopted have not yet worked through. Consequently, it has been necessary to distill considerable quantities of wine into alcohol in order to restore reasonable market equilibrium. Since several years the prices are below the guide price fixed for table wine by the Council.

5. EAGGF guarantee expenditure for this sector is estimated at 638 million ECU, which represents 4% of total guarantee expenditure in the 1983 amending budget.

*Products in Member States as a percentage of the final production of agriculture in the Community*  
(1981)

*(in %)*

	Denmark	Belgium	FR of Germany	Greece	France	Ireland	Italy	Luxem- bourg	The Netherlands	United Kingdom	EC 10
Wheat	1.7	1.7	12.0	5.3	39.1	0.4	20.9	0.0	1.6	17.2	100.0
Barley	12.6	2.3	17.4	1.4	26.7	4.2	1.1	0.1	1.0	33.2	100.0
Tobacco	0.0	0.4	3.1	49.9	18.4	0.0	28.3	:	:	0.0	100.0
Olive oil	0.0	0.0	0.0	31.3	0.5	0.0	68.2	0.0	0.0	0.0	100.0
Oilseeds	10.0	0.0	15.5	0.5	52.0	0.0	3.9	0.0	1.6	16.4	100.0
Fresh fruit <sup>1</sup>	0.6	2.6	14.3	10.8	22.2	0.2	40.3	0.0	3.4	5.6	100.0
Fresh vegetables	0.8	4.5	5.1	6.6	20.5	0.9	39.5	0.0	10.4	11.7	100.0
Wine and must	0.0	:	16.2	2.8	48.4	0.0	32.4	0.2	:	:	100.0
Milk	4.9	3.0	23.0	2.1	24.2	5.6	11.7	0.2	11.5	15.8	100.0
Beef and veal	3.2	4.2	20.5	1.6	29.5	5.1	14.6	0.2	6.6	14.5	100.0
Sheepmeat and goatmeat	0.0	0.4	2.5	23.9	27.6	4.4	9.2	:	2.8	29.2	100.0

<sup>1</sup> This relates to products in Annex II to Regulation (EEC) No 1035/72.  
Source: Eurostat - Agricultural Accounts.



## Annex IV

### Aids under the common agricultural policy, EAGGF Guarantee Section

The following table sets out:

#### In column A

Income subsidies and various aids whose principal aim is not to bridge the gap between the price of production in the Community and on the world market or to dispose of products.

#### In column B

Aids designed principally to offset by various arrangements the difference between the price of Community production and the price applied by third countries in their international trade.

#### In column C

Aids designed to encourage the disposal of production. These consist mainly of aids for products, the production of which in the present situation, where similar competing products can be imported free of import charges or at low levels of import charges, exceeds consumption. By increasing the competitiveness of these products the aids increase the outlets for them.

These may also consist of production aids for products such as cases which, if no such aids existed, could not be obtained from the Community basic product and which result therefore in the expansion of the market for the latter.

#### Note

Aids for storage, the withdrawal of fruit and vegetables and the distillation of wine are not included in this document.

*Appropriations entered in preliminary draft supplementary budget No 2/1983 as aids under the common agricultural policy, EAGGF Guarantee Section*

(million ECU)

	A Aids to support producers' income	B Aids to offset the difference between the Community price and the world market price	C Aids to encourage the disposal of production	Total
Cereals	180	—	173	353
Sugar	9	—	4	13
Olive oil	391	235	—	626
Oilseeds and protein products	—	1 071	—	1 071
Fresh fruit and vegetables	125	—	—	125
Processed fruit and vegetables	—	711	—	711
Wine	50	10	62	122
Tobacco	—	600	—	600
Milk and milk products	255	—	2 206	2 461
Beef and veal	312	—	—	312
Sheepmeat	360	—	—	360
Textile fibres and silkworms	—	164	—	164
Seeds	—	50	—	50
Hops	—	9	—	9
Bee-keeping	5	—	—	5
<b>Total</b>	<b>1 687</b>	<b>2 850</b>	<b>2 445</b>	<b>6 982</b>







European Communities – Commission

**Adjustment of the common agricultural policy**

Supplement 4/83 – Bull. EC

Luxembourg: Office for Official Publications of the European Communities

1983 – 39 pp. – 17.6 × 25.0 cm

DA, DE, GR, EN, FR, IT, NL

ISBN 92-825-3952-0

Catalogue number: CB-NF-83-004-EN-C

Price (excluding VAT) in Luxembourg

ECU 2      BFR 90      IRL 1.50      UKL 1.20      USD 2

As instructed by the European Council when it met in Stuttgart on 17-19 June 1983, the Commission has drafted a communication to the Council proposing a number of adjustments to the common market organizations designed to improve competitiveness and the structure of prices for the several agricultural products and to ensure that the financial resources of the EAGGF Guarantee Section are used as efficiently as possible.



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OF THE EUROPEAN COMMUNITIES

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ISBN 92-825-3952-0

