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The agricultural situation in the European Union

2001 Report

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CHAPTER I

1. ECONOMIC SITUATION AND FARM INCOMES

1.1. Overview

1. The 2001 agricultural year was mainly characterised by the following developments: (a) the general downturn in the international economic situation over the course of the year, which was further exacerbated by the tragic events of 11 September; (b) relatively high oil prices for most of the agricultural year (although markedly down on the very high prices in the latter part of 2000), leading to continued high costs for energy and fertilisers, but with prices dropping sharply in mid-September and remaining at much lower levels for the rest of the year; (c) a sudden increase in food prices in the first half of 2001 which gave a boost to inflation and eroded private consumption; (d) continued turmoil in the meat sector, following firstly the new BSE crisis which erupted towards the end of 2000 and which led to a large drop in beef consumption and prices, and secondly the outbreak of foot and mouth disease (FMD) in early 2001; and (e) generally unfavourable weather conditions over the course of the agricultural year, with bad weather affecting most EU Member States and leading to a reduced cereals harvest.

2. Given the overall downturn in the domestic and international economic situation, exports faced an abrupt deceleration in global trade growth, mainly due to the marked US slowdown. Furthermore, notwithstanding the favourable euro exchange rate, EU agricultural exports during 2001 were heavily affected by the crises in the meat sector and by increased competition from third countries in the cereals sector.

3. Overall, initial estimates at the end of 2001 put farm incomes for the European Union as a whole on an upward trend by 2.7 % in real terms (measured as real net value added at factor cost per annual work unit), following the rise already recorded in 2000 (+ 3.7 %, according to the most recent figures). Despite the sanitary crises observed in the animal sector, linked to BSE and FMD, favourable price developments, notably in the animal sector (but with the clear exception of the beef sector), together with a renewed, though moderate, decline in the agricultural labour force (-1.6 % in 2001), should result in average agricultural income per labour unit rising to record levels in 2001, giving a renewed sign of recovery after the falls recorded in 1998 and 1999. However, as usual, some caution is necessary with these first estimates. In addition, underlying the expected overall increase in the average income are quite large variations in the evolution of farm incomes according to the type of farming.

4. In terms of weather, the 2001 agricultural year got off to a generally poor start with adverse conditions during the autumn sowing period. This period was characterised by excessive rain, which hindered or made impossible winter cereals sowing operations in the United Kingdom, Ireland, France and the Benelux countries, and which reduced the crop area through flooding and crop damage. Excessive rains were also recorded in Spain and Northern Italy, allowing replenishment of water reserves but in some cases causing localised saturation and flooding.

5. Nevertheless, unseasonably high temperatures during winter, especially in the central and northern regions of Europe, helped advance the growth of winter crops, but while conditions were drier than normal in the southern EU countries, the other countries

experienced higher than average rainfall, in some cases excessive. In the spring the rainfall was still excessive in the central and northern areas, further hindering operations, while in the southern regions of Italy, Spain and Portugal rain was inadequate and temperatures higher than normal, enhancing a drought effect on winter cereals. In particular, June was very dry and hot in these three countries, with a negative impact on straw cereals, especially barley and wheat.

6. During the summer, excess moisture in some central and northern countries hampered or delayed harvests, while several weeks of peak temperatures and dryness had negative effects on maturing winter and spring cereals crops in the southern countries, generally resulting in reduced yields for the year. With regard to summer crops, both beet and potato yields were below the levels for 2000, with these two crops suffering from the excessive autumn rainfall in the north which delayed the harvests in most areas.

7. Domestic consumption for cereals is estimated to have risen only very slightly in 2001 (by just under 1 %) after having risen some 4 % the previous year (when cereal use for animal feed rose noticeably). For beef and veal the widespread loss of consumer confidence in the wake of the discovery of fresh cases of ‘mad cow disease’ late last year resulted in a 5 % reduction in total EU consumption in 2000 compared to 1999. This large drop in consumption continued into 2001, with consumption dropping most in Germany, Greece and Spain, but was followed by a recovery in the latter half of the year, leading to an expected overall reduction averaged out over the year of around 5.7 % compared to 2000.

8. As in the past, the slump in beef and veal consumption had a positive impact on poultry and pigmeat consumption, which (on a per capita basis) should increase by 6.5 % and close to 2 % respectively compared to the 2000 levels. In contrast, per capita sheep and goat meat consumption should decrease by 5.8 %, largely due to the impact of FMD-related export restrictions which led to a scarcity of these meats in continental EU countries that traditionally rely on United Kingdom exports.

9. Overall consumption of dairy products (i.e. covering all uses of milk) has been increasing in the EU since 1997, and in 2001 consumption should reach 115.2 million tonnes (in milk equivalent), a 0.3 % increase over last year. While butter consumption remained unchanged from 2000, consumption of cheese is expected to continue its upward trend, growing by some 0.5 % in 2001, although this increase is noticeably below the trend over recent years.

10. The general economic scene was characterised by a weakening of the world economy during 2001 (world GDP growth for 2001 is expected to be only 2.1 %), led by the economic slowdown in the USA during the course of the year and made worse by the general sense of insecurity and uncertainty following the tragic events of 11 September. The EU was not able to escape this severe and synchronised slowdown in the world economy, with economic growth in the EU decelerating in 2001 (the euro area economy is likely to grow at only 1.6 %, down from 3.4 % last year), and with exports facing an abrupt deceleration in global trade growth which is likely to be below 1 % (in volume) for 2001, a restricted level not seen since the early 1980s.

11. Following the 1999-2000 oil price rise, a surge in food prices in the first half of 2001 gave a boost to inflation that eroded the purchasing power of households and private consumption, with the inflation rate for the year expected to reach 2.8 % on average in the euro area (compared to 2.4 % in 2000). Oil prices remained generally high at the

start of 2001, although somewhat lower than the very high prices observed in the latter part of 2000, and remained fairly stable until mid-September, at which point prices dropped sharply to reach levels last seen in mid-1999. On the currency front, the euro remained historically fairly weak against the United States dollar during 2001, helping Community exports to remain generally competitive in world export markets.

12. In line with the general downturn in the global economy, international agricultural markets were relatively depressed for much of 2001. International prices for most cereals initially showed some recovery at the beginning of the second half of the year, having fallen over the first half, but economic uncertainty following the events on 11 September put prices under pressure again leading to little change over the remaining months.

13. International wheat prices remained relatively high throughout the year and well above last year’s levels up until September, helped by the fall in production in key exporting countries and the expected increased world demand. However, from October onwards price levels, although still remaining quite high, were slightly below the high levels of the corresponding period at the end of 2000, due to reduced demand and evidence emerging of significant surpluses available for export in several countries not traditionally known as exporters. In the world maize market prices experienced a fall of the order of 10 % between January and June before recovering somewhat until August, from which point they also came under renewed downward pressure as prospects became uncertain. Prices fell heavily between August and October, due to the availability of large supplies and uninspiring demand, but recovered slightly towards the end of the year on expectation of reduced US production.

14. In the meat markets, international prices strengthened in the first part of 2001, mainly driven by a strong increase in poultry prices. However, the deterioration of global economic conditions and the emergence in September of the first reported cases of BSE in Asia restricted further gains in meat prices by limiting the growth in global meat consumption. Furthermore, beef prices, which had shown some gradual recovery over the first part of the year, came under downward pressure towards the end of the year following the renewed animal disease concerns, but also reflecting a global move away from beef to other meats. International prices for dairy products fell noticeably during the second half of the year, in line with the general deceleration in global economic growth and in particular the contraction in demand in those regions which had been the principal expanding markets over recent years, so that by December prices for all dairy products other than Cheddar cheese were well down on those 12 months earlier.

15. The performance of the European Union on world agricultural markets in 2001 has been somewhat mixed. While the weak euro aided the competitiveness of Community exports, the downturn in the global economy together with this year’s low cereals harvest, the increased competition from third countries in the cereals sector and the recent crises in the meat sector all had a significant restraining effect on EU exports.

16. In the first 10 months of 2001 the overall value of Community agricultural exports was slightly up (around 2.3 %) on the same period in 2000. However, underlying this figure are wide variations across product sectors. Cereal exports fell heavily, by some 30 % in volume and 15 % in value (in euro terms), partly due to the impact of increased competition from exports by the central and eastern European countries and the republics of the Former Soviet Union, where 2001 cereal crops had recovered from the drought-affected levels of the previous year. Similarly, large falls in the value of exports

were recorded for animal feedstuffs (-19 %) and olive oil (-9.5 %). In contrast, significant rises occurred for sugar (+ 36 %), fruit (+ 16 %) and vegetables (+ 17 %).

17. With regard to meat exports, the volume of exports in the first 10 months of the year, compared with the same period the previous year, decreased due to the impact of the BSE and FMD crises, which virtually halted for a certain period EU exports of meat products. Exports of beef and veal dropped over 20 % in both volume and value, while those for pigmeat fell heavily in volume (-around 34 %) but less so in value (-13 %). Exports of poultrymeat dropped in volume (- around 4 %) but actually rose in value (by 13 %). Although the volume of milk product exports decreased noticeably, the value of certain exports increased, especially cheese (+ 8 %) and concentrated milk (+ 35 %), but skimmed-milk powder exports fell heavily (by close to 50 % in value) as a result both of limited availability in the EU and reduced export refund levels.

18. On the whole, intervention stocks for most of the main agricultural products covered by the intervention scheme increased during 2001. For cereals, intervention stocks increased from around 6.6 million tonnes at the end of 2000 to around 7.0 million tonnes by the end of 2001. Underlying this, however, are quite wide variations in changes in the stock levels for individual cereals. While wheat stocks were run down appreciably during 2001 (down to around 0.66 million tonnes by the end of the year from a level of 1.8 million tonnes in December 2000), stocks of barley increased during the same period from 1.2 to 1.7 million tonnes, and stocks of rye rose from 3.6 to 4.7 million tonnes and remain a cause for concern. Intervention stocks of milk powder had already been completely run down by October 2000 and remained so during 2001, while butter stocks reduced from close to 64 000 tonnes at the start of 2001 to end the year at around 54 000 tonnes. Following the recent crises in the meat sector, beef intervention stocks, which were almost completely run down during 2000, increased substantially in 2001 to reach around 250 000 tonnes by the end of the year.

1.2. Production levels

19. Overall, latest estimates (available at the end of December) indicate cereal production to be low in 2001 at just above 201 million tonnes and about 12.7 million tonnes (or some 6 %) down from last year's record crop, although still slightly higher than that of 1999. The overall reduction compared to 2000 is mainly due to the bad weather conditions which affected most EU Member States during the year. The biggest production falls occurred in France (-6 million tonnes, or 9 %), Spain (-6.9 million tonnes, or 29 %), and the United Kingdom (-4.4 million tonnes, or 18 %), although production in Germany increased significantly (+ 4.8 million tonnes, or 11 %) following a bumper crop there and making it for the first time the largest EU straw cereal producer, ahead of France. Most of the overall fall in production is due to a reduction in common wheat (- about 11.4 million tonnes, or 12 %, compared to last year). Barley production is also expected to be down some 3.3 million tonnes (or 6.4 %) compared to 2000, and durum wheat down by 1.1 million tonnes (or 12.4 %), but maize production should increase by around 2.4 million tonnes (some 6 %) to just under 41 million tonnes, and rye by 0.8 million tonnes (or 15 %), driven by a 1 million tonne increase in production in Germany.

20. The overall decrease in cereals production reflects a general reduction in both area under cereals and in the yields for 2001. The total area under cereals decreased by 2.8 % (around 1.1 million ha) compared to last year, due almost exclusively to the reduction in the area grown with common wheat (- around 8 %). The only significant increase in

area compared to last year was that grown with maize (+ around 5 %, or about 0.2 million ha, over last year), while barley and durum wheat areas remained more or less constant.

21. Latest estimates show average cereal yields down just over 3 % compared to last year, at 5.5 tonnes/ha, some 4 % lower than the trend and with barley (-6 %) and durum wheat (-12 %) yields showing the largest declines. Average soft wheat yields were also down (by 4 %), but yields for maize rose slightly (by 1 %) and those for rye markedly (by 19 %). However, the pattern of crop yield variation differs greatly from one Member State to another. For example, while soft wheat yields were reduced significantly in Spain (down by around one-third), and to a lesser extent in France (-6 %), Italy (-4 %) and the United Kingdom (-10 %), they rose appreciably (around 8 %) in Ireland and Germany and leapt in Austria (around 16 %). Similarly, yields for rye rose markedly in Germany (by 25 %) and Austria (by 20 %), but fell heavily in Spain (by 44 %) and Portugal (by 30 %). For maize, however, the variation across Member States was less dramatic, with nearly all recording increased yields.

22. Total oilseed production (rape, sunflower and soya) of 13.4 million tonnes, covering both food and non-food production, is much the same as that of last year, and remains significantly below the record harvest of 1999. Both the overall area cultivated and overall oilseed yields have remained more or less the same as in 2000. With regard to the individual crop situations, soya production was up just over 6 %, driven by a 50 % increase in cultivated area in France, while sunflower and rapeseed production was very marginally down on last year (due to slightly lower average yields), although much more significant changes did occur at the national level.

23. While protein crop area increased marginally (by 3 %) compared to last year, overall yields were reduced, so that total output was some 3 % lower than in 2000 at 3.7 million tonnes, the lowest level since 1995. Linseed area reduced dramatically from 227 000 ha in 2000 to 105 000 ha in 2001, resulting from modifications to the common market organisation in this area. However, better yields led to overall production decreasing less markedly from 260 000 tonnes in 2000 to 150 000 tonnes in 2001.

24. Latest estimates indicate that EU sugar production fell by around 15 % relative to last year’s level, mainly due to lower production in France, Germany and Italy. While the overall area under beet declined only slightly (but following on from last year’s steep decline), yields fell heavily due to the poor climatic conditions and in particular the unfavourable period in September, when excessive rain in the main areas of production such as Germany and France disrupted harvests.

25. Early estimates put olive oil production noticeably higher in 2001 at some 2.1 million tonnes.

26. Early estimates have production of both fruit (-2.5 % on 2000) and fresh vegetables (-1.1 %) down in 2001. Potato output is estimated to have fallen by 8 % compared with the previous year, with dry spells and hot temperatures having affected the non-irrigated varieties in southern regions, and excessive rain having hindered north European production.

27. Following on from the exceptional harvest in 1999, when production was at the highest level for several years, and the slightly lower production in 2000, latest estimates show wine must production having fallen in 2001 by approximately 7.6 % compared to last

year to around 169.5 million hectolitres. Big falls were seen in Spain (over 20 %), while both France and Italy saw declines of between 2.2 and 4.7 %. By contrast, wine production in Austria and Portugal was estimated to have risen by more than 15 % following large declines the year before.

28. Following the collapse in consumption at the end of 2000, and which continued into 2001, beef and veal production during 2001 was subject to a number of short-term disturbances. First of all the carry-over of a large number of animals retained on farms at the end of 2000, due to the fall in prices and the strong reduction in demand, created a backlog of around 1 million animals for slaughter. While a large part of these were for slaughter in 2001 many were kept to the following year due to low prices. Secondly, production was strongly affected by the various measures taken to counter the recent BSE and FMD crises and to support the market. In this regard, it is estimated that over 800 000 tonnes of meat were taken off the market. Taking all these factors into account, latest estimates put the level of production of beef and veal meat destined for human consumption at around 7.4 million tonnes in 2001, more or less unchanged from last year but still some 4 % down on levels in 1999.

29. As in 1996, the recent BSE crisis increased the demand for pigmeat and led to a sustained high price level in 2001. However, the outbreak of FMD, mainly in the United Kingdom and the Netherlands, and later on the outbreaks of classical swine fever in Spain and to a lesser extent in Germany, heavily disturbed the pigmeat sector, both due to the effect of the animals destroyed for sanitary reasons and due to the limitations on movement of livestock together with the large number of export bans imposed by third countries. Nevertheless, the situation recovered somewhat in the latter part of the year and the overall level of production for 2001 is expected to increase slightly (about 0.5 %) relative to last year, although that year saw a 2.4 % drop in production compared to 1999.

30. In contrast to the stagnation in production levels experienced in 1999 and 2000, which arose from lower export growth at the time and partly from the impact on consumption of the dioxin crisis that hit Belgium in 1999, poultrymeat production in 2001 saw an increase of around 4 % compared to 2000. This is mainly due to the latest BSE scare, which led to a switch in demand away from beef to other kinds of meat, and which mostly benefited the poultry sector due to its ability to respond relatively quickly to the increased demand for alternatives to beef.

31. In contrast to the more or less stable situation in 1999 and 2000, 2001 has been a difficult year for the sheepmeat and goatmeat sector. The outbreak of FMD in the United Kingdom and in some other European countries severely disrupted the sector, with large losses through culling (almost entirely in the United Kingdom), and limitations on trade. Largely due to this, along with the difficulties in throughput due to movement restrictions implemented in order to restrict the spread of the disease, overall EU production for 2001 is expected to drop by 8 % compared to 2000, to levels well down on the highs of the early 1990s.

32. The Community dairy herd is expected to be about 20.5 million head at the end of 2001, a small reduction of 0.6 % from the previous year. By contrast, milk yields should increase by 2 %, so that total milk production for 2001 is expected to be just above 122 million tonnes, more or less unchanged from the levels in 1999 and 2000. Deliveries to dairies were very slightly up (0.5 %) compared to 2000, due to increases in several Member States and despite the decreases expected in France and Finland.

33. Butter production in 2001 is estimated to have decreased by around 1.8 % compared to 2000, following on from a similar slight fall already seen last year. Cheese production, however, rose by 4 %, boosted by rising consumption and following on from the 2.4 % production increase already seen in 2000. Production of skimmed-milk powder fell off again in 2001 (-6.4 % compared to 2000), continuing the heavy fall already seen last year (-5.7 %).

1.3. Producer prices and market prices

34. According to the figures available at the end of December 2001, the index of farm-gate prices is estimated to have grown in 2001 by an average of 5 % in the EU in nominal terms compared with the previous year, fuelled by a 5.8 % increase in the price of animal products and a 4.1 % increase in crop prices. The steepest increases in crop prices were recorded by potatoes (+ 27.1 %), oilseeds (+ 15 %), durum wheat (+ 14.7 %) and fruit (+ 11.5 %). The upward trend was mainly bucked only by olive and olive oil prices, which decreased by 4 %. As regards animal products, pigmeat prices leapt by 20 %, continuing on from their strong rise the previous year. Significant rises were also recorded for mutton and lamb (+ 10.6 %), poultry (+ 6.4 %) and milk (+ 7.8 %). In contrast beef and veal prices fell heavily (by 11.3 % and 7.7 % respectively), and egg prices by 2.1 %.

35. After accounting for inflation, the producer price index for the European Union as a whole was estimated to have risen by 2.6 % on the previous year. The biggest rises were in Austria (+ 4.4 %), Denmark (+ 4.8 %), Germany (+ 6.8 %), Portugal (+ 5.3 %) and the United Kingdom (+ 6.5 %). Farm-gate prices also rose in most other Member States: in Belgium (+ 3.2 %), Greece (+ 3.2 %), France (+ 2.3 %), Ireland (+ 1.8 %), Italy (+ 2.5 %), the Netherlands (+ 1.0 %), Finland (+ 1.6 %) and Sweden (+ 2.9 %). However, real producer prices held more or less steady in Spain and actually fell in Luxembourg (by 3.0 %).

36. During 2001 the intervention price for cereals was reduced in application of Agenda 2000 from EUR 110.25 to EUR 101.31/tonne and aids were increased to EUR 63/tonne of reference yield instead of EUR 58.76 previously. The level of compulsory set-aside was kept at 10 %. Against this background, together with the generally reduced cereals harvest compared to 2000, average EU cereal market prices mostly remained quite stable over the year, with only durum wheat showing any major change (up from around EUR 150/tonne at the start of the year to just below EUR 200/tonne by mid-December, due to the large drop in production and the lack of intervention stocks).

37. Average bread-making wheat prices were particularly stable over the year, remaining close to the EUR 140/tonne level throughout. EU maize prices also remained quite stable and close to the EUR 140/tonne level from January through to mid-August, but then fell to around the EUR 130/tonne level as prospects firmed for a strong maize harvest, and remained around this level for the rest of the year.

38. Average EU market prices for barley showed little fluctuation over the year, except those for brewing barley which fell from the EUR 140/tonne level over the middle part of the year before recovering back to this level from August onwards. For rye, average EU prices generally rose over the first half of the year but fell back in the latter half on prospects for a large harvest in Germany. This was especially the case for average bread rye prices which rose from EUR 123/tonne in January to EUR 135/tonne in July, but

then fell through to August to the EUR 115/tonne level and remained around this level for the rest of the year.

39. Olive oil prices generally improved over 2001 from the depressed levels of the year before, but fell somewhat towards the end of the year in Spain and Italy following information on the importance of the coming crop there. For Italian extra virgin and *lampante*, figures for late December 2001 show olive oil prices more or less unchanged from a year earlier, and remaining above the trigger level for private storage. More significantly, prices for Spanish olive oil increased noticeably in the second half of 2001 compared to the same period in 2000, for both extra virgin and *lampante*, and with prices for extra virgin being mostly above the trigger price for private storage from September 2001 onwards. In contrast to the general improvement in olive oil markets during 2001, prices and sales of olive-residue oils collapsed following a food scare concerning the presence of polycyclic aromatic hydrocarbons.

40. In general, wine prices during 2001 have continued to fall even further than the levels of the previous year. By early December 2001, market rates for red wine relative to the same period in the previous year were down 15 % in France and 24 % in Spain, having been at even lower relative levels earlier in the year, while prices in Italy remained more or less unchanged. White wine prices showed less dramatic overall changes, falling by around 5 % in Spain, 7 % in Italy and 10 % in France over the same period. However, while white wine prices have been quite stable in Spain and Italy, prices in France fluctuated widely during the year.

41. Average EU butter prices began the year at 97.5 % of the intervention price, but then fell until mid-March towards the 93.5 % level before rising again to just below the intervention price at the end of July. Prices then fell again slowly over the rest of the year, to reach a level of around 91 % of the intervention price by mid-December. Given the fall in production and the low stocks, average prices for skimmed-milk powder remained at levels above the intervention price for most of the year. Beginning the year at 131 % of the intervention price, they fell during the first four months to around 112 %, climbed in May back to around 127 % and finally fell again to end the year at around 5 % below the intervention price. The average price paid to milk producers increased 6.5 % in 2001.

42. Prices for beef and veal in 2001 remained substantially below those of much of the previous year (before the BSE crisis broke). In addition, the latter half of the year saw a considerable fall in cow carcass prices, especially in the Netherlands and Germany. Whereas this was partially a seasonal trend, it also reflected the substantial backlog of animals that were held back on farms earlier in the year, mainly due to a drop in exports following the recent BSE and FMD crises, and which were gradually presented for slaughter later on.

43. The Special Purchase Scheme and other measures taken played an important role in supporting the market in 2001 and, together with a recovery in beef consumption, allowed for a continuation of the gradual recovery of the beef market in the EU. By early December, carcass prices for young bulls and for steers had recovered to 86.2 % and 83.6 % of the intervention price respectively, although cow carcass prices continued lower. However, the first recorded BSE cases in Austria and Finland put renewed downward pressure on prices in mid-December.

44. As an indication of the level of impact of the latest crises on the beef and veal markets, comparing beef prices in October 2001 with those around a year earlier (at the start of the BSE crisis), initially reveals apparently large price drops (e.g. prices for young bulls had fallen by 18.5 %, heifers by 15 % and cows by just over 30 %). However, it should be borne in mind that 2000 was generally considered as an exceptionally good year in terms of market price levels and that comparison with prices in the same period in 1999 is more relevant. On this basis prices had fallen less dramatically (e.g. prices for young bulls had fallen by 15.5 %, heifers by 9.4 % and cows by just over 22 % compared to 1999 price levels). These price reductions should also be seen in light of the 13.4 % reduction of intervention prices decided under Agenda 2000 for which farmers were compensated through increased direct payments, offsetting a part of the losses incurred by farmers and helping to alleviate the market situation further.

45. Following on from the strong recovery in the poultry market during 2000, the positive impact on the poultry sector of the latest BSE crisis raised poultry prices to an all time record in February 2001 of almost EUR 170/100 kg, well above prices for the corresponding period of recent years. Average prices subsequently decreased over the rest of 2001, but remained higher than the prices of recent years up until the end of August, at which point they fell to levels close to the average of the last few years. In November the average price began to rise again, mainly driven by large price rises in Spain, before falling off again in December to end the year close to EUR 133/100 kg and around the average price for the last few years, although considerably down (about 15 %) on prices 12 months earlier.

46. Due to the switch in demand away from beef following the recent BSE scare and which partially benefited the pigmeat sector, the marked increase in pigmeat prices seen in 2000 continued through into the first quarter of 2001, with prices rising steeply to reach a peak in March of around EUR 200/100 kg. Although market prices in the EU remained historically generally high they subsequently decreased from the March peak, mainly due to export difficulties and the recovery in beef consumption. By October prices had fallen back to levels seen at the start of the year and continued lower to reach just above EUR 136/100 kg towards the end of the year and some 15 % down on price levels at the beginning of 2001.

47. Other than in the United Kingdom, the markets for sheepmeat and goatmeat products remained buoyant throughout 2001, with prices generally well in excess of the levels seen in recent years. During the first half of the year average EU prices peaked around the end of April, some 12 % higher than at the start of the year, but then fell to reach a low in July of about 8 % below the start-of-year price. The outbreak of FMD in the United Kingdom in late February threw the market into turmoil, with lamb prices here falling by over a quarter immediately following news of the outbreak and continuing to fall thereafter, and led to the closure of export markets. After the summer, however, average prices improved again back to around the peak prices seen in spring, and by December, led by a price recovery in the United Kingdom and resumption of its exports, surpassed even those earlier levels to reach a historically high level of close to EUR 470/100 kg and some 21 % higher than 12 months earlier.

1.4. Input prices

48. In 2001, the index of purchase prices for goods and services currently consumed in agriculture was up by an average of 4.5 % in nominal terms on the previous year. The biggest rises were in fertilisers (+ 13 %) and feedingstuffs (+ 6 %).

49. When account is taken of inflation, the real increase in the index of purchase prices for goods and services currently consumed in agriculture since 2000 was 2.2 % for the European Union as a whole. Above-average rises were recorded in Denmark (+ 5.7 %), Germany (+ 3.3 %), France (+ 2.3 %), the Netherlands (+ 2.7 %), Portugal (+ 4.1 %) and Sweden (+ 5.4 %). The input price index was also up in Belgium (by 1.3 %), Ireland (by 1.0 %) and Italy (by 2.1 %), and more or less stable in Austria, Greece, Luxembourg, Spain and the United Kingdom. By contrast, the input price index in Finland fell by 1.5 %.

1.5. Farm income

50. Eurostat's initial estimates, based on information received by Member States up until early December 2001, put average farm income (measured as the real net value added at factor cost per annual work unit) across the European Union as a whole 2.7 % up on the previous year, with incomes up in the clear majority of Member States and only two experiencing a fall. The strongest rises were for Denmark (+ 12.5 %), Portugal (+ 9.5 %), Austria (+ 8.5 %), Ireland (+ 7.3 %), Belgium (+ 6.2 %) and Germany (+ 5.7 %). The surge in pig prices constitutes the common factor in the rise of agricultural income in most of these countries, although for Ireland the large fall in agricultural labour is the main driving factor behind the increase. Additional key factors underlying the overall rise in average income per labour unit are the increase in the level of subsidies granted to the agricultural sector in the framework of the implementation of the Agenda 2000 CAP reform and of the measures adopted in the wake of the sanitary crises in the animal sector, together with a renewed, though moderate, decline in the EU agricultural labour force (-1.6 % in 2001). For the remaining Member States, incomes were up in the Netherlands (by 4.3 %), the United Kingdom (by 4.3 %), Finland (by 3 %), Sweden (by 2.8 %), Spain (by 2.7 %) and Greece (by 1.4 %), and little changed in France. The only countries where incomes fell below the level of 2000 were Italy (-0.8 %) and Luxembourg (-2.4 %).

51. Underlying the overall increase in average farm income are quite wide variations according to the type of farming. Average income should increase compared to 2000 levels in those farms specialising in pork and poultry production (+ 30 %), mixed (crops and livestock) production (by 10.1 %), milk production (+ 5.8 %), and horticulture (+ 3.2 %), while incomes are expected to remain more or less static in farms specialising in the production of field crops. In contrast, farms specialising in grazing livestock saw a drop in income of 1.7 %, while those specialised in wine production experienced a large drop in income of around 12.6 %.

Changes in nominal farm-gate prices in 2001 and 2000

(%)

Member State	2001/2000			2000/1999		
	Crop products	Livestock products	Total	Crop products	Livestock products	Total
EU-15	4,1	5,8	5,0	-0,4	7,8	3,5
Belgique/België	7,4	3,8	5,1	-0,5	14,5	8,3
Danmark	1,0	8,4	7,0	4,9	11,8	9,2
Deutschland	17,4	4,8	8,9	-1,9	10,9	6,5
Elláda	4,6	8,4	5,9	2,7	6,4	3,7
España	-0,2	9,3	3,4	-1,1	10,2	2,8
France	4,2	-1,6	3,7	-1,7	4,9	1,5
Ireland	-5,2	7,6	5,8	-2,2	8,2	6,8
Italia	5,1	4,3	4,8	1,0	6,0	2,9
Luxembourg	0,7	-1,1	-0,8	-0,7	1,1	0,7
Nederland	6,9	3,6	5,3	4,1	16,2	9,9
Österreich	1,9	7,8	6,1	2,7	7,6	6,5
Portugal	8,3	9,9	9,0	-5,1	13,6	3,0
Suomi/Finland	-3,2	7,8	4,0	-6,9	10,8	5,6
Sverige	6,8	3,5	4,6	-9,8	1,8	-1,7
United Kingdom	12,1	5,5	8,0	-6,2	0,1	-2,3

Source: Eurostat.

Changes in nominal purchase prices for agricultural inputs in 2001 and 2000

(%)

Member State	Intermediate consumption		Investment		Total	
	2001/2000	2000/1999	2001/2000	2000/1999	2001/2000	2000/1999
EU-15	4,5	6,1	2,2	1,8	4,0	4,9
Belgique/België	3,2	8,4	2,6	-0,7	3,2	7,1
Danmark	7,9	3,3	2,4	1,3	6,8	2,8
Deutschland	5,4	10,4	1,3	0,9	4,4	7,9
Elláda	3,5	8,2	3,7	1,9	3,5	6,7
España	2,4	5,8	7,7	4,8	3,1	5,6
France	3,6	5,8	1,8	1,5	3,2	4,9
Ireland	5,0	5,8	3,8	4,6	5,0	5,4
Italia	4,3	2,6	1,6	1,9	3,2	2,2
Luxembourg	2,6	6,4	7,2	1,9	4,4	4,3
Nederland	7,1	7,4	2,4	-0,6	6,4	5,2
Österreich	1,4	7,6	2,0	1,3	1,6	4,7
Portugal	7,7	3,4	2,2	4,8	6,9	3,7
Suomi/Finland	0,9	7,2	2,8	4,1	1,3	6,1
Sverige	6,9	6,1	2,7	1,7	6,0	5,0
United Kingdom	0,9	2,9	5,3	1,4	11,0	2,7

Source: Eurostat.

Real output price indices for agricultural products

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
EU-15	100	97,2	89,4	84,6	84,8	85,2	83,0	80,0	76,6	72,8	74,0	75,9
Belgique/België	100	98,1	92,3	83,8	84,8	79,4	79,2	79,2	74,6	68,3	72,0	74,3
Danmark	100	96,2	92,8	80,0	79,5	77,8	77,3	76,0	66,7	62,6	67,0	70,2
Deutschland	100	95,2	91,2	80,6	79,4	78,7	76,8	76,1	71,0	67,2	70,6	75,4
Elláda	100	100,6	90,5	84,3	87,5	87,7	86,5	84,7	80,9	79,3	80,3	82,9
España	100	94,9	83,5	84,1	88,8	94,1	90,5	84,8	81,7	78,9	78,5	78,7
France	100	97,7	89,6	83,5	80,7	80,2	78,6	78,0	77,6	74,5	74,2	75,9
Ireland	100	93,4	91,9	96,7	95,8	95,6	89,3	82,4	79,9	74,6	76,0	77,4
Italia	100	102,8	89,8	87,8	87,5	90,9	89,2	87,4	85,3	81,0	81,4	83,4
Luxembourg	100	89,6	82,3	78,0	75,9	73,6	71,0	71,4	69,6	69,2	67,1	65,1
Nederland	100	100,8	92,1	83,4	84,2	84,9	84,8	87,0	81,8	74,1	80,1	80,9
Österreich	100	97,1	92,5	87,3	85,5	63,2	62,7	63,4	58,7	56,6	59,3	61,9
Portugal	100	87,3	74,3	71,4	73,8	72,2	69,7	64,3	66,6	62,2	62,5	65,8
Suomi/Finland	100	92,5	89,6	87,7	86,6	63,9	54,4	53,0	51,8	50,2	51,4	52,2
Sverige	100	91,5	86,4	79,3	81,6	79,8	76,2	73,7	74,6	72,2	68,3	70,3
United Kingdom	100	93,7	91,9	94,5	93,2	98,2	94,4	79,1	69,7	65,9	65,9	70,2

Source: Eurostat.

Indices of real purchase prices for goods and services currently consumed in agriculture

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
EU-15	100	97,4	95,0	93,4	91,3	90,8	92,2	90,9	86,4	84,1	87,7	89,6
Belgique/België	100	97,1	94,5	91,0	88,5	87,4	89,4	89,7	84,4	82,4	87,1	88,2
Danmark	100	96,7	94,1	92,7	89,0	87,6	88,6	88,7	85,5	82,5	83,6	88,4
Deutschland	100	98,3	96,0	91,9	90,0	88,5	89,8	89,9	85,0	83,7	91,2	94,2
Elláda	100	101,7	99,2	96,5	97,4	94,2	94,6	92,0	87,8	86,4	91,2	91,9
España	100	96,1	92,0	91,1	89,5	88,4	88,7	89,0	86,4	83,4	85,3	84,7
France	100	97,9	96,2	94,2	92,6	92,6	94,4	94,9	91,6	89,5	92,9	95,0
Ireland	100	97,3	94,3	93,0	91,7	90,8	92,7	90,0	86,1	84,6	85,3	86,2
Italia	100	95,9	92,8	95,6	93,1	97,9	97,0	93,2	89,1	86,1	86,3	88,1
Luxembourg	100	98,7	96,0	91,4	89,5	89,0	91,1	90,4	87,4	85,8	87,9	88,3
Nederland	100	96,9	95,2	90,9	87,5	88,7	90,9	89,3	84,8	81,3	85,9	88,2
Österreich	100	98,8	96,3	93,7	88,8	84,8	87,5	89,6	86,0	83,5	88,4	88,2
Portugal	100	94,5	89,3	79,7	79,2	76,0	73,4	69,0	65,4	63,4	64,0	66,6
Suomi/Finland	100	102,8	102,4	102,0	96,6	74,7	75,9	77,0	73,9	71,6	74,5	73,4
Sverige	100	95,4	92,9	88,4	88,1	90,8	96,6	98,2	96,5	95,3	97,3	102,6
United Kingdom	100	97,6	97,2	99,7	97,0	97,2	101,2	93,5	83,9	81,1	85,5	85,1

Source: Eurostat.

1.6. Farm accountancy data network (FADN)

1.6.1. Farm incomes

52. The FADN is used to calculate output, costs and incomes of commercial farms in the EU from observed data collected in a survey of harmonised farm accounts (see Chapter VII, Table 3.2.1.). The survey provides valuable information about how farm incomes vary according to type of farming and location, which is not apparent from the global averages in the results for the agricultural sector as a whole. This section presents some information by type of farming and by country. For an explanation of the various types of farming, see Chapter VII, Table 3.2.2.

53. At the time of going to press, some results for 1999 were not yet available and those available were still provisional for some countries. More detailed results for the different types of farming and different levels of economic size are given in Chapter VII, Tables 3.2.3. and 3.2.4.

1.6.2. Income by type of farming

54. The large differences in average income between Member States are inherent in the structure of their agriculture (Tables 1, 2 and 3).

55. The Member States with the highest average incomes are, generally speaking, those with a large number of large-sized farms specialising in arable crops, dairy or the less regulated sectors of production (pigs, poultry, horticulture, etc.). The southern Member States, with a large number of small farms engaged in ‘mixed’ farming (crop and livestock production) or ‘other permanent crops’ (mixes of different cropping enterprises) have average incomes below the EU average.

56. Table 3 shows the wide range of economic results among Member States for each type of farming, as measured by the Farm Net Value Added (FNVA). Particularly significant are the negative income figures for several Member States for 1998 in the pigs/poultry and mixed type of farms. This mainly reflects the severity of the crisis in the pig sector in that year. In 1999 the situation became more normal and only Sweden showed negative FNVA in the drystock sector.

57. Table 4 shows the contribution of the balance of subsidies and taxes to FNVA. For EUR-15 in 1998 the proportion of subsidies net of taxes to FNVA was 35 % but there were substantial differences among Member States and among types of farming.

58. In that year Finland and Sweden had an average FNVA that was lower than the balance of subsidies and taxes. This means that revenue from the market was not enough to cover production costs. On the other hand the part of subsidies in income was the lowest in the Netherlands, Belgium, Italy, and Spain.

59. There are also substantial differences with regard to types of farming. Net subsidies in the drystock, arable and mixed types of farming were the highest as a proportion to income. The horticulture and vineyards types of farming were by far the least subsidised.

60. More detailed information can be found on the FADN website: http://europa.eu.int/comm/agriculture/rica

CHAPTER II

2. POLICY DEVELOPMENTS AND LEGISLATIVE INITIATIVES IN 2001

2.1. Quality policy

2.1.1. Protected Designation of Origin / Protected Geographical Indication / Traditional Speciality Guaranteed

61. Products named by reference to a geographical origin and produced by traditional methods provide a response to consumers' expectations from two points of view:

   – because they often show exceptional organoleptic qualities; and,

   – because the traditional methods which have been used to produce such products re-establish a link of confidence between the product, its place of origin and at least the people who live there and develop it.

62. The 1992 reform of the CAP laid the foundations for putting these principles into concrete form. The reform also allowed the CAP to become part of the new world-wide economic order arising from the Uruguay Round.

63. In line with this new trend, Council Regulations (EEC) No 2081/92 and No 2082/92 were adopted to set up systems to enhance the value and the protection of specific food products. The specificity of such products may be dependent on their geographical origin (Protected Designations of Origin and Geographical Indications: PDOs and PGIs) or on traditional methods of production (Traditional Speciality Guaranteed: TSGs).

64. The protection is based on the fact that, when a food product has a reputation which extends beyond its place of origin or a specific method of production, it may well be confronted with misuses and imitations of its name.

65. By using a language common to all the Member States, protection makes free trade in the products concerned easier.

2.1.2. TRIPs Agreement

66. The issue of the protection of designations of origin and geographical indications has been raised in the international arena. The TRIPs Agreement (trade-related aspects of intellectual property rights) covers the concept of geographical indications, which corresponds to the Community concept in Regulation (EEC) No 2081/92. This Regulation will have to be amended accordingly to take account of the provisions in the TRIPs Agreement. Producers of non-member countries which are members of the WTO will be able to oppose applications for registration in the Union if they have a legitimate interest.

67. The European Commission's services have adopted a proposal to be transmitted to the Council that aims at complying with the Commission's obligations set out in the TRIPs Agreement (the right of objection to registrations is extended to WTO member nationals). Beyond the TRIPs Agreement and to obtain improved protection

of European geographical indications, amendments are proposed in order to open this system to third countries on the basis of equivalence and reciprocity. In addition, further adaptations are proposed, for example: to include wine vinegar, remove mineral and spring waters from the scope and abolish the 'fast-track' procedure of registration.

68. On the other hand, at the multilateral level, work is under way on clarifying certain aspects of Regulation (EEC) No 2081/92 as regards the TRIPs Agreement. Moreover, the European Union is seeking progress via proposals for a system of notification and registration of geographical indications, the Multilateral Register and for the extension of protection for geographical indications to products other than wines and spirits. This is a priority objective which will help Community producers entitled to the use of a geographical indication to protect themselves more effectively and find a niche on the international market.

2.1.3. New products listed

69. Under Council Regulation (EEC) No 2081/92[1], the Commission has made additions to the list of protected designations of origin (PDOs) and protected geographical indications (PGIs), the combined total of which now stands at 584. In terms of both the number of Member States and the types of products concerned, the new product registrations reflect a growing interest in the production of foodstuffs which consumers can associate with a particular production method and geographical origin.

70. A further designation has been registered under Regulation (EEC) No 2082/92 on certificates of specific character and introducing the 'traditional speciality guaranteed ' (TSG) indication.[2] On the whole, though, very little use has been made of the new designation, with a total of only 10 TSGs registered to date. Following a report from the Commission to the Council on the detailed implementing rules concerned, a regulation is being drafted and discussed which, it is hoped, will resolve the difficulties that have come to light. The aim is in particular to specify legitimate grounds for objection.

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[1] OJ L 208, 24.7.1992, p. 1.

[2] OJ L 208, 24.7.1992, p. 9.

List of PDOs, PGIs and TSGs registered in 2001

Member State	Product	Name
Belgium	*Pâté Gaumais* (meat-based products)	PGI
Spain	*Lacón Gallego* (meat-based products)	PGI
Spain	*Azafrán de La Mancha* (saffron)	PDO
Spain	*Pimentón de Murcia* (pimento)	PDO
Spain	*Aceite del Bajo Aragón* (olive oil)	PDO
Spain	*Sierra de Cazorla* (olive oil)	PDO
Spain	*Alcachofa de Tudela* (fruits, vegetables)	PGI
Spain	*Botillo del Bierzo* (meat-based products)	PGI
Spain	*Arroz de Valencia o Arrós de València* (rice)	PDO
Spain	*Manzana Reineta del Bierzo* (fruits)	PDO
Spain	*Salchichón de Vic-Llonganissa de Vic* (meat-based products)	PGI
France	*Bleu du Vercors-Sassenage* (cheese)	PDO
France	*Taureau de Camargue* (meat)	PDO
France	*Jambon sec et noix de jambon sec des Ardennes* (meat-based products)	PGI
France	*Boudin blanc de Rethel* (meat-based products)	PGI
France	*Huile d'Olive d'Aix en Provence* (oil)	PDO
France	*Huile d'olive de Haute Provence* (olive oil)	PDO
France	*Pélardon* (cheese)	PDO
Italy	*Val di Mazara* (oil)	PDO
Italy	*Agnello di Sardegna*	PGI
Italy	*Bergamotto di Reggio Calabria - olio essenziale* (essential oils)	PDO
Italy	*Limone Costa d'Amalfi* (fruits)	PGI
Italy	*Veneto Valpolicella, Veneto Euganei e Berici, Veneto del Grappa* (oils)	PGI
Italy	*Coppia Ferrarese* (pastry)	PGI
Sweden	*Falukorv* (meat-based products)	GTS

2.2. Organic farming

71. On 2 March 2001 the Commission adopted Regulation (EC) No 436/2001[3] updating the technical Annex II to Regulation (EEC) No 2092/91[4] concerning some fertilisers and soil conditioners

72. On 7 September 2001 the Commission adopted Regulation (EC) No 1788/2001[5] concerning the certificate of inspection for imports from third countries. The certificate has to be presented with the products to the competent authority of the importing Member State and will enter into force on 1 November 2002.

73. On 19 December 2001 the Commission adopted Regulation (EC) No 2491/2001[6] substantially amending Annex III to Regulation (EEC) No 2092/91 concerning detailed inspection requirements and precautionary measures.

74. Following the adoption of Regulation (EC) No 1804/1999[7] bringing organic livestock production within the scope of Regulation (EEC) No 2092/91, the Commission launched a work programme aimed at clarifying certain issues relating to organic livestock production which were raised by the Council at the time of the adoption of Regulation (EC) No 1804/1999. The main issues currently covered by the programme are as follows:

   – development of a regulation establishing labelling and inspection requirements for animal feedingstuffs,

   – additions to sections A and B of Annex VI as regards the non-agricultural ingredients and processing aids used in processed livestock products,

   – issue of supplementing feedingstuffs with synthetic products such as vitamins and amino acids.

75. The continuous process of updating the annexes to Regulation (EEC) No 2092/91 included discussion on:

   – The conversion period,

   – revising deadlines for the use of certain inputs,

   – derogations for the use of non-organic seed.

76. Guidelines for inspection have been developed for inspection bodies and authorities.

77. The possibility of developing a European Action Plan for organically produced food and organic farming was discussed and comments requested from Member States via a questionnaire.

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3 OJ L 63, 3.3.2001, p. 16.
4 OJ L 198, 22.7.1991, p. 1.
5 OJ L 243, 13.9.2001, p. 3.
6 OJ L 337, 20.12.2001, p. 9.
7 OJ L 222, 24.8.1999, p. 1.

78. The assessment of equivalency according to Article 11(1) of Regulation (EC) No 2092/91 is ongoing for several third countries. On 21 February and 27 December 2001 the Commission adopted Regulation (EC) No 349/2001[8] extending the equivalency recognition to imported products for Hungary and extending the duration of the inclusion for Argentina and Regulation (EC) No 2589/2001[9] extending the equivalency recognition to livestock production for the Czech Republic.

2.3. Promotion of agricultural products

79. In December 2001, under the new arrangements for measures to provide information on, and to promote, agricultural products in third countries introduced by Council Regulation (EC) No 2702/1999, the Commission approved 18 of the 33 programmes submitted by professional organisations via the national authorities concerned.

80. These campaigns chiefly target the Far East, the United States, Brazil and central and eastern Europe. The products concerned are mainly milk products, fresh and processed fruit and vegetables, wine and pigmeat. Community part-financing will amount to €19.5 million over three years, with €9.8 in the first year.

81. In the beef sector, the Commission adopted Regulation (EC) No 1358/2001 laying down specific communication measures with a view to restoring consumer confidence in the product. Under this Regulation, in December 2001 the Commission approved 13 of the 19 programmes presented by professional organisations or the Member States. These programmes will run for one year and receive Community aid worth €8.3 million. This initiative aims to inform European consumers, firstly, about the applicable Community and national rules on food safety (traceability, labelling, etc.) and providing for effective control throughout the production chain and, secondly, about the nutritional value of the product.

82. Lastly, as regards promotion inside the Community, the Commission has worked out detailed rules for implementing Council Regulation (EC) 2826/2000, in particular the guidelines for information and promotion in the sectors selected. This draft regulation was endorsed by the Management Committee in December 2001.

2.4. Simplification of agricultural legislation

2.4.1. Introduction

83. Simplification work carried out by the Commission in the field of agricultural legislation has focused on 1) making agricultural legislation as clear, transparent and easily accessible as possible and 2) reducing the administrative workload that the CAP imposes on farmers and administrative authorities.

84. The simplification of agricultural legislation has been a regular feature of Council discussions during 2001 and has also been discussed by the experts group on the simplification of agricultural legislation which was set up by the Commission following the conclusions of the Agriculture Council meeting of October 2000. The group has identified several issues and established priorities for simplification in the

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8 OJ L 52, 22.2.2001, p. 14.
9 OJ L 345, 29.12.2001, p. 18.

near future. One of the principal priorities is to be a study of Member States reporting obligations towards the Commission.

85. In its report to the European Parliament and the Council on the simplification of agricultural legislation[10], the Commission gave details of the progress achieved as regards simplification since its last report of April 1999, especially the different simplification measures adopted in the market management sector.

2.4.2. Transparency and accessibility of agricultural legislation

86. Work on the project to consolidate agricultural legislation has continued this year. The project aims to consolidate agricultural legislation in all official languages of the EU and make it available on the Internet for the general public. Amendments to agriculture acts are integrated into the basic text so that a single and updated, though not legally-binding, version can be consulted. Some 665 consolidated agricultural acts have been made available on the EUR-Lex website so far.

2.4.3. Trade mechanisms

87. In June 2001, the Commission presented the Trade Mechanisms Management Committee with an updated collection of interpretative notes concerning export refunds.

88. In November 2001, the Commission adopted a regulation to apply to national food aid some of the procedures currently applicable to Community food aid. These more flexible procedures will make it easier to carry out national food-aid operations.

2.4.4. Small farmers' scheme

89. On 19 June the Council adopted Regulation (EC) No 1244/2001[11], which provides for a simplified scheme for the payments to be made under certain support schemes. Farmers entitled to small amounts of direct aid may opt for a simplified scheme in which they would receive one all-inclusive amount each year instead of several small payments based on area or numbers of animals. The annual inclusive payment will be based on the amount of direct payments the participant received during a reference period of three years. It will be the highest average amount received during those three years or the amount received in the most recent year, subject to a maximum of €1 250. Once established, the amount would be paid from the year in which the farmer applies to participate in the scheme until the end of the trial period, in 2005. The scheme will apply from 1 January 2002, after the adoption of the implementing rules.

2.4.5. CAP-ED project

90. At its meeting of 22 October 2001, the experts group on simplification approved the Global Implementation Plan of the CAP-ED project. This project aims to create an electronic dictionary of codes used within the CAP, with the intention of facilitating

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[10] COM(2001) 48, 29.1.2001.

[11] Council Regulation (EC) No 1244/2001 of 19 June 2001 amending Regulation (EC) No 1259/1999 establishing common rules for direct support schemes under the common agricultural policy.

and simplifying the electronic exchange of information between the Commission and the Member States.

2.4.6. Member States' submission of simplification proposals

91. Following the publication in October 2000 of the Commission staff working paper[12] in response to the simplification proposals from the EAGGF paying agencies, Member States were invited by the Commission early in 2001 to submit their proposals for simplification to the experts group on simplification. Member States have submitted a significant number of simplification proposals, and the Commission is currently studying these in depth.

92. Recasting of the IACS implementing Regulation

93. In 2001, an updating and recasting of the Regulation governing implementation of the Integrated Administration and Control System was undertaken by the unit responsible for the audit of agricultural expenditure. Clarification and simplification of the IACS system were amongst the objectives of this review. It also introduced a 'holding-based' approach for control of the numerous bovine premium schemes, a simplification which had been requested by the Agriculture Council at its meeting of 23 October 2000. See section 7.1.5 for more details.

2.4.7. Reform of the sheep regime

94. In November 2001, the Council adopted a Regulation reforming the sheep and goat regime. The main change was to replace the deficiency payment with a fixed premium. The Regulation simplifies the regime significantly and replaces six regulations previously in force. Furthermore, the reform will allow for the detailed rules applicable in the sector to be simplified.

2.5. State aids

2.5.1. Introduction

95. On 6 June 2001 the European Commission adopted new guidelines on the use of state aids to advertise agricultural products[13]. The new text clarifies the Commission's policy on the advertising of quality products, products of regional origin and traceability systems.

96. The regional origin of products can now be promoted on condition that the rules on the free movement of goods are respected. The new guidelines will allow subsidies for advertising where the origin of a product is the primary message, if it takes place outside the Member State or the region of production. The objective should be to introduce consumers to products with which they are not familiar. Where advertising is aimed at consumers in the Member State or region of production, information about the origin can also be given. However, in such cases the reference to the origin has to remain secondary to the information about the quality of the product.

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12 SEC(2000) 1775, 23.10.2000.

13 OJ C 252, 12.9.2001, p. 5.

97. Aid for advertising quality products may also be granted where these products clearly meet higher standards, or have a protected designation of origin. Claims that products are of high quality when in fact they simply meet the legislative requirements applicable to all similar products may mislead the consumer. State support for advertising will only be possible where no internal market rules are violated.

98. In the case of products bearing a protected designation of origin registered by the EU (PDO, PGI or TSG), the Commission does not, in general, oppose aid for advertising which includes a reference to the origin of the product concerned, provided that it corresponds exactly to the references which have been registered.

99. Following the introduction of compulsory beef labelling, the new rules also set out how the advertising of traceability systems may be subsidised. State aid for advertising of individual firms remains prohibited and a maximum aid of 50%, or 75% for certain products from SMEs from disadvantaged regions, is permitted.

100. The new guidelines replace the two existing texts from 1986 and 1987. This consolidation and clarification should contribute to the continuous simplification and increased transparency of Community state-aid rules. The new guidelines will apply to new state aids, including pending notifications, from 1 January 2002.

101. Overall, the Commission received 379 notifications of draft state aid schemes in the agricultural and agro-industrial sector. The Commission also started the examination of 39 aid measures which had not been notified in advance under Article 88(3) of the EC Treaty. The Commission raised no objections to 212 measures, several of which were approved after the Member States concerned had either amended them or undertaken to amend them in order to bring them in line with Community state aids rules. The procedure laid down in Article 88(2) of the EC Treaty was launched in respect of 15 cases where the measures concerned raised serious doubts about compatibility with the common market. The Commission closed the Article 88(2) procedure in respect of five cases, taking a negative final decision in two cases. In all the cases where a negative decision was taken and where state aid had already been granted by the Member State concerned, the Commission requested recovery of the aid paid.

102. The following overview of cases includes a selection of those which raised the most interesting issues of state aid policy in the agricultural and agro-industrial sector in 2001 For the sake of clarity, the cases have been classified by topic.

2.5.2. Exceptional occurrences: the BSE crisis

103. The main issue of the year as far as state aid are concerned is, without doubt, linked to the consequences of the 'BSE crisis'. State-aid rules normally prevent Member States from paying income aid to farmers because this could distort competition and interfere with the functioning of the Community market organisations. Only in exceptional situations may such aid be granted to compensate for the damage caused by such situations.

104. Under Article 87(2)(b), aid aimed at making good the damage caused by exceptional occurrences is compatible with the common market. The concept of exceptional

occurrence is not defined in the Treaty and the Commission applies this provision on a case-by-case basis, after appraisal of the specific event concerned.

105. The ongoing crisis in the beef market, caused by a BSE scare at the end of last year, has been recognised by the Commission as one such exceptional occurrence. It is not the drop in sales or turnover that is considered exceptional. The drop in sales is seen by the Commission as a consequence of an exceptional and rare combination of incidents which caused farmers to lose income: the closure of export markets to Community beef and the extent of the negative reaction of European consumers, both preceded and accompanied by a series of incidents like the first cases of BSE detected in countries such as Germany, Italy and Spain, the ban at Community level of the marketing of any type of meat-and-bone meal as animal feed, and the sometimes controversial management of the crisis at national level.

106. Accordingly, the European Commission has authorised Austria, Belgium, France, Germany, Italy and Spain to pay income aid to beef farmers who suffered losses between November 2000 and June 2001 because of the consequences of the BSE crisis. No requests to pay such aid have been received from the other Member States. In all cases the Commission has established that there was no over-compensation at sectoral or individual farm level. These state aids can be summarised as follows:

- *Austria*: on 25 July the Commission authorised income aid of approximately €2.9 million (some ATS 40 million) granted in one Bundesland (state): Kärnten[14];

- *Belgium*: on 7 November the Commission authorised Belgium to pay out the second instalment of direct aid to beef farmers for approximately €29.7 million (BEF 1 200 million)[15]. An equivalent amount had already been authorised by the Commission on 25 July under aid scheme N 437/2001. The aid is targeted at beef farmers who have been particularly affected by the consequences of BSE because their income depends on beef production;

- *France*: the combined value of the income aid[16] cleared by the Commission on 25 July is approximately €259 million (FF 1 700 million), comprising direct aid of approximately €152.4 million (FF 1 000 million), reimbursement of interest payments with an estimated aid value of €60.9 million (FF 400 million), and consolidation loans with an estimated aid value of approximately €45.7 million (FF 300 million);

- *Germany*: on 25 July the Commission authorised Germany to grant income aid as follows: in Bavaria[17], approximately €28 million (DEM 55 million); Thuringia[18], approximately €4 million (DEM eight million) ; Lower Saxony[19,] approximately €5million (DEM 10 million).

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14 The text of the decisions will be made available on the Internet at http://europa.eu.int/comm/secretariat general/sgb/droit com/index en.htm#aides. The decision can be found under aid number NN 58/2001.

15 Aid numbers N 437/2001 and N 657/2001.

16 Aid number NN 46/2001.

17 Aid number N 193/2001.

18 Aid number N 170/2001.

19 Aid number N 164/2001.

On 2 October 2001 the Commission authorised Germany (Baden-Württemberg)[20] to pay income aid worth some €5.1 million (DEM 10 million) to beef farmers who suffered losses between November 2000 and June 2001 as a result of the BSE crisis.

On 30 October 2001 the Commission authorised Germany (Hessen)[21] to pay aid to beef farmers who suffered losses between November 2000 and December 2001 as a result of the BSE crisis. In particular, the Hessen emergency programme for BSE grants income aid worth €766 937.82 (DEM 15 million) in the form of subsidised loans to farmers affected by the BSE crisis;

– *Italy*: on 25 July the Commission authorised income aid to beef farmers of up to approximately €77 million (some ITL 154 000 million)[22.]

  On 30 October 2001 the Commission authorised Italy (Lombardy)[23] to grant aid of approximately €2.32 million to beef farmers with cash-flow problems as a result of reduced income during the BSE crisis period. The aid, in the form of subsidised short-term loans, consists of a contribution by the region of 3.5% of the loan interest, the rest (a minimum of 1.5%) payable by the farmers;

– *Spain*: the aid authorised by the Commission on 25 July relates to income aid two regions: Asturias[24], approximately €6 million (ESP 1 000 million) and Cantabria[25],: approximately €5.98 million (ESP 994 million).

107. On the basis of Article 87(3)(c) EC, the Commission authorised a series of other BSE-related state aids, notably in Austria, Italy and Germany. These measures relate, for example, to the costs for BSE tests, compensating slaughterhouses, the value of culled animals, the restocking of herds on farms where BSE was found, storage, transport and the disposal costs of processed animal protein and animal feed. In most of these cases the Commission considered that the measure complied with the rules on state aid granted within the context of programmes for combating animal diseases, as laid down in point 11.4 of the Community guidelines for state aid in the agriculture sector[26]. For example:

– Austria: on 2 October 2000 the Commission authorised Austria to grant various BSE-related aids with a budget of more than €29 million. This Austrian measure[27] has various aspects. Aid is granted to compensate for the decrease in value of processed animal proteins and animal-feed additives in feedingstuffs and premixtures containing such processed animal proteins. Aid may also be granted for storage, transport and disposal costs of processed animal proteins and animal feed, feed additives and premixtures containing such processed animal proteins, risk material and milk which could not be used or products

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20 Aid number N 150/B/2001.

21 Aid number N 249/2001.

22 Aid number N 113/A/2001.

23 Aid number N 411/2001.

24 Aid number N 269/2001.

25 Aid number N 377/2001.

26 OJ C 28, 1.2.2000, corrigendum OJ C 232, 12.8.2000.

27 Aid number N 114/2001.

produced on the basis thereof. Finally, aid may also be granted to compensate for the loss of income on farms which were blocked because of BSE and to cover the costs of testing.

– *Germany*: by decision of 25 October 2001 the Commission authorised the payment of two state aids, one in the Bavaria[28] of approximately €10 million (DEM 20 million), to compensate for the value of animal feed which had to be destroyed, as well as approximately €6 million (DEM 12 million) to compensate farmers on whose farms BSE was found. The second relates to Saxony[29] and represents approximately €2 million (DEM 4 million), to pay for restocking herds on farms where livestock was culled by order of the public authorities.

  On 30 October 2001 the Commission authorised an emergency programme for BSE in Hessen[30]. Among the measures listed in the programme, Hessen will compensate up to 100% of the costs for transport and disposal of animal feed containing meat-and-bone meal produced before 2 December 2000; the costs for BSE tests for cattle aged more than 24 months and sheep, destruction and compensation of the economic value of carcases and milk in the case of suspected or confirmed BSE cases. The total amount of aid granted under the approved scheme amounts to €1 955 689.

  On 7 September 2001 the Commission authorised Germany (Baden-Württemberg) [31] to pay aid for BSE tests, to compensate slaughterhouses for the value of culled animals, and farms where BSE was found. The three aid measures are all time-limited: until the end of 2002 for the BSE tests and the compensation for BSE-affected farms and until the end of 2001 for the measure pertaining to slaughterhouses. At the end of 2002 the aid for BSE tests and the compensation for BSE-affected farms will be reviewed in the light of the strategy applied at that time for combating BSE.

– *Italy*: The scheme authorised on 25 July 2001 (N 113/A/2001) comprises state aid other than income aid, e.g. compensation to farmers where BSE has been found, restocking aid, and national part-financing for the 'purchase for destruction scheme', bringing the total value of aid, including the €77 million income aid, up to €150 million (some ITL 300 000 million).

2.5.3. Animal diseases: foot-and-mouth disease in the United Kingdom

108. Most of the aid notified by the United Kingdom to the Commission during 2001 provided for measures designed to help farmers to overcome the financial and economic difficulties caused by the outbreak of foot-and-mouth disease (FMD) which affected most of the country, with strong repercussions on the agricultural sector.

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[28] Aid number N 174/2001.
[29] Aid number N 248/2001.
[30] Aid number N 249/2001.
[31] Aid number N 150/B/2001.

109. In this respect, two major aid schemes were approved by the Commission: on 3 April 2001, the Commission approved the 'Outgoers mark 2 scheme'[32] which was designed to help pig producers hit by FMD and who wished to leave pig farming permanently to do so. The aid scheme had a planned budget of GBP five million. Shortly afterwards, on 6 June 2001, the Commission also authorised 'the livestock welfare disposal scheme'[33], which was designed to address the animal-welfare problems arising from the movement restrictions put in place to control FMD. The aid scheme, with a planned budget of GBP six million per week, included contributions towards the costs of the transport, slaughter, rendering, incineration and disposal of carcases, veterinary costs as well as compensation to livestock producers subject to movement restrictions, who were offered the possibility of disposing of their animals where state-contracted veterinarians confirmed that the welfare of the animals was compromised by movement restrictions.

2.5.4. Opening of formal investigations

2.5.4.1. Opening of formal investigations

110. *Spain*: Aid to compensate farmers for high fuel prices

On 11 April 2001 the European Commission decided to initiate a formal state-aid investigation procedure concerning a series of fiscal measures in favour of agriculture introduced by Spain in the wake of the rise in energy prices in 2000. The Commission queried the compatibility with the common market of the measures introduced by the Spanish government. At this stage, the Commission cannot rule out the possibility that the measures under investigation are pure operating aids granted to compensate the agricultural sector for the higher price of fuel. As a general rule, such operating aids cannot be authorised by the Commission. In so far as such aids have already been granted, and in the event that the investigation substantiates the Commission's reservations, the Commission would have to ask the Spanish authorities to recover the aid from recipients.

111. *Italy (Sardinia):* Aid to compensate farmers for the high price of gas oil

On 25 July 2001, the Commission initiated a formal investigation procedure with respect to Italian (Sardinia) state aid aimed at compensating farmers for the higher price of gas oil in comparison with that of natural gas. The measure is contained in a comprehensive law for Sardinia, called *Testo Unico*, which regulates the granting of a large number of different aids to the agricultural sector. The Commission has no objections to the rest of the *Testo Unico*.

112. According to the Sardinian authorities, the island lacks a natural gas pipeline network, which obliges farmers to use much more expensive gas oil. The aid aims at overcoming this structural handicap, and thus restoring what the government of Sardinia considers to be normal competitive conditions. However, at this stage, the Commission considers that state aid which exclusively and artificially reduces farmers' production costs must be regarded as an operating aid. Such aid does not normally bring about any lasting improvement for the sector. As soon as such aid is withdrawn, the earlier problem reappears. Solutions to problems of this type should

32 Aid number NN 24/2001.

33 Aid number NN 25/2001.

be sought elsewhere. For example, Commission rules for state aid for environmental protection offer the possibility of granting aid to renewable energies available locally. The aid proposed, however, would not encourage the transfer from fossil fuels to renewable energy sources. It would rather appear to inhibit such structural changes.

2.5.4.2. Italian financial law for 2001

113. The Commission has opened a formal investigation procedure with regard to the additional financing of €119 million (ITL 230 000 million), for an exceptional aid package of €100 million (ITL 200 000 million), which was approved by the Council in 1997 on the basis of the third indent of Article 88(2) of the EC Treaty. In that instance, Italy applied to the Council for the exceptional approval of the aid measure by a unanimous vote after the Commission had initiated the formal investigation procedure with respect to the aid. The measure in question provided for the State to assume responsibility for payment of sums due by members of agricultural co-operatives who had personally stood surety in favour of the cooperatives in case of established insolvency of the latter.

114. In opening the procedure, the Commission considered that the purpose of the measure was to ensure retrospective payment of aid for the operation of cooperatives and that the operation itself would entail the retrospective expunging of cooperatives' liabilities. Given its exceptional nature, the Council’s approval of this aid measure cannot be considered as a *de facto* authorisation for further refinancing of the same aid measure, particularly given the serious doubts expressed in the first instance by the Commission. The Commission therefore believes that new financial appropriation needs to be assessed on its merits on the basis of the applicable Community rules.

115. The Commission has also opened a formal investigation procedure with regard to aid for rescuing and restructuring companies in difficulties, and aid in favour of promotion and research and development. The latter measure will be partially financed through a parafiscal levy imposed on both national and imported products. The Commission has followed its established practice in the field as well as the Court case law whereby aid financed from parafiscal charges (which also apply to imported products) is, in principle, incompatible with the common market in that the imported products cannot benefit from the aid scheme in the same way as domestic ones. Unless the Member State is able to prove that this is not the case, aid financed in this way is likely to result in a clear distortion of competition. This will be examined during the course of the investigation. The Commission has however considered that some of the research and development measures envisaged do not constitute state aid in that they will be conducted by public institutions in the public interest.

2.5.4.3. AIMA programme: Aid for the poultry industry in Italy

116. The Italian intervention agency, 'Alternative Investment Management Association' (AIMA), intends to grant compensation to Italian poultry producers for the loss of income suffered as a result of the dioxin crisis in Belgium in 1999, which is claimed to have caused a substantial fall in production and trade and a sharp drop in the consumption of poultry products in Italy. The amount of aid - €10 323.138 (ITL 20 000 million), is the difference between average prices in countries not

affected by the crisis and prices in Italy in June and July 1999 (the period to which the compensation relates). The Commission takes the view that market disruption as a result of consumer concerns about dioxins does not in itself constitute an exceptional event. Consequently, if Italy cannot demonstrate that the disruption was exceptional, the aid cannot be authorised.

2.5.4.4. Aid to improve the conditions in which agricultural products are processed and marketed - Article 35 of Regional Law 5/2000 - Italy (Veneto).

117. On the basis of Article 35 of Regional Law 5/2000[34], the Italian authorities intend to introduce state aid for investment (up to 40%) in the processing and marketing of agricultural products for 36 agro-industrial companies which submitted financing applications within the meaning of Regulation (EC) No 951/97[35] during the 1994-99 programming period[36] and which actually undertook work, but were not granted any part-financed state aid because no funds were available.

118. According to the information available, the Commission cannot exclude that this is retroactive aid for activities already undertaken by the beneficiary, which would not therefore have the necessary 'incentive' component and should therefore be regarded as operating aid, since its only purpose would be to relieve the beneficiary of a financial cost.

2.5.4.5. Framework state-aid schemes in Italy

119. The Commission approved several framework schemes in 2001, relating to the full range of processing and marketing activities for agricultural products and providing for very high budgets.

120. One such scheme (aid N 558/2000) has a budget of €500 million. The Commission also approved the '*Sviluppo Italia*' scheme (aid N 559/2000), a public company which replaces the former RIBS and Itainvest and also finances projects in the area of processing and marketing agricultural products. The budget for this scheme is approximately €1 billion.

121. In the same context, the Commission approved the agricultural section of a major aid scheme for investments[37] for any company located in the Italian regions eligible for the exemptions provided for in Article 87(3)(a) and (c) of the Treaty. The scheme applies to agricultural businesses (aid for sectors other than agriculture was covered by separate decisions). The measures meet regional development objectives. The scheme, which applies until 31 December 2006, has an annual budget of approximately €46 billion (ITL 9 000 billion); that amount also covers sectors other than agriculture. The aid is granted in the form of tax credits.

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34 The law concerns a general measure to refinance and amend regional laws concerning the preparation of the region's annual and multiannual budgets.

35 Regulation on improving the processing and marketing conditions for agricultural products (OJ L 142, 2.6.1997, p. 22).

36 The operational programme for Veneto was approved by Commission Decision 96/2598/EC of 2 October 1996.

37 Aid number 00C646.

2.5.5. Aid to wine producers in Italy (Sicily)

122. On 17 October the Commission adopted a negative final decision in case C 61/96[38] in respect of aid that Sicily intended to grant to wine producers (up to €1 million) to compensate them for planting rights that they had been unable to use because of drought, and to handicraft companies (up to €5 million) as short-term loans. Since aid to wine producers was intended to compensate for invalid rights, in contrast with the wine CMO rules, and since subsidised short-term loans could also have been granted to handicraft companies engaged in the production, marketing and processing of agricultural products, the Commission concluded that they should be considered as operating aid which is prohibited in the agricultural sector.

2.5.6. Aid for fruit and vegetable producers in Greece

123. Under Article 87(3)(c) of the Treaty, the Commission adopted a positive final decision with regard to State aid in Greece for producers of fruit and vegetables[39]. The aid, worth €265 000 in all, took the form of a financial compensation for farmers in the Prefecture of Thessaloniki whose crops of water melons and melons had been badly damaged by field mice during the summer of 1997. The Commission concluded that the criteria applicable to crop diseases applied to the case in point because, although an attack by mice does not constitute a plant disease, the effects are the same, in that agricultural production is destroyed by external live agents. These criteria therefore apply by analogy.

2.5.7. Programme to control agricultural pollution in France

124. On 30 October 2001 the Commission authorised France to grant state aid[40] to renew investment aid on farms under the programme to control agricultural pollution. This programme meets the need to improve water quality by introducing environmental considerations into farming practices. The aid scheme, worth €886 million for 2001-06, aims to encourage investment to reduce pollution from livestock effluents.

125. Among the objectives of the programme is speeding up compliance with Council Directive 91/676/EEC of 12 December 1991[41], and priority is given to vulnerable areas where stockfarming is proved to be the source of nitrate pollution. In authorising the aid, the Commission took account of the fact that the above Directive includes requirements which need investments on holdings, such as building additional storage capacity, and that stockfarmers' obligations can be regarded as new standards within the meaning of the guidelines on state aid in agriculture. While concluding that the Directive could not itself be considered a new standard, the Commission took account of the fact that the first French action programme to implement the Directive was not adopted until 1997, and the first actual obligations implementing that programme and requiring stockfarmers to attain results on the ground are even more recent. In addition, the Directive does not contain specific obligations binding on economic operators without preliminary action by the Member State.

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38 Case C 61/96, Commission Decision of 17.10.2001, 2002/195/EC.
39 Decision of 31 January, OJ L 93, 3.4.2001.
40 Aid number N 355/2000, OJ C 350, 11.12.2001.
41 OJ L 375, 31.12.1991, p. 1.

126. Accordingly, the Commission concluded that the aid is intended to finance investments for the purpose of improving the environment and aiming to adapt farms to new standards within the meaning of point 4.1.1.3 of the guidelines on state aid in agriculture. According to the Commission, any other interpretation would be likely to penalise stockfarmers because of the inaction of a Member State at legal level. The Commission also considered it important to include in its appraisal the human and financial scale of the programme (approximately 100 000 beneficiaries) and the importance of the issue for the environment in both France and Europe.

2.6. Assistance to the needy in the Community

127. The European Union continued to implement its food-aid programme for the needy[42]. This involved making agricultural produce and processed agricultural produce from intervention stocks available to the organisations concerned working in the field in the Member States.

128. The table below gives a breakdown of the total budget and shows the quantities that can be withdrawn from intervention stocks by each participating Member State.

Free distribution of agricultural products (2001)

Member State	Appropriation allocated (€)	Quantity (tonnes)			
		Cereals	Rice (paddy rice)	Olive oil	Butter
Belgium	2 285 000 13 383 000	3 500	500		500
Greece	55 096 000 39 232 000	25 000	10 000	4 000	
Spain	207 000 56 568 000	65 000	30 000	7 000	7 400
France	48 000[43] 24 876 000	17 530	2 700		10 551
Ireland	3 305 000				60
Italy		75 000	30 000	5 000	8 500
Luxembourg					
Portugal		10 000	7 500	3 000	4 600
Finland		13 670			500
Total[44]	195 000 000	209 700	80 700	19 000	32 111

42 Regulation (EEC) No 3730/87 of 10 December 1987 (OJ L 352, 15.12.1987, p. 1); Commission Decision 2001/23/EC of 21 December 2000 (OJ L 6, 11.1.2001, p. 6).

43 Allocation made available to Luxembourg with a view to buying agricultural products on the Community market (Article 2 of Regulation (EEC) No 3149/92).

44 To this €195 million should be added € 4 million for financing Community transport costs.

2.7. The outermost regions

129. As provided for in its report of 14 March 2000[45], the Commission continued to implement Article 299(2) of the Treaty concerning the outermost regions of the Community (the Canary Islands, the French overseas departments (Martinique, Guadeloupe, French Guiana and Réunion), Madeira and the Azores) in the agricultural sector.

130. On the basis of Commission proposals, on 28 June 2001 the Council adopted a series of Regulations repealing and replacing the previous regulations based on the programmes of options specific to remoteness and insularity (Poseidom, Poseima, Poseican). The new Regulations are Regulations (EC) No 1452/2001, 1453/2001 and 1454/2001[46], applicable to the French overseas departments, the Azores and Madeira and the Canary Islands, respectively. In addition, Regulation (EC) No 1455/2001 made the necessary adaptations to the common organisation of the market in beef and veal[47].

131. On 14 March 2001, the Commission transmitted an additional proposal on milk production in the Azores[48], which the Council adopted and incorporated into the new Council Regulation (EC) No 1453/2001 (Poseima). This proposal concerned a temporary exemption from the additional milk levy.

132. These decisions were followed by a number of Commission implementing Regulations.

133. Article 15(3) of the new Council Regulation (EC) No 1453/2001 (Poseima) authorises Madeira not to apply the additional levy scheme for milk and milk products up to a local production limit of 4 000 tonnes. In order not to affect application of the levy in Portugal, the Commission submitted to the Council a draft amendment to the Annex to Regulation (EEC) No 3950/92 establishing an additional levy in the milk and milk products sector in order to reduce the reference quantity applicable to Portugal by the additional quantity of 2 000 tonnes allotted to Madeira.

2.8. Overseas countries and territories (OCT)

134. Decision 91/482/EEC on the association of overseas countries and territories with the Community (the OCT Decision) was extended until 1 December 2001. Problems arose relating to the trade arrangements for sugar. The Commission was forced to adopt two safeguard measures in that sector (from 1 March to 30 June 2001 and from 1 July to 1 December 2001).

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45 COM(2000)147 - C5-0247/2000.

46 OJ L 198, 21.7.2001. They replace Regulations (EEC) No 3763/91 (Poseidom) for the French overseas departments, No 1600/92 (Poseima) for Madeira and the Azores, and No 1601/92 (Poseican) for the Canary Islands.

47 OJ L 198, 21.7.2001. This market organisation was previously governed by Regulation (EC) No 1254/1999.

48 COM(2001) 156 final.

2.9. Information measures concerning the CAP

135. Council Regulation (EC) No 814/2000[49] provides for information measures relating to the common agricultural policy, intended for both the Member States and the outside world. Commission Regulation (EC) No 1390/2000[50] lays down the implementing rules. The purpose of the scheme is to explain the issues surrounding the CAP, promote the European model of agriculture, keep farmers and other rural interests informed and raise public awareness of the implications and goals of this policy.

136. Adoption of the Commission's proposal reflects the will to rectify the dearth of information on the CAP by part-financing three types of measures:

– annual work programmes presented, in particular, by farmers' or rural development organisations, consumers' associations and environmental protection associations;

– specific measures to be implemented in particular by the public authorities of the Member States, the media and universities;

– and activities implemented at the Commission's initiative.

137. For the first two types of measures, financing by the Commission may not exceed 50% of the eligible costs, except in cases of exceptional interest where financing can be up to 75%.

138. During the 2001 budget year, 149 applications for subsidies were submitted[51] under the scheme and call for proposals 2000/C 213/04[52]. 39 of these applications were finally part-financed for €224 million. The projects were selected on the basis of their quality and cost-effectiveness in accordance Article 3 of Regulation (EC) No 814/2000.

139. The part-financed measures include, in particular, conferences, publications, forums, the creation of CD-ROMs and the organisation of information visits. A variety of topics was also treated, including: organic farming, food safety and quality, rural development, an explanation of the CAP in general and various common organisations of the markets in particular, enlargement, the WTO negotiations. General meetings and measures required by law and measures already receiving financing under another Community operation may not be financed.

140. In July 2001 the Commission adopted Regulation (EC) No 1557/2001[53] simplifying the detailed rules laid down in Regulation (EC) No 1390/2000 and repealing that Regulation. Likewise, call for proposals 2001/C 215/09 also allows proposals to be submitted for 2002.

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49 OJ L 100, 20.4.2000, p. 7.
50 OJ L 158, 30.6.2000, p. 17.
51 OJ L 205, 31.7.2001, p. 25.
52 OJ C 215 1.8.2001, p. 9.
53 OJ C 213 26.7.2000, p. 9.

141. Under the information activities launched at the initiative of the Commission during 2001, the Directorate-General for Agriculture participated in several agricultural fairs (in particular the Salon de Paris and the *Grüne Woche*), produced a number of publications, chiefly monthly newsletters, factsheets, booklets, the report on markets and videos, and organised conferences for specialist journalists and other target audiences.

2.10. Information and communication technology (ICT)

142. ICT evolution continues according to the plan established in 2000. In 2001 activities linked to ICT continued around four principal objectives:

a) the strengthening and redevelopment of strategic information systems which are vital for the functioning of the agricultural markets and the financial mechanism. These information systems are built upon a data-processing architecture using open systems and Internet technologies (as used widely throughout the EU). Points of note in 2001 are:

– The start-up of the redevelopment work for the AGREX2 and eFAUDIT EAGGF Guarantee applications. The new applications are expected to be operational in 2002;

– continued use of the EAGGF Guidance application FEORIENT as well as the use of generic Commission-wide applications for structural fund management;

– implementation of the Clearance of Accounts (CATS) system which has been operational since January 2001;

– finalisation of the modernisation of the Farm Accountancy Data Network (FADN) application;

– development of an application supporting the measures related to information programmes and the promotion of agricultural products (MPP);

– strengthening of the Agricultural Markets Intelligence System (AMIS), particularly in relation to the production of reports;

– a further move towards open technologies with the implementation of the modernised Interactive Data Entry System (new IDES) with a secure interface established;

– a pilot application for data warehouse decision support (AGRIVIEW) which was met with enthusiasm and for which developments continue.

b) Making available a steadily improving user environment including:

– implementation of the Adonis-Image electronic management of documents system with document image scanning and storage (now fully in place);

– a relatively heavy investment in 2001 for local server equipment (both new and upgrades), maintaining stability despite large increases in disk-space requirements and use.

c) Analysis of requirements:

– feasibility studies for an organic farming information system (OFIS) and an electronic dictionary to support CAP measures (CAP_ED) were completed with positive results from both studies. Developments are to follow in 2002;

– a feasibility study for an application supporting improved rural development indicators (CAP_IDIM) was put in place in 2001.

d) Security:

– A security study has been launched to evaluate ICT security in the Directorate-General for Agriculture and the results should lead to an action plan in this area from 2002.

2.11. Advisory committees and relations with bodies representing the EU socio-professional sector

143. At some 80 meetings of the advisory committees and working groups held in 2001, the Commission consulted and informed the representatives of *inter alia* agricultural producers, cooperatives, processors, traders, consumers, workers, environmental-protection, rural-development and animal-welfare interests of developments in the common agricultural policy and rural development policies.

144. In accordance with Article 4 of Commission Decision 98/235/EC of 11 March 1998 on the advisory committees dealing with matters covered by the common agricultural policy, committee members are appointed by the Commission on proposals from the socio-economic organisations established at Community level. An initial list of members was published in the Official Journal of the European Communities[54].

145. Updated versions of the list (to take account of members who resigned, retired, etc.) were published in Official Journal C 122 of 4 May 1999, C 123 of 3 May 2000, and C 233 of 17 August 2001.

[54] OJ C 370, 30.11.1998, p. 1.

CHAPTER III

3. MARKET DEVELOPMENTS

3.1. Crop products

3.1.1. Cereals

3.1.1.1. World market

146. World production of cereals (not including rice) during the 2000/01 marketing year was lower than the two previous years, because of lower production in North Africa and Asia, in particular China. The Community had a record harvest. According to International Grains Council figures, the world harvest was 1 446 million tonnes in 2000/01, compared with 1 467 million tonnes the previous year .

147. World production of wheat fell from 584 million tonnes in 1999/2000 to 582 million tonnes in 2000/01. The European Union harvested 104 million tonnes of wheat. China is the world's largest producer, with an output of 102 million tonnes (-10.4%). The total harvest in the CIS countries fell to 64.2 million tonnes from 66 million tonnes in 1999. World production of feed grains fell from 883.3 million tonnes in 1999/2000 to 863.9 million tonnes in 2000/01.

148. World consumption of wheat in 2000/01 is estimated at 594 million tonnes, or 12 million tonnes more than the harvest. Estimated consumption of feed grains is stable at 888 million tonnes.

149. World cereal stocks declined overall, after having been restored by the end of the 1999/2000 crop year to a level comparable with that of the early 1990s. They stood at 317 million tonnes, comprising 146 million tonnes of wheat and 171 million tonnes of feed grains; this level is 36 million tonnes less than at the end of the 1999/2000 crop year. In absolute terms, world cereal stocks have been adjusted following a retroactive review of Chinese stocks.

150. The total volume of world trade in cereals in 2000/01 was 207 million tonnes, including 101 million tonnes of wheat, compared with 211 million tonnes (including 109 million tonnes of wheat) in the previous crop year. The fall in wheat imports is accounted for above all by Russia, India, Pakistan and Bangladesh. The increase in imports of feed grains is mainly accounted for by eastern Europe, Mexico, North Africa and Korea. The International Grains Council harvest forecasts for the 2001/02 crop year as at 27 September 2001 pointed to a drop in world output (1 437 million tonnes compared with 1 446 million tonnes in the previous crop year). World stocks were expected to be down from 317 to 257 million tonnes and the volume of world trade in cereals was expected to remain stable (at 207 million tonnes, including 104 million tonnes of wheat).

3.1.1.2. Community market

151. The 2000/01 marketing year is the first under the Agenda 2000 arrangements. Consequently, the intervention price was cut by 7.5% to €110.25 per tonne and aid was adapted (€58.67 per tonne of yield, instead of €54.34 per tonne previously). The

rate of compulsory set-aside was set at 10%. The Council left the monthly increase in the intervention price unchanged at €1.0/tonne/month.

152. On the basis of Eurostat figures, Community output of cereals for 2000/01 was estimated at 214.7 million tonnes for the fifteen Member States, 13.5 million tonnes more than in 1999/2000.

153. The change in output corresponds to an area of 37.8 million hectares sown to cereals as against 36.4 million hectares in 1999/2000 (an increase of 3.5%), and to an increase in yields from the 1999 level (5.70 tonnes/ha instead of 5.53 tonnes/ha).

154. Production of common wheat (96.0 million tonnes) and durum wheat (9.5 million tonnes) increased by 7.7% and 13.7% respectively. Maize production increased by +3.5%, from 37.4 million tonnes to 38.8 million tonnes.

155. Rye production declined by 1.1% to 55 million tonnes.

156. For the 2000 harvest, the set-aside requirement was kept at 10%, corresponding to an area of 3.9 million hectares. However, voluntary set-aside of almost 1.9 million hectares brought the actual total rate of set-aside to 13.5%, with Spanish, Swedish and Finnish farmers in the forefront. Together with the cut in cereal prices under the Agenda 2000 reform, exacerbated by poor quality in certain regions as a result of bad weather during the harvest, high prices for oilseeds and protein crops due to the US dollar rate boosted the use of cereals for animal feed. In addition, white meat production (pigmeat and poultrymeat) was boosted by the drop in prices for compound feedingstuffs and consumer concern about beef and veal in the wake of the BSE crisis. The use of cereals in the feedingstuffs sector totalled 118 million tonnes for the Fifteen in 2000/01, over four million tonnes more than the previous year. At the same time, internal trade in cereals between the Member States stabilised at over 30 million tonnes in cereals equivalent, thereby contributing to the establishment of the single market.

157. Community exports (including processed products and food aid) fell to 28.5 million tonnes in 2000/01, as against 34 million tonnes the previous marketing year. Commercial exports totalled 13.8 million tonnes of common wheat (including flour), 12.9 million tonnes of barley (including malt) and 1.3 million tonnes of rye and rye flour. Durum wheat exports remained lower than in the past. 700 000 tonnes of oats were exported by Sweden and Finland.

158. Intervention stocks fell from 8.8 million tonnes at the beginning of the 2001/02 marketing year to around 6.7 million tonnes at the end, including 0.7 million tonnes of common wheat, 2.2 million tonnes of barley and 3.8 million tonnes of rye.

159. Under Agenda 2000, the intervention price for 2001/02 was cut to €101.31 per tonne and aid was adapted (€63 per tonne of yield, instead of €58.67 per tonne previously). The rate of compulsory set-aside remained at 10%. The Council adjusted the monthly increase in the intervention price to €0.93/tonne/month.

3.1.2. Oilseeds

160. Oilseeds yield two products: oil, chiefly for human consumption, and cake for animal feed. This means that the economic position of the sector depends on price

movements for seeds, oils and cake. Vegetable oils may be consumed without further processing or as prepared oils and fats, e.g. margarine.

161. The European Union is a net importer of oilseeds, vegetable oils and oilcake, annual import volumes being largely dependent on the relative prices of seeds, cake, oils and competing feed products (cereals, corn gluten feed, etc.) and on the opportunities for exporting oils and cake from the EU. Total imports of oilseeds amounted to 17.3 million tonnes in 2000 and 18.4 million tonnes in 1999. Soya accounts for most of this quantity (84%).

162. Altogether, 31.7 million tonnes of oilseeds were crushed in the European Union (EU-15) in 2000/01, as against 31.4 million tonnes in 1999/2000. Most of these were soya beans (around 54%), followed by rapeseed (around 31%) and sunflower seeds (around 15%).

163. Since 1993/94, the support arrangements for producers of oilseeds (rapeseed, sunflower seeds and soya beans) have been part of the support scheme for producers of certain arable crops (cereals, oilseeds, protein plants and linseed). Under these arrangements, a basic payment of €433.50/ha was made until 1999/2000. The amount actually paid to growers varies regionally according to historical yields of cereals or oilseeds.

164. Regulation (EC) No 1251/1999 provides for the alignment of area payments for oilseeds and cereals from the 2002/03 marketing year. Alignment is being preceded by a transitional period with area payments for oilseeds at €81.74/tonne in 2000/01 and €72.37/tonne in 2001/02, multiplied by the average cereal yield, or the oilseeds yield multiplied by 1.95. Market prices for oilseeds will no longer influence the level of area payments.

165. For 2000/01, a total of 4 405 501 hectares qualified for the specific area payment for oilseeds, i.e. less than the maximum guaranteed area (MGA) of 4 933 800 hectares. As there was no overshoot of the MGA, there was no need to adjust payments.

166. Total oilseed production in 2000/01 was 13.5 million tonnes (including 2.1 million tonnes of non-food production), as against 16.1 million tonnes (including 2.7 million tonnes of non-food production) in 1999/2000.

3.1.3. Peas, field beans and sweet lupins

167. These products, which go chiefly to the feed industry, compete with a wide range of other raw materials.

168. With the entry into force of Regulation (EC) No 1251/1999, the calculation of area aid is based, from the 2000/01 marketing year, on an amount of €72.50 multiplied by the historical cereal yield.

169. Compensatory aid was paid for around 1.1 million hectares in 2000/01. Total production amounted to 3.8 million tonnes.

3.1.4. Linseed

170. The European Union produces both fibre flax, which is grown primarily for use in the textile industry but also gives seeds, and seed flax, which is grown exclusively

for linseed. Linseed is either used without further processing or crushed to obtain oil (for industrial applications) and cake used for animal feed.

171. The European Union imports large quantities of linseed (around 400 000 tonnes a year). Canada is its biggest supplier.

172. In order to control production, a better balance has been sought between the support granted for linseed production and that for other current crops. From 1993/94, linseed was added to the list of arable crops qualifying for area payments under the reform adopted in 1992. The compensatory payment granted is €105.1 per tonne, multiplied by the cereal yield.

173. Regulation (EC) No 1251/1999 provides for the alignment of area payments for linseed on those for cereals from the 2002/03 crop year; alignment is being preceded by a transitional period with area payments for linseed at €88.26/tonne in 2000/01 and €75.63/tonne in 2001/02, multiplied by the average cereal yield.

174. The area sown to linseed in 2000 totalled 253 000 hectares.

3.1.5. Grain legumes (chickpeas, vetches and lentils)

175. Council Regulation (EEC) No 762/89 introduced a specific measure for grain legumes in 1989. Its period of validity was extended by Regulation (EC) No 1577/96. The measure comprises area payments for a maximum guaranteed area (MGA) not covered by the arable crops scheme. Under Regulation (EC) No 811/2000, this MGA was subdivided between chickpeas and lentils (used for human consumption) on the one hand and vetches (used for animal feed) on the other.

176. Aid per hectare is set at €181, and the MGA is 160 000 hectares for chickpeas and lentils, and 240 000 hectares for vetches. If the area for either crop is less than the MGA, the balance is transferred to the other one before determining any overshoot. Should an MGA be exceeded, the aid is proportionally reduced during the marketing year in question.

177. In 2000/01, the area under chickpeas and lentils was 114 098 hectares and the area under vetches was 295 698 hectares; as a result of the overrun of the MGA for vetches the aid was reduced to €175.02 per hectare, while the aid for chickpeas and lentils remained unchanged at €181 per hectare.

178. The area for the 2001/02 marketing year is estimated at 128 000 hectares for chickpeas and lentils, and at 295 000 hectares for vetches.

3.1.6. Non-food production

179. With the entry into force of Council Regulation (EC) No 1251/1999 of 17 May 1999 establishing a support system for producers of certain arable crops, which repeals and replaces Regulation (EEC) No 1765/92, new arrangements were introduced for set-aside, as decided under the Agenda 2000 package.

– the basic percentage for compulsory set-aside is set at 10% from 2000/01 to 2006/07 inclusive;

– the minimum percentage for voluntary set-aside is 10%, but Member States may set much higher rates, up to 100% of the agricultural area;

– the area payment for set-aside land is €58.67 per tonne for 2000/01, rising to €63.00 per tonne thereafter.

180. As the basic Regulation applied from the 2000/01 marketing year, the former implementing Regulation also had to be replaced.

181. The new Commission Regulation (EC) No 2461/1999 laying down detailed rules for the application of Council Regulation (EC) No 1251/1999 as regards the use of land set aside for the production of raw materials for the manufacture within the Community of products not primarily intended for human or animal consumption thus recasts the old Regulation, but at the same time introduces amendments to introduce new possibilities of production (producing biogas on the holding, growing biennial crops and classification in Annex I of certain raw materials which, by virtue of their characteristics, are used exclusively for non-food purposes) and changes in procedure (the possibility of transferring the security between processors).

182. It was therefore necessary to introduce a corrective mechanism into Regulation (EC) No 1251/1999 to ensure compliance with point 7 of the Memorandum of Understanding on certain oilseeds which was concluded in 1993 between the European Economic Community and the United States of America within the framework of GATT. The said point specifies that "should the by-products made available as a result of the cultivation of oilseeds on land set aside for the manufacture within the Community of products not primarily intended for human or animal consumption exceed one million metric tonnes annually, expressed in soya bean meal equivalent, the Community shall take appropriate corrective action within the framework of the CAP reform". For the 2000/01 marketing year, the quantity of by-products expressed in soya bean meal equivalent was 850 000 tonnes.

183. The new corrective arrangements came into force on 28 December 1999 under Council Regulation (EC) No 2704/1999 amending Regulation (EC) No 1251/1999 establishing a support system for producers of certain arable crops.

184. The new implementing provisions required as a result of the amendment to the basic Regulation were incorporated into Regulation (EC) No 2461/1999 with the adoption of Commission Regulation (EC) No 827/2000 amending Regulation (EC) No 2461/1999 laying down detailed rules for the application of Council Regulation (EC) No 1251/1999 as regards the use of land set aside for the production of raw materials for the manufacture within the Community of products not primarily intended for human or animal consumption.

185. Regulation (EC) No 587/2001 of 26 March 2001 amending Regulation (EC) No 2461/1999 provides for:

– new industrial uses for hemp, for example in insulating panels or in brick manufacture (without there being a need, in certain cases, to separate the fibre from the woody portion of the stalk), as well as the processing of products not covered by Council Regulation (EC) No 1673/2000 of 27 July 2000 on the common organisation of the markets in flax and hemp grown for fibre;

– the use of cereals and certain oilseeds to heat agricultural holdings directly in heaters without any prior processing. These raw materials may also be processed on the farm to produce bio-fuel such as raw colza oil or power such as electricity.

186. Measures to promote renewable energy and/or non-food production are included in most of the rural development programmes presented by the Member States under the new Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations.

187. In this context, several eastern and central European applicant countries have also presented measures for the non-food sector under the special accession programme for agriculture and rural development (Sapard).

188. Out of 975 000 hectares of set-aside land used for non-food production in 2000/01, about 900 000 hectares were used for oilseed production, i.e. about the same as in 1999/2000. Some 60% of the output is used to manufacture biodiesel, and the remaining 40% for lubricants and chemical feedstocks.

3.1.7. Rice

189. The world harvest in 2000 totalled about 610 million tonnes of paddy rice, 9 million tonnes up on 1999 (601 million tonnes.)

190. The volume of world trade in 2000 amounted to some 23 million tonnes, i.e. about 4% of world production.

191. In the Community, the production of milled rice sold on the market totalled 1 435 634 tonnes in 2000. This was about 7.5% less than in 1998 (1 551 329 tonnes), despite an increase in the area sown.

192. Production of indica rice was up by about 3% to 518 178 tonnes, equivalent to around 58% of consumption (60% in 1999/2000); production of japonica was down by around 13% at 917 457 tonnes, about 6% more than consumption (17% in 1999/2000).

193. The japonica surplus fell during 2000/01, since 154 000 tonnes of japonica paddy rice in intervention storage were sold on the market and very little was bought in. 26 000 tonnes of indica rice were sold from intervention stocks, but owing to the low prices and continuing high imports, 96 000 tonnes were bought in. As a result, stocks were down to 615 000 tonnes of paddy rice at the end of the marketing year (from 700 000 tonnes at the beginning).

194. Forecasts for 2001/02 indicate that the total area sown will remain unchanged, with an increase of about 5% in the area under indica rice and a reduction of about 3% in the area under japonica.

195. On 29 March 2001 the Commission adopted Regulation (EC) No 610/2001 tightening up the intervention criteria so as to encourage the production of high-quality rice and strengthen the role of intervention as a safety net.

3.1.8. Starch

196. Overall, the production of cereal and potato starch and starch derivatives such as glucose continues to progress, providing an essential raw material for the food sector and other industries such as biotechnology and paper manufacture. About 15 to 20% of the starch produced is exported to countries outside the EU.

197. An expansion of output is occurring in wheat starch. Maize starch production, although accounting for approximately half of all starch production, is levelling out, and potato starch production is restricted by the quota scheme.

Starch production (estimates)

million tonnes

Production of cereal starch and potato starch (EU estimate)		1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01
Type of starch:	maize	3.6	3.6	3.7	3.7	3.7	3.9
	%	52	49	49	48	46	45
	wheat	1.6	1.8	1.9	2.2	2.4	2.8
	%	23	24	25	29	30	32
	potato	1.7	2.0	2.0	1.8	1.9	2.0
	%	25	27	26	23	24	23
	TOTAL	6.9	7.4	7.6	7.7	8.0	8.7
	%	100	100	100	100	100	100
	Annual rate of change	8.2%	7.2%	2.7%	1.3%	3.9%	8.7%

Sources : - for cereal starch: AAC (Association of the Cereal Starch Industries of the EU);
- for potato starch: communications from the Member States.

3.1.9. Sugar

3.1.9.1. World market

198. After six consecutive years of surplus, the world sugar balance is now in deficit. The deficit for 2000/01 amounted to 1.2 million tonnes. End stocks in 2001 stood at 58.0 million tonnes, nearly 45% of total consumption and still at a very high level.

Marketing year September/ August	Production (million tonnes)	Consumption (million tonnes)	Surplus or deficit (million tonnes)	Stock/con-sumption ratio (%)
	(1)	(2)	(3)=(1)-(2)	(4)
1991/92	117.1	111.2	+ 5.9	36.5
1992/93	113.0	112.1	+ 0.9	35.9
1993/94	111.6	112.6	- 1.0	33.5
1994/95	116.1	115.0	+ 1.1	33.3
1995/96	125.6	117.8	+ 7.8	38.8
1996/97	124.2	120.9	+ 3.2	38.7
1997/98	128.5	123.1	+ 4.9	40.8
1998/99	134.7	125.5	+ 9.2	45.3
1999/2000	134.2	128.2	+ 6.0	47.2
2000/01	129.1	130.3	- 1.2	44.5

Source : F. O. Licht

Early forecasts of production had already indicated such a development. The deficit that was initially forecast had to be revised downwards during the course of 2000/01 with the consequence that surplus stocks of over 16 million tonnes in September 2000 have not been reduced by a significant amount. Actual surplus stocks, although lowered to 15 million tonnes (which are over and above normal pipeline needs), have therefore continued to have a depressive impact on the market and prices. The stock/consumption ratio takes account of these accumulated surplus stocks over recent years and also of increased pipeline needs. A percentage of end stocks representing 45% of consumption illustrates the continuation of a heavily oversupplied world sugar market when compared with the figure of 36.5% prevalent ten years ago.

199. The world balance-sheet data (from September to August) include for 2000/01 a major production decrease in the EU, Cuba, Brazil, China, Thailand and Australia but no significant increases. Brazil, which last year became the biggest producer and exporter, is statistically in a unique situation as its crop year, which starts in May and ends in March, is attributed to two different marketing years, with the result that 2000/01 is made up of a very low 2000 crop and of a well recovered 2001 crop, so that this country’s figures do not reflect the expected impact of the drought in 2000 on the world market at the beginning of the 2000/01 marketing year.

200. Cane-sugar production, located mainly in developing countries, has maintained its important share of total production. Beet production in 2000/01 represents only 28% of total production compared with 32.9% in 1991/92.

201. Because of the early forecast of a larger deficit in 2000/01, prices recovered from the low level prevailing until the end of the previous marketing year (under 7 cts/lb. for raw sugar in May 2000) from the first quarter of 1999 (historical 14-year low price registered in April 1999).

202. The deficit forecast was slightly reduced during the course of the marketing year. For example, the International Sugar Organisation (ISO) lowered its September 2000 estimate from 3.1 million tonnes to 1.0 million tonnes in September 2001. Other

analysts also increased their estimates at first and later reduced them. Overall, the deficit was not perceived as significant and was not able to push prices up for long. For eight months the New York raw-sugar price was permanently above 10 cts/lb. but started falling in June 2001 and continued this fall until October 2001. This drop was not in fact expected and was mainly attributed to a lack of physical demand and a slowdown in the global economy, and was later aggravated by the terrorist attacks in the United States on 11 September.

203. Speculative funds also played their part by increasing their short positions during that period. The market also expected larger imports by China, which recorded a 1-million tonne reduction in production in 2000/01, but this country will not now import much more than the contractual quantities in 2001, in particular from Cuba, while internal needs have been covered from strategic reserves. India is another special case, where another record crop of over 12 million tonnes contributed to ending stocks as of August 2001. Potential exports were overhanging the market but, for logistical reasons and because of excessively low prices on the world market, only about 1 million tonnes actually materialised.

204. The price situation during the 2000/01 marketing year is shown in the following table together with a longer-term evolution.

EUR/t	1998/99	1999/2000	2000/01	October 2001
White sugar (London)	20.10	18.70	28.11	24.80
Raw sugar (New York)	15.15	14.38	25.24	17.32

It should be borne in mind that from 2000 onwards quotations are largely influenced by the weakening euro.

205. The price improvement experienced during the latter part of 2001 is likely to continue for some time to come, in particular for white sugar, where EU production of only 16.4 million tonnes (raw value), as compared with 18.3 million tonnes in 2000, combined with similar large reductions in Poland and Turkey, is having an impact.

206. The first estimates for 2001/02 show a slight global deficit as in the previous marketing year. However, a good recovery of the new Brazilian crop starting in April/May 2002 will limit this bullish potential, as do the accumulated surplus stocks located in importing countries and India.

207. Nevertheless, the world market reacts not only to the statistical situation but also to a large extent to its perception. This means that surplus stocks which are not made available are discounted by the market. Thus the noted price improvement could last until new-crop sugar arrives on the market.

208. A longer term outlook cannot realistically be attempted in view of the as yet unconfirmed deficit or surplus situation.

3.1.9.2. Community market

209. Beet areas were reduced by 7.1% (to 1 823 000 hectares) in 2000, compared with 1999/2000 in anticipation of the significant reduction made to the production quotas.

The average yield reached the high level of 9.16 tonnes of sugar per hectare, representing an increase of 2.1% over the previous year and an even higher increase of 11.2% over the five-year average 1995-1999. France in particular contributed to this result with an average yield of 11.73 t/ha. This yield resulted in a total EU production (white-sugar equivalent) of 17 017 million tonnes of which 16 705 million tonnes came from beet, 268 000 tonnes from cane and 44 000 tonnes from molasses.

210. Total internal consumption of sugar of around 12 900 million tonnes was more or less the same as the previous year. Of this quantity, 366 000 tonnes were used by the chemical industry, representing a small decrease as against the previous marketing year.

211. The surplus, built up by internal production and imports of both preferential sugar (ACP sugar protocol, India Agreement, Special Preferential Sugar and MFN reduced-tariff quotas) and non-preferential sugar (mainly in processed goods) totalling 2 409 million tonnes being in excess of internal consumption, is either exported or carried forward as blocked sugar (non-quota production to become A quota sugar in the following marketing year). Blocked sugar carried forward from 1999/2000 was 1 602 000 tonnes, whereas only 957 000 tonnes of sugar were carried forward from 2000/01 to 2001/02. Total exports of sugar in its natural state in 2000/01 were 6 345 million tonnes, of which 3 776 million tonnes as C sugar and 2 569 million tonnes as Community sugar. Within the quota, sugar in its natural state is exported mainly under a weekly tender system with a refund. C sugar, on the other hand, has to be exported without a refund.

212. Total exports have increased as a consequence of the higher crop, but usable stocks were also around 76 000 tonnes higher than in 1999/2000.

213. Production of isoglucose and inulin syrup is regulated by quotas in the same way as sugar within the common market organisation. As in past years, no isoglucose in excess of the A and B quotas was produced during 2000/01. Production of inulin syrup, on the contrary, has not yet reached the maximum level fixed by the quotas. After bad chicory harvests in Belgium and the Netherlands in 1998, the production of inulin syrup has stabilised, at 230 046 tonnes in 1999 and 229 280 tonnes in 2000.

214. Beet and sugar production in the 2001/02 marketing year are forecast to be significantly lower, because of a lower yield (down 12.3%) and a reduction of 0.9% in acreage. Total EU production is forecast at around 14.8 million tonnes, representing a reduction of 2.2 million tonnes or 12.9%.

3.1.9.3. Main legislative and policy developments

215. On 19 June the Council adopted the new basic Regulation (EC) No 1260/2001, published in Official Journal L 178 on 30 June 2001. The quota regime has been extended until the 2005/06 marketing year and the intervention prices have been fixed for this period at the level of recent years. Production quotas have been reduced by 115 000 tonnes and the storage cost equalisation scheme has been abolished. At the beginning of 2003 the Commission is to present the results of two studies, one on the options for reforming the sugar market organisation and one on competition, concentration and price transmission in four agri-food sectors, including sugar.

216. For the 2001/02 marketing year the Commission decided not to apply a reduction of the quotas as provided for in Article 10 of the said Regulation, since this was not needed in order to comply with the Community's commitments under the GATT Agriculture Agreement.

3.1.10. Potatoes

217. Potatoes are one of the few agricultural products for which there is no market organisation. The Commission did present a proposal for a common organisation of the market in potatoes in 1992, renewed in 1995 by the Spanish Presidency of the Council of Ministers and again in 1996 by the Irish Presidency, but opposition from certain Member States has prevented its adoption.

218. The total area under cultivation is about 1 356 000 hectares, making potatoes a major crop in the EU. They are grown in all the Member States, although, because of climatic and soil conditions, they are more widely grown in northern regions.

219. The Union is self-sufficient in potatoes with the exception of early varieties. These are imported in winter and early spring from Mediterranean countries, when Community output is limited or unavailable. The main suppliers are Cyprus, Egypt, Morocco and Israel. During the past few years, an annual average of some 400 000 tonnes of early potatoes has been imported from non-member countries.

220. EU production of potatoes totalled 48.4 million tonnes in 1999, rising to 48.8 million tonnes in 2000. No estimates are as yet available for the 2001 harvest.

4.7.1.1 Area, yield and production of potatoes

	Area					Yield					Production				
	1 000 ha				% TAV	100 kg/ha				% TAV	1 000 t				% TAV
	1997	1998	1999	2000	2000/1999	1997	1998	1999	2000	1999/1998	1997	1998	1999	2000	2000/1999
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
EU-15	1 395	1 302	1 404	1 356	– 3,4	344	333	345	360	4,4	47 947	43 338	48 385	48 808	0,9
Belgique/België	56	59	67	66	– 1,2	466	412	451	444	– 1,7	2 587	2 417	3 007	2 922	– 2,8
Danmark	39	36	38	38	0,0	396	404	395	433	9,5	1 545	1 456	1 502	1 645	9,5
Deutschland	304	297	309	304	– 1,3	384	381	375	433	15,6	11 659	11 338	11 568	13 193	14,0
Elláda	48	38	48	47	– 1,9	190	244	185	188	1,4	905	920	880	875	– 0,6
España	150	134	136	123	– 9,5	217	234	247	255	2,9	3 254	3 129	3 367	3 138	– 6,8
France	170	164	171	169	– 1,0	393	369	390	394	1,1	6 689	6 053	6 645	6 652	0,1
Ireland	18	18	17	14	– 21,0	259	261	320	286	– 10,6	472	482	559	395	– 29,3
Italia	90	90	86	83	– 2,8	224	243	242	249	2,8	2 020	2 194	2 070	2 068	– 0,1
Luxembourg	1	1	1	1	0,0	284	279	321	293	– 8,8	23	22	26	23	– 8,8
Nederland	180	127	180	180	0,4	443	415	458	451	– 1,5	7 973	5 249	8 221	8 127	– 1,1
Österreich	23	23	23	24	2,4	288	283	307	293	– 4,7	677	647	712	695	– 2,4
Portugal	82	86	87	78	– 10,9	128	142	109	95	– 12,5	1 050	1 225	947	738	– 22,1
Suomi/Finland	33	32	32	32	– 0,3	227	186	245	244	– 0,4	754	591	791	785	– 0,7
Sverige	36	34	33	33	– 0,9	337	356	302	298	– 1,4	1 214	1 199	991	968	– 2,3
United Kingdom	166	164	178	165	– 7,1	429	391	400	399	– 0,2	7 125	6 417	7 100	6 585	– 7,3

Source: European Commission (Eurostat).

4.7.1.2 Area, yield and production of early potatoes

	Area					Yield					Production				
	1 000 ha				% TAV	100 kg/ha				% TAV	1 000 t				% TAV
	1997	1998	1999	2000	2000/1999	1997	1998	1999	2000	2000/1999	1997	1998	1999	2000	2000/1999
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
EU-15	160	107	134	126	– 6,0	238	328	258	258	– 0,3	3 568	3 530	3 470	3 252	– 6,3
Belgique/België	10	10	13	11	– 12,8	418	379	420	410	– 2,4	403	370	527	448	– 14,9
Deutschland	18	16	18	18	– 3,1	299	301	306	315	2,8	541	477	561	559	– 0,3
Elláda	:	:	:	:	:	:	:	:	:	:	275	290	:	:	:
España	31	27	34	28	– 17,6	181	190	223	217	– 2,6	555	517	748	601	– 19,7
France	22	21	21	20	– 7,0	236	238	247	249	1,1	521	497	523	492	– 6,0
Italia	26	:	23	24	6,6	175	:	191	232	21,6	460	631	430	557	29,5
Österreich	16	16	12	13	7,1	268	263	276	232	– 16,2	429	411	341	306	– 10,2
United Kingdom	16	18	14	13	– 5,8	241	187	247	223	– 9,7	386	336	341	290	– 15,0

Source: European Commission (Eurostat).

4.7.4.1 **Supply balance - potatoes** **EU-15**

	1000 t				% TAV
	1996/97	1997/98	1998/99	1999/00	1999/00 1998/99
1	2	3	4	5	6
Usable production	50 079	47 746	42 821	48 046	-4,7
Change in stocks	:	:	:	:	:
Imports	491	527	876	598	7,3
Exports	867	1 794	0	940	106,9
Intra-EU trade	8 591	8 954	10 218	9 777	4,2
Internal use	49 619	46 452	43 533	47 746	-6,4
of which:					
- animal feed	5 124	3 257	2 030	4 178	-36,4
- seed	3 036	2 979	2 961	2 905	-1,9
- industrial use	1 140	953	812	860	-16,4
- alcohol	:	:	:	:	:
- processing	8 675	8 296	7 181	7 807	-4,4
- losses (market)	3 255	3 090	2 858	3 043	-5,1
- human consumption	28 390	27 877	27 691	28 953	-1,8
Human consumption (kg/head/year)	76,3	74,4	73,5	76,6	-2,5
Self-sufficiency (%)	100,9	102,8	98,3	100,6	1,9

Source: European Commission (Eurostat)

3.1.11. Dried fodder

221. Dried fodder is made up of protein-rich (minimum 15%) products, derived from the artificial drying (dehydration) or natural drying (sun drying) of lucerne, other leguminous crops and certain grasses.

222. The following table gives a summary of output figures based on aid applications.

EU Production of dried fodder, based on aid applications

('000 tonnes)

Dried fodder	MGQ[55]	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01
Dehydrated	4 412,4	4 070	3 818	4 283	4 610	4 599	4 720
Sun-dried	443,5	402	253	156	151	162	203
Total	-	4 473	4 071	4 439	4 761	4 761	4 922

223. In 2000/01, aid was granted for 4 719 500 tonnes of dehydrated fodder (107.0% of the MGQ) and for 202 500 tonnes of sun-dried fodder (45.7% of the MGQ).

224. As subsidised production of dehydrated fodder exceeded the MGQ, the co-responsibility clause was applied: in order to remain inside the budget, aid per tonne was reduced[56] by 5% (from €68.83 to €65.55) in the Member States which had overrun their MGQ by less than 5%, and by an additional amount in the Member States where production was more than 105% of their MGQ.

225. However, aid was paid in full for sun-dried fodder, where subsidised production was within the MGQ.

3.1.12. Fibre flax and hemp

3.1.12.1. Fibre flax

226. According to the FAO, the total world area sown to fibre flax in 2000 was 491 000 hectares, producing around 462 000 tonnes of fibre, of which 132 000 tonnes were produced in China and 32 000 tonnes in Belarus. The EU tends to import medium- and low-quality fibres, which are brought in from eastern Europe, Egypt and China, but supplies the whole world with high- and very high-quality fibres, since these are not produced anywhere else. In 2000 it exported 103 000 tonnes, mainly to China and Brazil.

227. During the 2000/01 marketing year, market prices for fibre flax remained at the relatively high level already recorded during 1999/2000. Despite efforts to diversify by seeking new outlets, the market is still very much dependent on fashions in the clothing industry.

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55 Maximum guaranteed quantity; Council Regulation (EC) No 603/95 (OJ L 63, 21.03.1995, p. 1).

56 Commission Regulation (EC) No 1414/2001 (OJ L 191, 13.7.2001, p. 9).

228. In the context of the reform of the sector adopted in July 2000, the Council had stated that the aid for fibre flax and hemp for the 2000/01 marketing year would be fixed by the Commission no later than 31 October 2000, in the light of the crop declarations and taking account of a maximum budget of €88 million. Application of the new rules resulted in a 2.5% reduction in the aid compared to 1999/2000, giving €795.46/hectare.

229. The reform, which applies from the 2001/02 marketing year, already seems to have had a substantial influence on producers, in so far as the latest sowing forecasts for the 2001 harvest amount to only 95 000 hectares (instead of 211 000 hectares during the marketing year when the Commission presented its reform proposal).

3.1.12.2. Hemp

230. The world area planted with hemp has fallen sharply in recent years, from an average of 119 000 hectares in 1989-91 to 60 000 hectares in 2000. China, North Korea, India and Russia are the main producers. Production in the European Union is limited. It has traditionally been concentrated in France and, to a lesser extent, in Spain, although a few other Member States (Germany, the United Kingdom and the Netherlands) have for some years now been producing hemp again. Trade with third countries is very limited.

231. Based on the same principles as for flax set out in point 83 above, aid for hemp for the 2000/01 marketing year was fixed at €646.31 per hectare.

232. Here too, the reform seems to have had an effect, in so far as the most recent sowing estimates for the 2001 harvest amount to approximately 14 000 hectares (against 32 000 hectares during the marketing year when the Commission presented its reform proposal).

3.1.13. Cotton

3.1.13.1. Reform of the aid scheme for cotton

233. On 1 June 2001 the Council adopted a reform of the production aid scheme for cotton applicable from the 2001/02 marketing year, in order in particular to neutralise the effect of the scheme on the budget and introduce environmental criteria similar to those contained in the common rules for the direct support scheme under the common agricultural policy.

3.1.13.2. World and Community markets

234. The world area under cotton in 2001/02 is estimated at around 34.0 million hectares, with production estimated at some 20.9 million tonnes, as against 31.9 million hectares and 19.2 million tonnes in 2000/01.

235. Unginned cotton is not traded internationally, but the European Community, whose cotton-spinning capacity by far exceeds its fibre production, imports substantial quantities of ginned cotton: more than one million tonnes from 1990 to 1995 and 830 000 tonnes in 1996 to 2000. The countries of central Asia, the United States, Syria and the CFA area countries are the main suppliers. Intra-Community trade is rising, but remains limited.

236. In the European Union, the scale of cotton cultivation is limited, in terms of both the area planted and the number of producers. However, it is concentrated in certain areas of Greece and Spain, and there it plays a major socio-economic role. The Community area planted with cotton was slightly down: 494 000 hectares in 2000 and 471 000 hectares in 2001 (380 000 ha in Greece and 91 000 ha in Spain), producing an estimated 1 409 000 tonnes of unginned cotton (1 095 000 tonnes in Greece and 314 000 tonnes in Spain), as against 1 570 000 in 2000. The European Union is about 40% self-sufficient in cotton fibres, its consumption from 1996 to 1999 having been around 1 150 million tonnes.

237. The Community aid scheme provides for a guide price (€106.30/100 kg) and aid equivalent to the difference between the guide price and the world price is granted to ginners who pay a minimum price to the grower. If the production of unginned cotton exceeds a maximum guaranteed quantity (MGQ), the guide price and the minimum price are reduced proportionally. The reduction is less if the world price level allows expenditure on the aid scheme to be curbed.

238. The guide price is reduced by 50% of the rate by which the national guaranteed quantity (249 000 tonnes for Spain and 782 000 tonnes for Greece) is overshot, provided that production is lower than 362 000 tonnes in Spain and 1 138 000 tonnes in Greece. Beyond that level, the reduction is increased by 2% for each step of 4 830 tonnes in Spain and 15 170 tonnes in Greece.

239. For 2001/02 the provisional reduction in the guide price is estimated at 41.6% for Greece and 22.5% for Spain.

3.1.14. Silkworms

240. Silkworm rearing is practised in Greece, Italy and, to a lesser extent, France and Spain. It accounts for only a tiny part of the EU's agricultural activity and of world silk production. In certain regions such as Thrace, Veneto and Marche, however, it represents an important activity and know-how worth preserving.

241. World production of raw silk stabilised in 1998, totalling 87 000 tonnes, according to the FAO, the same as the average from 1995 to 1997. The industry is dominated by Asian producers (77 000 tonnes), with China (51 000 tonnes), India (16 000 tonnes), Korea (4 000 tonnes) and Japan (3 000 tonnes) together accounting for more than 90% of world production.

242. Community silkworm rearing is finding it difficult to sustain its level of activity. Increases in production costs are not always offset by higher market prices.

243. In 2000, 4 004 boxes were produced successfully, compared with 3 516 in 1999. They yielded 82 700 kg of cocoons. As from the 2000/01 marketing year, aid is permanently fixed at €133.26 per box.

3.1.15. Olive oil

244. World production of olive oil averages some 2 600 000 tonnes, of which between 70% and 80% (around 1 900 000 tonnes in 2000/01) comes from the European Union. The other main producers are Turkey (200 000 tonnes), Syria (165 000 tonnes), Tunisia (130 000 tonnes) and Morocco (35 000 tonnes). Production varies

considerably from one year to another, and the world market fluctuates as a direct result of the Community market situation.

245. Estimated Community production eligible for aid in 2000/01, including olive-pomace oils, was around 2 076 698 tonnes, as against 2 051 746 tonnes in 1999/2000. According to information received from the Member States when the olive and olive oil yields were set for the 2000/01 marketing year, there are around 667 million productive olive trees in the European Union. Some two million holdings are engaged in olive growing.

246. In 1999/2000 Community consumption was almost 1 731 000 tonnes (72% of world consumption). The most recent forecasts show a slight increase in consumption in 2000/01. At the beginning of the 2000/01 marketing year, carryover stocks totalled 529 000 tonnes, but were down to around 474 000 tonnes at the end of the marketing year.

247. Greece and Spain are normally the main suppliers, and Italy, although itself an exporting producer, remains the Community's main purchaser. In 1999/2000 imports totalled 46 327 tonnes. Exports for the same marketing year reached 340 583 tonnes, 264 770 tonnes direct and 75 813 under the inward processing arrangements. No export refunds were paid during 1999/2000. The limit imposed on exports with refunds for that period under the GATT Agreements was 281 086 tonnes (including the carryover).

248. As provided for under the transitional reform for 1998/99 to 2000/01, in December 2000 the Commission submitted a proposal to reform the olive-oil sector to apply from 2001/02. On the basis of that proposal, the Council adopted the new reform of the olive-oil sector on 19 June 2001.

249. This reform extends the production aid scheme for a further three marketing years (from 2001/02 to 2003/04). In the mean time, the olive-oil producing Member States must set up a geographical information system (GIS). Given the importance of this tool for determining the number of olive trees and as an additional means of monitoring, the Council decided that it would be a condition for the grant of Community aid as from 1 November 2003. The Council also supported the Commission's proposal, which provides, among other things, for measures to improve both the quality of olive oil supplied to consumers and the transparency of labelling. Consequently, a new classification of oil will enter into force on 1 November 2003. In the mean time, the Commission will implement the various aspects of its quality strategy to make adjustments needed to prepare for changing the classification and names of oil. Further, the Council adopted the requirements for the creation of operators' organisations and work programmes which will be eligible for Community part-financing from 1 November 2002. These work programmes, which may be submitted by operators in the sector, will cover four types of activity: quality improvement, reducing environmental impact, traceability and the certification and protection of quality.

3.1.16. Fresh fruit and vegetables

3.1.16.1. World market[57]

250. World production of fresh fruit and vegetables is increasing steadily. In 2000 it totalled nearly 1 094 million tonnes, 2.8% up on 1999 and 13.1% above the average for 1994-91. Vegetables (including melons) account for around 63% of this total. With production totalling 89 million tonnes, the Community was the world's second largest producer in 2000, after China (354 million tonnes).

251. In the case of citrus fruit, estimates for the 2000/01 marketing year point to world production of more than 100 million tonnes, 2.6% less than in 1999/2000 but 3.3% more than the average for 1994-99. With production estimated at around 10.1 million tonnes, the Community was, in 2000/01, in third place behind Brazil (19.5 million tonnes) and the United States (15.6 million tonnes), but ahead of China (9.2 million tonnes) and Mexico (6.1 million tonnes).

3.1.16.2. International trade

252. The volume of international trade in fresh fruit and vegetables varies from one product to another[58]. In 2000, imports accounted for an average of 6% of world production for pears, 5% for onions and apples, 3% for peaches and 2% for tomatoes. In 2000, Community exports accounted for the following percentages of international trade: lemons 20%, oranges 18%, apples 15%, pears 10% and tomatoes 9%.

253. The European Union is a net importer of fresh fruit and vegetables[59]: the volume of exports was only 65% of that of imports in 1998 and 60% in 1999. At 3.9 million tonnes exports in 2000 represented 74% of total imports (5.3 million tonnes). Exports of fruit (excluding citrus fruit) represented only 49% of imports in 2000 (81% for citrus fruit). By contrast, while the Community was a net importer of vegetables in 1996, it recorded a surplus from 1997, with a drop in imports in 2000 (down 3% against 1999) and an increase in exports (up 11%).

3.1.16.3. Community market

254. At about 8.5 million tonnes in 2000/01, *apple* production in the Community was slightly down on the previous marketing year, when it had been particularly high. The quantities withdrawn from the market varied from 3.7% of EU production in 1998/99 and 2.4% in 1999/2000 to 3.0% in 2000/01.

255. In 2000/01 the production of *pears* totalled around 2.6 million tonnes, 5.8% up on 1999/2000. This was the third consecutive year in which production increased after the particularly poor harvest of 1997/98. The quantities withdrawn from the market in 2000/01 amounted to 2.8% of production, compared with 3.6% in 1999/2000.

256. The production of *peaches* increased slightly in 2000, up 5% on 1999 to a total of 3.6 million tonnes, the highest level since 1992. Withdrawals remained high (7.3% of

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57 Source : FAO : http://www.fao.org

58 Source : FAO : http://www.fao.org - not including intra-Community trade.

59 Source : Eurostat.

production) but were nevertheless considerably lower than the average for 1990/91 to 1994/95 (19.3%).

257. After the sharp increase in 1999 (+43%), production of *nectarines* in 2000 was down slightly (-1.7%), at 907 000 tonnes. The 16% increase in Greece partially offset the 7% drop in Italy. The withdrawal rate is highest for nectarines, at 14% of production in 2000/01, but lower than 1999/2000, when it reached 20%.

258. At 2.2 million tonnes in 2000, the production of *table grapes* has been remarkably stable since 1996. Italy alone accounted for 69% of Community production. Withdrawals remained negligible at less than 1% of production.

259. The production of *apricots* fell substantially in 2000 (down 13%) after the sharp increase in 1999 (52% up on 1998). The quantities withdrawn fell to 2.6% of production in 2000, as against 4.1% in 1999.

260. *Citrus fruits* production stood at 9.9 million tonnes in 2000/01, down 3.6% on the previous year but still 7% higher than the production average for 1991-99. Spain remained Europe's largest producer, with 56% of the total in 1999/2000. Community production of *oranges* was stable at 5.7 million tonnes (1.5% less than in 1999/2000). At 1.7 million tonnes in 2000/01 (up 5.4%), *lemon* production reached the record level of the 1992/93 marketing year. By contrast, production of *mandarins*, *clementines*, and *satsumas* fell sharply, by 4%, 12% and 14% respectively against 1999/2000.

261. Production of *cauliflowers* in 2000/01 totalled 2.1 million tonnes (2.1% down on 1999/2000). Withdrawals were down to 2% of production, compared with 8.3% in 1999/2000, 5.2% in 1998/99 and 7.7% in 1997/98.

262. *Tomato* production in 2000/01 was down 2% on 1999/2000. Production rose by 3% in Italy to 7.5 million tonnes, Bringing Italy's share of Community production from 45% in 1999/2000 up to 48% in 2000/01. Withdrawals remained negligible at 2% of production of tomatoes for the fresh market.

3.1.16.4. Reform of the fruit and vegetables sector

263. The new market organisation adopted by the Council in 1996 was in its fifth year of implementation in 2000.

264. Under the market organisation, Community financing can be granted to recognised producer organisations setting up an operational fund. A total of 1 008 producer organisations, accounting for about 40% of fruit and vegetable production in the European Union, submitted operational programmes for 1999. This is a clear advance on 1998 (845 producer organisations) and 1997 (680). The number of producer organisations submitting an operational programme in 2000 rose to 1 120.

265. The amount of Community aid available for 1999 was €311 million, compared with €238 million in 1998 and €199 million in 1997. From 1999 the value of financing rose to 2.5% of the value of production marketed by producer organisations, compared with 2.0% in 1997 and 1998.

266. In December 2000, the Council adopted amendments to various Regulations on the market organisations for fresh and processed fruit and vegetables. One such

amendment simplifies the procedure for fixing aid for the operational funds of producer organisations by setting a standard maximum limit on aid of 4.1%, calculated on the basis of the value of production marketed by each producer organisation. Another amendment is aimed at improving the management of export refunds for fresh fruit and vegetables.

267. To avoid any risk of budget difficulties as a result of an excessive volume of withdrawals, the Commission set intervention thresholds for the 2001/02 marketing year for the following products: tomatoes (360 000 tonnes), cauliflowers (112 200 tonnes), apples (495 700 tonnes), peaches (232 000 tonnes), nectarines (85 600 tonnes) and table grapes (160 900 tonnes).

268. Following an agreement reached with Argentina under Article XXVIII of GATT, the Community changed the arrangements for garlic imports. The applicable *ad valorem* duty is now 9.6%, plus a specific duty of €1 200/tonne. However, an annual quota of 38 370 tonnes exempt from the specific duty is opened on 1 June each year. This quota is split into quarters and distributed among the third-country suppliers to the Community. It is managed on the basis of the system of traditional/new importers. The new arrangement entered into force on 1 June 2001, the expiry date of the mechanism for managing imports of garlic originating in China, which had been in force since 1993.

3.1.17. Bananas

3.1.17.1. Reform of the market organisation for bananas

269. On 29 January 2001, the Council adopted Regulation (EC) No 216/2001[60] amending Title IV of Regulation (EEC) No 404/93[61], which governs trade with third countries. The amendment has been in force since 1 July 2001. The summary table below shows the main features of market supply management.

270. In April, following the Council's decision of December 2000 on new arrangements for importing bananas into the Community, the Commission succeeded in reaching an understanding with the United States and Ecuador to put an end to the banana dispute. The conclusions of these negotiations are to be implemented in two stages.

271. On 7 May 2001 the Commission adopted Regulation (EC) No 896/2001[62] laying down detailed rules on the management of the tariff quotas with a view to implementing the first stage. The quotas are managed on the basis of an historical reference period (1994-96). The arrangements apply from 1 July 2001 for a transitional period to end no later than 1 January 2006, when a tariff-only system is to be introduced.

272. Under the new arrangements, 83% of the quotas are reserved for traditional operators and the remaining 17% are for non-traditional operators. The criteria for determining these operators are set out in Regulation (EC) No 896/2001.

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[60] OJ L 31, 2.2.2001, p. 2.
[61] OJ L 47, 25.2.1993, p. 1.
[62] OJ L 126, 8.5.2001, p. 6.

273. On 21 August 2001 the Commission adopted a new proposal for an amendment to Regulation (EEC) No 404/93[63] with a view to implementing the second stage.

274. The proposal chiefly concerns the following aspects: transfer of 100 000 tonnes from the C quota to the B quota, and reserving the C quota exclusively for imports originating in the ACP countries. It will be necessary to obtain exemption from Articles I and XIII of the GATT agreements in the WTO. The proposal also concerns other technical rules under the market organisation.

275. Following the adoption of the new import arrangements described above, banana imports under the tariff quotas in the second half of 2001 were provided for by Regulation (EC) No 896/2001, Regulation (EC) No 1101/2001 of 5 June 2001[64], as amended by Regulation (EC) No 1525/2001[65], and Regulation (EC) No 1121/2001 of 7 June 2001[66], as amended by Regulation (EC) No 1603/2001[67].

276. For bananas marketed in 2000, the compensatory aid[68] was set at €38.29/100 kg, increased by €3.32/100 kg for bananas produced in Portugal and €1.91/100 kg for bananas produced in Guadeloupe. The quantity marketed was 782 176 tonnes. Expenditure on compensatory aid for 2000 totalled €302 million, compared with €232 million in 1999.

Banana market organisation - main mechanisms for managing market supply
(arrangements in force from 1 July 2001)

Origin	Instrument	Customs duties	Maximum quantity (in net tonnes)
1) EU	Compensatory aid		854 000
Canary Islands			420 000
Guadeloupe			150 000
Martinique			219 000
Madeira and others			50 000
Crete, Lakonia			15 000
2) Imports of all origins under quota	Tariff quota A	€75/tonne	2 200 000
	Additional tariff quota B	€75/tonne	353 000
	Autonomous tariff quota C	€300/tonne	850 000
3) All origins for quantities in excess of the tariff quotas	Non-quota	€680/tonne, (20% reduction in six years)	No limit
NB. Preference for ACP imports inside and outside the tariff quotas		Preferential rate: €300/tonne	

63 COM(2001) 477 final of 21 August 2001.
64 OJ L 150, 6.6.2001, p. 41.
65 OJ L 202, 27.7.2001, p. 5.
66 OJ L 153, 8.6.2001, p. 12.
67 OJ L 211, 4.8.2001, p. 22.
68 Commission Regulation (EC) No 1195/2001 of 18 June 2001 (OJ L 162, 19.6.2001, p. 13).

3.1.17.2. Community production

277. At 782 176 tonnes, production in 2000 fell short of the forecasts (around 805 000 tonnes). The estimate for 2001 is 796 000 tonnes, with production expected to pick up slightly in the Canary Islands and Guadeloupe.

3.1.17.3. Imports from ACP countries

278. Banana imports from ACP countries totalled 756 808 tonnes in 2000. A slight increase is expected in 2001.

3.1.18. Processed fruit and vegetables

3.1.18.1. World and Community markets

279. Information available on processed fruit and vegetables remains patchy. As far as the Community is concerned, it relates almost exclusively to products qualifying for processing aid.

280. World production of *tomatoes for processing* totalled around 30 million tonnes. The leading producers were the United States (10.2 million tonnes in 2000/01 as against 11.6 million tonnes in 1999/2000), the EC (8.4 million tonnes as against eight million tonnes) and Turkey (1.3 million tonnes as against 1.6 million tonnes).

281. After a sharp increase in 1999 (up 13%) Community output dropped by 8% in 2000. This reduction concerned concentrate (-11%) and peeled tomatoes (-6%). By contrast, production of "other products" (sauces, tomatoes in pieces, etc.) rose by a further 2% between 1999 and 2000. This product group now accounts for almost 21% of processed tomato production. Of the 8.4 million tonnes of tomatoes processed in the Community into products on which processing aid is payable, Community aid was actually paid on only 6.9 million tonnes. With the exception of 1997/98, the quota of 6.9 million tonnes continues to be exceeded. Production is expected to remain stable or drop slightly in 2001/02.

282. Around 463 500 tonnes of peaches were *tinned in syrup and/or natural juice* in the Community in 2000/01, compared with around 582 401 tonnes in the previous marketing year, which is rather low after the previous year's record level. After two years of low exports, the Community doubled its exports of peaches in syrup and/or natural juice to 209 620 tonnes in 2000.

283. EC production of Williams and Rocha pears *tinned in syrup and/or natural juice* totalled 121 678 tonnes for the 2000/01 marketing year, which is significantly below the record of 1998/99. Italy continues to be the main EC producer of this product (49% of the total), followed by Spain (23%) and France (18%). The Community is a large net importer of this product, its exports in 2000 totalling 5 300 tonnes of finished product as against imports of 57 600 tonnes.

3.1.18.2. Main developments in legislation and policy (see Section 3.2.16.4)

284. In principle the market organisation for this sector covers all products processed from fruit and vegetables. However, Community support is concentrated on a few products:

– processing aid for peaches, pears, tomatoes, prunes, dried figs and pineapples;

– buying-in to storage and storage aid at the end of the marketing year for dried grapes and dried figs, and aid per hectare for dried grapes;

– in response to the request from the Council in connection with the 1999/2000 prices review, Portugal's tomato-concentrate quota was increased by 29 561 tonnes for the 2000/01 marketing year;

– raspberries and asparagus for processing and dried grapes qualify under specific measures to improve quality and marketing.

285. In December 2000 the Council adopted new detailed rules on the Community aid scheme for the processing of tomatoes, peaches, pears and citrus fruits, which entered into force from the 2001/02 marketing year. Under the scheme there are now processing thresholds for all the products covered, expressed in raw materials and sub-divided into national thresholds. The aid level has been fixed by the Council and is paid directly to producer organisations. The minimum price to be paid by processors is abolished.

286. The Community processing thresholds were exceeded for lemons, pears and grapefruit in the 2001/02 marketing year. Community aid for these products was accordingly reduced as shown below in the Member States whose national threshold had been exceeded:

Reduction in Community processing aid for 2001/02
in relation to the aid fixed by the Council (Regulation (EC) No 2201/96)

Member States	Products					
	lemons	grapefruit (pomelos)	Mandarins	clementines in juice	tomatoes	pears
Greece	-	-	-	-	-	62.6%
Spain	-	8.16%	-	-	8.8%*	0.5%
France	-	18.46%	-	-	-	23.8%
Italy	12.17%	-	10.97%	10.97%	1.3%	19.2%
Netherlands	-	-	-	-	n.a.	36.5%
Austria	-	-	-	-	n.a.	-
Portugal	-	-	-	-	-	-
Other Member States	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

* Only for peeled tomatoes.
n.a.: not applicable.

287. The basic aid per hectare for dried grapes was kept at €2 785. This aid is paid only for specialised areas meeting certain yield criteria.

288. The measures covering imports provide in particular for the following:

– duty-free import quotas for mushrooms;

– the minimum import price arrangements introduced in 1997 for certain soft fruit originating in Bulgaria, Hungary, Poland, Romania, Slovakia and the Czech Republic remain applicable. Under those arrangements, the minimum import prices apply permanently and no longer on the basis of an ad hoc decision by the Commission. These arrangements have been extended to the Baltic states. Import prices remained above the minimum prices fixed.

3.1.19. Wine

289. On 17 May 1999 the Council adopted Regulation (EC) No 1493/1999 establishing a new common organisation of the market in wine[69]. Under that Regulation, in 2001 the Commission adopted:

– Commission Regulation (EC) No 883/2001 of 24 April 2001 laying down detailed rules for implementing Council Regulation (EC) No 1493/1999 as regards trade with third countries in products in the wine sector[70];

– Commission Regulation (EC) No 884/2001 of 24 April 2001 laying down detailed rules of application concerning the documents accompanying the carriage of wine products and the records to be kept in the wine sector[71];

– Commission Regulation (EC) No 1282/2001 of 28 June 2001 laying down detailed rules for the application of Council Regulation (EC) No 1493/1999 as regards the gathering of information to identify wine products and to monitor the wine market and amending Regulation (EC) No 1623/2000[72];

– Commission Decision 2001/666/EC of 21 August 2001 fixing, for the 2001/02 marketing year and in respect of a certain number of hectares, an indicative allocation by Member State for the restructuring and conversion of vineyards under Council Regulation (EC) No 1493/1999[73].

290. During 2000/01 the Commission adopted a number of regulations opening crisis distillation under Article 30 of Council Regulation (EC) No 1493/1999 for a total of 6.561 million hectolitres.

291. The Commission departments also drew up draft regulations relating to description and presentation, wine-sector controls and relations with non-member countries.

292. On 21 February the Commission presented a proposal for a Regulation on the common organisation of the market in *ethyl alcohol* of agricultural origin. The proposed regulation would define the products to be covered by the new market organisation, introduce a system for collecting data and statistical monitoring of the sector and introduce an import and export licensing scheme. The market organisation would be managed by the Management Committee for Wine.

293. On 22 May 2001, in order to facilitate negotiations under way between the Community and the United States, the Council adopted Regulation (EC) No 1037/2001[74] authorising the offer and delivery for direct human consumption of certain imported wines which may have undergone oenological processes not

69 OJ L179, 14.7.1999, p. 1.
70 OJ L128, 10.5.2001, p. 1.
71 OJ L 128, 10.5.2001, p. 32.
72 OJ L 176, 29.6.2001 p. 14.
73 OJ L 233, 31.8.2001 p. 53.
74 OJ L 145, 31.5.2001 p. 12.

provided for in Regulation (EC) No 1493/1999 on the common organisation of the market in wine[75]. On 20 June, the Commission proposed an amendment to Regulation (EC) No 1493/1999 to encourage young farmers to set up as winegrowers.

294. Wine production in the Community (excluding grape must not processed into wine) was as follows:

– 1998/99: 162.562 million hectolitres,

– 1999/2000: 178.892 million hectolitres,

– 2000/01 (forecast): 176.006 million hectolitres,

– 2001/02 (forecast): 160.832 million hectolitres.

295. Total Community production for 2000/01 is expected to reach 168.287 million hl. To make this total production comparable to the volumes processed into wine in the previous marketing years, it is estimated that 7.4 million hectolitres should be deducted as not processed into wine. The forecast for wine production in 2001/02 is then 160.832 million hectolitres.

296. Total production is expected to fall by 2.2% in France (58.4 million hl compared with 59.741 million hl) and by 2.1% in Italy (52.928 million hl compared with 54.088 million hl), and to increase by 9.97% in Austria (2.57 million hl compared with 2.337 million hl) and by 15% in Portugal (7.7 million hl compared with 6.694 million hl).

297. Based on the most recent figures from the IWO[76], Community wine production (176.006 million hl) accounted for around 56% of world output (274.9 million hl) in 2000/01. France, Italy and Spain are the three largest producers at world level, followed by the United States (22.1 million hectolitres, or 8%) and Argentina (9.85 million hectolitres, or 4.56%).

298. The European Community was the world's leading exporter with 12.2 million hl in 2001, up on the 11.518 million hl exported in 2000 and 11.552 million hl in 1999. For 2001 the chief traditional buyers of Community wine[77] were the United States (3.253 million hl), Switzerland (1.620 million hl), Canada (1.204 million hl) and Japan (1.188 million hl).

299. Imports from third countries have also increased sharply compared with 2000, reaching 8.799 million hectolitres in 2001, as against only 7.471 million hectolitres in 2000. This represents a 36% increase over 1999 and 50% over 1998.

300. Wine imports in 2001 came mainly from Australia (2.207 million hl, up 19% on the 1.856 million hl imported in 2000 and 60% up on the 1.368 million in 1999), South Africa (1.383 million hl, up 24% on the 1.111 million hl imported in 2000 and 62% on the 0.856 million hl in 1999), Chile (1.367 million hl, up 21% on the 1.129

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75 OJ L 179, 14.7.1999 and the 1999 General Report, point 499.

76 IWO letter on the special XXVI Congress held in 2001, pp. 1-4.

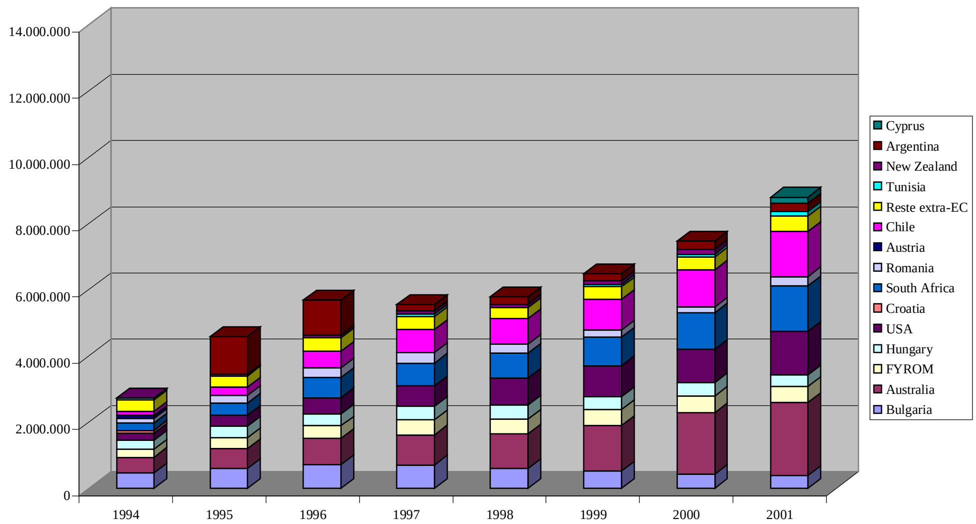
77 Source: EC – Comext EEC Special Trade since 1988.

million hl imported in 2000 and 46% on the 0.912 million hl in 1999), and the United States (1.313 million hl, up 32% on the 0.995 million hl imported in 2000 and 41% on the 0.912 million hl in 1999).

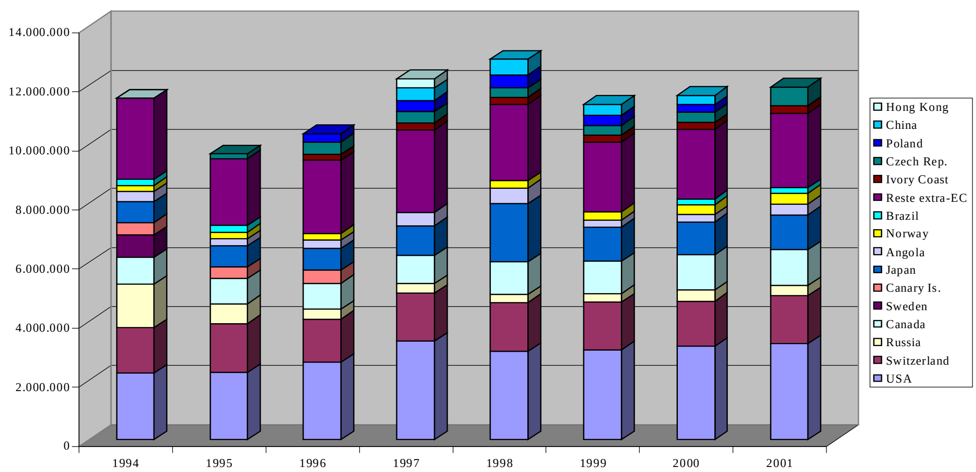
301. Imports also rose substantially in financial terms: up 119% for imports from Australia and 128% for Chile as compared with 1998.

302. The figures for trade within the Community[78] (based on imports) show a drop from 34 million hl in 1999 to 31.8 million hl in 2000 (down 6.9%), and to 29.556 in 2001.

NC 2204 IMPORTS in HL.



NC 2204 EXPORTS in HL.



303. Wine consumption totalled 33.41 l/head during the 2000/01 wine year, as against 35.26 l/head in 1999/2000, 34.6 l/head in 1998/99, 34.05 in 1997/98 and 34.7 l/head in 1996/97.

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78 Source : Balances communicated by the Member States, situation at 18 February 2002.

304. The figures on consumption are calculated from the balances communicated by the Member States. Apparent consumption is the remainder of the balances, i.e. the difference between production and stocks. It should also be noted that 2000/01 is the first wine year under the new market organisation. The starting date of the wine year has been changed, so that the 2000/01 wine year started on 1 August for the first time, instead of 1 September, with the result that stocks at the beginning and the end of the wine year are at the level of the balance plus one month of utilisation.

305. At the end of 2000/01, stocks totalled 161.23 million hl at 31 July, as against 138.2 million hl at the end of 1999/2000, i.e. at 31 August 2000.

306. Taking account of one additional month of utilisation, stocks at the beginning of the 2000/01 wine year (31 July) can be estimated at 145.76 million hectolitres. Since stocks at the end of 2000/01 stood at 161.23 million hectolitres, the balances show that stocks increased by 15.468 million hectolitres in 2000/01. That volume includes around 2.5 million hectolitres already covered by contracts for crisis distillation but not yet delivered for distillation before the end of the wine year.

307. Crisis distillation was opened seven times during 2000/01, to cover a total volume of 6.561 million hectolitres of wine in France (2.290 million hl), Italy (1.329 million hl), Spain (2.313 million hl), Portugal (0.450 million hl) and Germany (0.179 million hl).

308. Contracts for the distillation of potable alcohol under Article 29 of Regulation (EC) No 1493/1999, which replaces Article 38 of the previous basic Regulation (Council Regulation (EEC) No 822/87), were concluded for 12.666 million hectolitres of wine in 2000/01. Preventive distillation had been opened for 12 million hectolitres during 1999/2000, and 9.45 million hectolitres during 1998/99.

309. With a view to restructuring and converting vineyards under Council Regulation (EC) No 1493/1999, and taking account of compensation paid to winegrowers for loss of income during the period when the vineyards are not yet in production, Decision 2001/666/EC[79] made the following financial allocations to the Member States, for a number of hectares for 2001/02:

Financial allocations to the Member States for a number of hectares, with a view to restructuring and converting vineyards under Regulation (EC) No 1493/1999 for the 2001/02 wine year

Member States	Area (ha)	Financial allocation (€)
Germany	1 776	13 785 000
Greece	1 028	7 323 000
Spain	23 192	154 160 000
France	12 827	93 019 000
Italy	15 910	116 571 000
Luxembourg	21	167 000
Austria	1 079	7 567 000
Portugal	4 391	29 408 000
Total	60 223	422 000 000

[79] OJ L 233, 31.8.2001, p. 54.

310. Decision 2000/636/EC[80] allocated the remaining balance from the previous wine year as follows:

Financial allocations to the Member States of the remaining balance for the 2000/01 wine year, in respect of a number of hectares, for the purposes of restructuring and converting vineyards under Council Regulation (EC) No 1493/1999 for the period 1 July 2001 to 15 October 2001 in the 2001 financial year

Member States	Area (ha)	Financial allocation (€)
Germany	361	2 802 614
Greece	0	0
Spain	7 463	49 609 812
France	5 185	37 600 000
Italy	2 010	14 725 291
Luxembourg	14	112 500
Austria	936	6 561 423
Portugal	581	3 893 210
Total	16 550	115 304 850

3.1.20. Tobacco

3.1.20.1. Market developments

311. At 6.672 million tonnes, world tobacco production in 2000 was slightly down (-2.5%) on 1999. China continues to be the largest producer, its 2.406 million tonnes accounting for 36.1% of world production (34.8% in 1998). India remains in second place, and Brazil has overtaken the United States, now in fourth place. The European Union was fifth, with 5% of world production. In 2000 the EU produced 333 673 tonnes[*] of leaf tobacco, a fall of 3.3% compared with 1999.

312. Tobacco prices fell on the Malawian and Zimbabwean markets. Those markets give a good indication of world price trends, particularly for flue-cured and light air-cured varieties. The behaviour of prices on the European markets is difficult to determine, but seems to be relatively stable, with a slight drop for aromatic and dark air-cured varieties and a slight increase for the other varieties; sun-cured varieties (group V) continue to be an exception, with very low prices. The world market is currently affected by substantial surpluses of leaf tobacco that built up between 1998 and 2000.

313. Figures for international trade show some improvement in the net balance (imports-exports); the EU exported 180 800 tonnes to the rest of the world in 2000, compared with 172 134 tonnes in 1999. Exports were mostly of the sought-after aromatic varieties. Imports totalled 512 200 tonnes in 2000 (528 734 tonnes in 1999).

314. The quota system to which Community production is subject was confirmed in 1998 on the occasion of a further reform applicable as from the 1999 harvest.

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[80] OJ L 221, 17.8.2001, p. 62.

[*] This figure is likely to be adjusted to reflect changes made by the Member States.

315. On the occasion of this latest change in the market organisation, the Council set the overall guarantee thresholds for the 1999, 2000 and 2001 harvests at 348 568 tonnes, 347 475 tonnes and 347 055 tonnes respectively.

3.1.20.2. Main legislative and policy developments

316. The reform of the market organisation for tobacco[81] was adopted at the end of 1998 and was applicable as from the 1999 harvest. The Council has set the premiums and guarantee thresholds for the 1999, 2000 and 2001 harvests[82].

317. The introduction of all these new legislative provisions from the 1999 harvest called for further adjustments in 2001 as well as legislative acts to implement some of the market mechanisms.

318. In particular, with regard to the scheme for buying back quotas introduced in 1999 to help producers to leave the sector, it was necessary to exempt sensitive production areas and high-quality varieties from the scheme; these varieties and areas were fixed for 2001 by Commission Regulation (EC) No 1578/2001[83].

319. When fixing the prices to be paid to producers whose quotas were to be bought back for the harvest 2001[84], the Commission increased the buy-back prices for *sun-cured* varieties. This decision was designed to encourage growers to give up producing the varieties of tobacco in less demand on the market. It was taken because of the persistent structural difficulties, difficult to reverse, in selling sun-cured tobaccos.

320. During the Gothenburg European Council, the Commission presented a communication[85] proposing, following on from the 2002 evaluation of the tobacco regime, that the regime be adapted so as to allow for phasing out tobacco subsidies while putting in place measures to develop alternative sources of income and economic activity for tobacco workers and growers and that an early date be decided accordingly.

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81 Council Regulation (EC) No 1636/98 of 20 July 1998 (OJ L 210, 28.7.1998, p. 27) amending Regulation (EEC) No 2075/92; Commission Regulation (EC) No 2848/98 of 22 December 1998 (OJ L 358,22.12.1998, p. 17).

82 Council Regulation (EC) No 660/1999 of 22 March 1999 (OJ L 83, 27.3.1999, p. 10).

83 OJ L 209, 2.8.2001, p. 13.

84 Regulation (EC) No 1441/2001 of 16 July 2001 (OJ L 193, 17.7.2001, p. 5).

85 A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development (COM/2001/264 final).

4.8.1.1. **Area, yield and production of leaf tobacco, by group of varieties**

		Area					Yield					Production				
		ha				% TAV	100 kg/ha				% TAV	t				% TAV
		1997	1998	1999	2000	2000/1999	1997	1998	1999	2000	2000/1999	1997	1998	1999	2000	2000/1999
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
I - Flue-cured	EU-15	44 153	45634	42138	42733,76	1,4	27,6	27,7	28,7	30,3	5,4	121 761	126358	121056	129405	6,9
	BR Deutschland	1 446	1658	2111	2.196	4,0	20,1	20,3	20,8	20,9	0,5	2905	3371	4396	4594	4,5
	Elláda	10 435	10435	9451	9.868	4,4	29,3	29,3	32,4	32,9	1,6	30578	30621	30610	32475	6,1
	España	8 440	9479	8695	8.724	0,3	33,4	30,4	31,3	33,0	5,4	28177	28815	27205	28775	5,8
	France	3 337	3442	3780	3.684	– 2,5	22,6	27,0	25,0	26,8	7,0	7554	9278	9458	9863	4,3
	Italia	18 345	18345	16213	16410	1,2	25,9	26,3	27,4	29,5	7,8	47558	48244	44401	48461	9,1
	Österreich	0	0	0	0	0,0	0,0	0,0	0,0	0,0	0,0	0	0	0	0	0,0
	Portugal	2 150	2275	1888	1.852	– 1,9	23,2	26,5	26,4	28,3	7,1	4989	6029	4986	5237	5,0
II - Light air cured	EU-15	20 817	20146	20016	19996,27	– 0,1	34,6	36,3	37,3	38,7	3,6	71 988	73087	74687	77308	3,5
	Belgique/België	23	17	27	26	– 3,7	20,4	29,4	29,3	22,7	– 22,4	47	50	79	59	– 25,3
	BR Deutschland	906	899	962	968	0,7	28,0	29,0	28,6	27,9	– 2,3	2540	2608	2747	2702	– 1,6
	Elláda	3 538	3382	3107	3.182	2,4	34,6	36,6	38,6	38,6	0,1	12255	12364	11987	12290	2,5
	España	913	935	1972	2.113	7,2	26,5	26,4	27,6	28,3	2,8	2422	2467	5436	5988	10,2
	France	2 438	2625	2932	3.108	6,0	27,1	29,8	25,9	27,3	5,4	6616	7819	7605	8500	11,8
	Italia	12 547	11861	10613	10229	– 3,6	37,4	39,3	43,0	45,6	0,0	46900	46571	45672	46596	2,0
	Österreich	90	91	99	100	0,9	22,8	23,3	22,4	29,7	32,6	205	212	222	297	33,8
	Portugal	362	336	304	270	– 11,2	27,7	29,6	30,9	32,4	5,0	1003	996	939	876	– 6,7
III - Dark air cured	EU-15	17 281	16871	13932	12601,25	– 9,6	25,0	25,9	27,7	27,7	0,1	43 277	43656	38541	34886	– 9,5
	Belgique/België	322	338	332	343	3,5	32,3	37,2	37,8	31,6	– 16,4	1040	1258	1254	1085	– 13,5
	BR Deutschland	1 140	1289	1473	1.413	– 4,1	29,0	29,9	28,5	27,3	– 4,0	3304	3848	4191	3860	– 7,9
	España	3 860	3945	2536	2.361	– 6,9	27,0	27,2	28,3	28,9	2,1	10413	10743	7177	6825	– 4,9
	France	3 366	3006	2767	2.247	– 18,8	30,7	31,9	29,8	29,2	– 1,9	10328	9597	8237	6564	– 20,3
	Italia	8 582	8281	6813	6226	– 8,6	21,2	22,0	25,9	26,5	2,4	18170	18188	17660	16527	– 6,4
	Österreich	11	12	11	11	0,0	20,0	18,3	20,0	22,7	13,6	22	22	22	25	13,6
IV - Fire cured	EU-15	2 986	3066	2684	2366	– 11,8	22,9	22,6	25,3	25,0	– 1,2	6 846	6921	6783	5907	– 12,9
	España	12	11	11	11	0,0	21,7	27,3	27,3	27,3	0,0	26	30	30	30	0,0
	Italia	2 974	3055	2673	2355	– 11,9	22,9	22,6	25,3	25,0	– 1,2	6820	6891	6753	5877	– 13,0
V - Sun cured	EU-15	11 754	11384	10125	4023	– 60,3	22,4	24,0	26,1	47,9	83,7	26 309	27331	26434	19290	– 27,0
	Elláda	6 681	6491	5855	4.023	– 31,3	22,8	23,4	24,9	26,3	5,4	15238	15194	14589	10567	– 27,6
	Italia	5 073	4893	4270	3624	– 5,8	21,8	24,8	27,7	21,7	– 21,8	11071	12137	11845	8723	– 26,4
VI -Basmas - Special sun cured	EU-15	17 215	20 956	20 636	20 865	1,1	14,7	11,7	12,2	12,8	4,3	25314	24589	25243	26632	5,5
	Elláda	17 215	20956	20636	20.865	1,1	14,7	11,7	12,2	12,8	4,3	25314	24589	25243	26632	5,5
VII - Katerini - Special sun cured	EU-15	12 679	11 902	11 700	11368	– 2,8	17,5	18,6	18,8	20,5	9,0	22 192	22093	22045	23340	5,9
	Elláda	12 679	11902	11700	11.314	– 3,3	17,5	18,6	18,8	20,6	9,4	22192	22093	22020	23290	5,8
	Italia	0	0	21	54		0,0	0,0	0,0	9,3		0	0	25	50	
VIII - Kaba Koulak - Special sun	EU-15	9 318	9 141	9 101	7 666	– 15,8	18,7	19,7	21,3	22,1	3,4	17 389	17 986	19 402	16905	– 12,9
	Elláda	9 318	9141	9101	7.666	– 15,8	18,7	19,7	21,3	22,1	3,4	17389	17986	19402	16905	– 12,9
Raw tobacco	EU-15	136 203	139 100	130 332	121 619	– 6,7	24,6	24,6	25,6	27,4	7,0	335 076	342 021	334 191	333 673	– 0,2
	Belgique/België	345	355	359	369	2,9	31,5	36,8	37,1	31,0	– 16,6	1 087	1 308	1 333	1 144	– 14,2
	BR Deutschland	3 492	3 846	4 546	4 577	0,7	25,1	25,6	24,9	24,4	– 2,2	8 749	9 827	11 334	11 156	– 1,6
	Elláda	59 866	62 307	59 850	56 918	– 4,9	20,5	19,7	20,7	21,5	3,7	122 966	122 847	123 851	122 159	– 1,4
	España	13 225	14 370	13 214	13 209	– 0,0	31,0	29,3	30,2	31,5	4,5	41 038	42 055	39 848	41 618	4,4
	France	9 141	9 073	9 479	9 039	– 4,6	26,8	29,4	26,7	27,6	3,3	24 498	26 694	25 300	24 927	– 1,5
	Italia	47 521	46 435	40 603	39 297	– 3,2	27,5	28,4	31,1	32,1	3,2	130 519	132 031	126 356	126 234	– 0,1
	Österreich	101	103	110	111	0,8	22,5	22,7	22,2	29,0	30,9	227	234	244	322	32,0
	Portugal	2 512	2 611	2 192	2 122	– 3,2	23,9	26,9	27,0	28,8	6,6	5 992	7 025	5 925	6 113	3,2

NB: Classification of tobacco varieties as set out in the Annex to Regulation (EEC) No 2075/92, 30.6.1992.
Source: European Commission, Directorate-General for Agriculture.

4.8.3.1. **EU share of world trade** ([1]) **in raw tobacco**

	Provenance or destination (%)	1 000 t				% TAV
		1997	1998	1999	2000	2000 / 1999
1	2	3	4	5	6	7
Imports	World	1 964,5	1906,3	2003,1	1965,7	– 1,9
	EU-15	536,0	541,2	528,7	512,2	– 3,1
	%	27,3	28,4	26,4	26,1	– 1,3
Exports	World	2 039,7	1914,9	2018,3	1965,8	– 2,6
	EU-15	168,3	178,7	172,1	180,6	4,9
	%	8,3	9,3	8,5	9,2	7,7

([1]) Excluding intra-EU trade

Sources: European Commission (Eurostat) and *Tobacco: World Markets and Trade* (USDA publication).

4.8.3.2. **EU tobacco exports to third countries** **EU-15**

Destination	Tonnes				% of total 2000	% TAV
	1997	1998	1999	2000		2000 / 1999
1	2	3	4	5	6	7
Russia	**23 350**	**26 524**	**34 183**	**32 269**	**17,9**	– 5,6
Egypt	**5 663**	**18 841**	**12 098**	**19 808**	**11,0**	63,7
USA	**26 571**	**23 190**	**21 574**	**18 751**	**10,4**	– 13,1
Algeria	**6 573**	**13 590**	**8 724**	**10 182**	**5,6**	16,7
Ukraine	**9 694**	**6 878**	**5 473**	**9 982**	**5,5**	82,4
Japan	**6 826**	**6 929**	**5 621**	**6 701**	**3,7**	19,2
Romania	**9 169**	**10 633**	**10 668**	**6 691**	**3,7**	– 37,3
Switzerland	**9 606**	**7 577**	**9 452**	**6 407**	**3,5**	– 32,2
Poland	**10 779**	**9 873**	**10 756**	**6 078**	**3,4**	– 43,5
Turkey	**1 678**	**4 050**	**3 363**	**4 203**	**2,3**	25,0
Indonesia	**2 116**	**2 098**	**4 096**	**3 729**	**2,1**	– 9,0
Uruguay	**1 984**	**3 214**	**3 253**	**3 182**	**1,8**	– 2,2
Serbia-Montenegro	**1 141**	**2 436**	**1 583**	**3 007**	**1,7**	**90,0**
Côte d'Ivoire	**1 432**	**1 489**	**2 200**	**2 846**	**1,6**	**29,3**
Brazil	**3 546**	**3 014**	**769**	**2 566**	**1,4**	**233,7**
Other	**48 279**	**46 910**	**38 320**	**44 191**	**24,5**	**15,3**
World	**168 407**	**187 245**	**172 133**	**180 593**	**100,0**	**4,9**

Source: European Commission (Eurostat).

4.8.3.3 **Imports and exports of raw tobacco**

EU-15
(1 000 t)

	Imports			Exports		
	1998	1999	2000	1998	1999	2000
1	2	3	4	5	6	7
Flue cured Virginia	207,6	198,5	190,9	40,1	26,9	34,4
Light air cured Burley	73,2	77,5	73,3	28,7	18,4	18,8
Light air cured Maryland	1,1	1,7	1,8	0,5	0,4	0,4
Fire cured Kentucky	6,5	8,4	7,7	2,2	2,2	5,7
Other fire cured tobacco	10,1	9,6	8,8	1,1	1,3	2,7
Light air cured (other)	16,5	18,9	18,5	2,8	5,2	7,8
Sun cured	33,1	37,5	33,6	45,4	53,3	42,8
Dark air cured	29,5	28,4	25,4	16,3	11,3	13,8
Flue cured (other)	48,2	49,0	47,9	8,2	13,2	14,1
Other tobacco	11,7	11,7	15,3	16,6	17,1	19,4
Tobacco refuse	103,8	87,5	89,0	25,2	22,9	20,8
Total	541,2	528,7	512,2	187,3	172,1	180,6

Source: European Commission (Eurostat).

3.1.21. *Seeds*

3.1.21.1. Market developments

321. The total area given over to production of seed eligible for Community aid[86] in 2000 was 378 100 ha[87] For the Member States as a whole, this represents a reduction of about 14% on the previous year.

322. The area used for producing seeds of fodder grasses and legumes was 181 810 ha and 142 600 ha respectively. Compared with 1999, there was a slight reduction in all Member States in the area used for producing seeds of fodder grasses (around 3%) and in that for seeds of fodder legumes (around 18%).

323. The total area used for rice seed was 18 777 ha, representing an reduction of around 7% on 1999.

324. The areas used for growing seeds for fibre flax and linseed were 19 262 ha and 14 349 ha respectively. Compared with 1999 and taking all Member States together, this meant a fall of around 23% in the case of fibre flax and 44% for linseed.

325. The area used to produce hybrid maize seed totalled 51 152 ha. This represents an increase of around 7% on 1998 for the Community as a whole.

326. Exports of seeds falling within the scope of the market organisation again rose sharply (by around 37%) in 1999/2000, while the EU's total imports fell by 11%, although they continued to outstrip exports to non-member countries (10 914 tonnes, i.e. 17% of total imports). Imports of hybrid maize seed totalled 52 864 tonnes, including 48 594 tonnes (around 92%) of simple hybrids.

3.1.21.2. Main legislative and policy developments

327. Regulation (EC) No 1529/2000 establishing the list of varieties of *Cannabis sativa L.* whose seeds are eligible for aid under the market organisation was adopted[88]. To ensure consistency with the aid scheme applicable under the market organisation for flax and hemp, the list of varieties concerned was taken from Regulation (EEC) No 1164/89 laying down detailed rules concerning the aid for fibre flax and hemp.

328. For *ryegrass*, the lists of (i) high-persistence, late or medium late varieties, (ii) low-persistence, medium late, medium early or early varieties, and (iii) new varieties were fixed. Since prices on the external markets no longer justify the distinction between the three groups of varieties, a single rate of aid will apply from the 2002/03 marketing year, after a transitional period during which the aid for the three groups is to be aligned by stages.

329. The current Community rules require the Council is to fix the amounts of aid to be paid for future harvests, in particular from 2002/03 onwards, twice a year.

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86 The common organisation of the market in seeds provides for the grant of production aid for basic and certified seeds of some 40 species of agricultural plants, including a variety of forage crops, rice and linseed.

87 Member States' forecasts. The definitive figures for the 2000 harvest are not yet available.

88 Regulation (EC) No 1235/2001 of 22 June 2001 (OJ L 168, 23.6.2001, p. 17).

330. The Commission submitted a proposal to that end, and took the opportunity to make some improvements to the market organisation. The proposal has three parts: (i) carrying over the current aid amounts for the 2002/03 and 2003/04 marketing years; (ii) replacing the three different amounts of aid for *Lolium perenne L.* with a single amount (this had already been decided on the previous occasion when the aid was fixed, but the distinction between the three categories for *Lolium perenne L.* was kept temporarily until the 2001/02 marketing year); (iii) introduction of a stabiliser mechanism for all species of seed similar to the mechanism already in place for rice seed. This part of the proposal was justified by the need to stabilise budget expenditure, which has been increasing constantly in recent years.

4.9.1.1. Seed production and related aid (2000)

Product	100 kg																	EURO '000
	EU-15	Belgique/ België	Danmark	Deutschland	Elláda	España	France	Ireland	Italia	Luxembourg	Nederland	Österreich	Portugal	Suomi/ Finland	Sverige	United Kingdom	EURO/100kgs	EU-15
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1. *Gramineae*																		
Festuca pratensis Huds.	53.123	79	14.520	20.500			450			35	189	20		11.720	5.560	50	43,59	2316
Poa pratensis L.	84.196	1.481	63.200	1.500			72				16.413			1.530			38,52	3243
Poa palustris & trivialis	3.100	0	3.100	0			0				0						38,88	121
Lolium perenne L. (high persistence)	340.491	7.804	179.850	68.000		440	43.100	103		190	0			3.820	624	36.560	34,90	11883
Lolium perenne L. (new variety and others)	386.130	2.967	134.990	0			31.000	737	42	417	196.178					19.800	25,96	10024
Lolium perenne L. (low persistence)	110	0	110	0			0				0						19,20	2
Lolium multiflorum Lam.	288.822	24.792	38.500	80.000		24.603	25.280		31.509	5.500	27.543				24.705	6.390	21,13	6103
Phleum pratense L;	40.369	0	3.650	20.000			0			128	181	20		15.350		1.040	83,56	3373
Phleum bertolonii (DC)	240	0	240	0			0				0					0	50,96	12
Festuca rubra L.	404.576	3.121	316.320	15.000			31.215		4		26.956			9.610		2.350	36,83	14901
Dactylis glomerata L.	59.712	40	33.300	400		9	23.190		303		0	700		590	50	1.130	52,77	3151
Agrostis canina L.	40	0	0	10			30				0						75,95	3
Agrostis gigantea Roth.	0	0	0	0							0						75,95	0
Agrostis stolonifera L.	770	0	770	0							0						75,95	58
Agrostis capillaris L.	689	0	110	0							579						75,95	52
Festuca ovina L.	29.742	957	18.240	5.000			2.570				2.975						43,59	1296
Lolium x Boucheanum Kunth	37.820	1.098	11.470	2.500			9.045	181			3.529	907		340		8.750	21,13	799
Arrehenatherum elatius L.	2.500	0	0	2.000			0				0	500					67,14	168
Festuca arundinacea Schr.	68.638	133	19.370	700		1.645	31.120		1.256		14.384					30	58,93	4045
Poa nemoralis L.	384	0	0	0			0				384						38,88	15
Festulolium	2.757	27	2.230	500							0						32,36	89
2. *Leguminosae*																		
Pisum sativum L. partim	1.013.573	1.998	91.160	210.000	0		530.000			1.690	0	18.725				160.000	0,00	0
Vicia faba L. partim	185.558	0	1.893	27.000			31.000			74	0	3.171				122.420	0,00	0
Vicia sativa L.	164.134	0	0	2.000	28.480		71.900		59.484		0	50				2.220	30,67	5034
Vicia villosa Roth	5.014	0	0	900		1.481	200		2.433		0						24,03	120
Trifolium pratense L.	24.855	7	3.420	2.000			11.500		1.031	60	0	957		4.540	1.050	290	53,49	1329
Trifolium repens L.	15.510	0	13.800	300			450				0			670		290	75,11	1165
Trifolium repens L. gigan.	11	0	0	0			0		11		0						70,76	1
Trifolium alexandrinum L.	36.407	0	0	0			0		36.407		0						45,76	1666
Trifolium hybridum L.	80	0	10	0			0				0			70			45,89	4
Trifolium incarnatum L.	16.356	0	0	500			3.700		12.156		0						45,76	748
Trifolium resupinatum L.	1.321	0	0	0			0		1.321		0						45,76	60
Medicago sativa (ecotypes)	25.150	0	2	0		6.555	0		18.593		0						22,10	556
Medicago sativa (varieties)	103.217	0	0	50	4.970	6.669	48.500		43.028		0						36,59	3777
Medicago lupulina L.	1.680	0	1.680	0			0				0						31,88	54
Onobrichis viciifolia Sc.	919	0	0	0			90		829		0						20,04	18
Hedysarium coronarium L.	3.610	0	0	0			0		3.610		0						36,47	132
3. *Ceres*																		
Triticum spelta L.	67.168	29.665	0	35.000			0		150	785	0	1.568					14,37	965
Oryza sativa L.:	44.720		0	0	23.800		20.920				0						0,00	0
- type japonica	649.067					106.332			542.735								14,85	9639
- type indica	452.412					213.601			238.811								17,27	7813
4. *Oleagineae*																		
Linum usitatissimum (fibre flax)	155.375	91.943	46	10		1.076	55.000				300	0				7.000	28	4410
Linum usitatissimum (seed flax)	116.991		11.781	30.000		13.614	9.750				30.980	866				20.000	22	2628
Cannabis sativa L. (monocot)	1.051		0	100		870	55		26								21	22

Source: European Commission, Directorate-General for Agriculture

4.9.1.2. Area under seed (2000/01)

(ha)

Product	EU-15	Belgique/ België	Danmark	eutschlan	Elláda	España	France	Ireland	Italia	uxembour	Nederland	Österreich	Portugal	Suomi/ Finland	Sveriga	United Kingdom
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. *Gramineae*																
Festuca pratensis Huds.	7.925	11	1.628	2.998			63			3	29	6		1.793	1.390	6
Poa pratensis L.	10.674	135	7.817	403			14			13	2.051			241		0
Poa palustris & trivialis	373	0	345	0			0			29						0
Lolium per. L. (high persistence)	43.641	650	15.670	5.981		53	4.103	19			13.366			419,2	96	3.283
Lolium per. L. (new variety and oth	18.405	247	10.289	3.605			2.503	48	3							1.709
Lolium per. L. (low persistence)	2.695	0	11	2.684			0									0
Lolium multiflorum Lam.	20.250	1.908	2.816	5.506		2.198	2.500		2.063	564	2.063			0	7	625
Phleum pratense L.	12.104	0	520	2.661			0			26	22	3		3.240	5.490	143
Phleum bertolonii (DC)	32	0	32	0			0									0
Festuca rubra L.	38.789	416,15	27.317	3.075			3.808		0		2.750			1.006	5	412
Dactylis glomerata L.	7.309	5	3.020	80		239	3.473		22		15	185		107	25	138
Agrostis canina L.	21	0		4			17									
Agrostis gigantea Roth.	0	0		0												
Agrostis stolonifera L.	157	0	144	0							13					
Agrostis capillaris L.	196	0	22	0							174			0		
Festuca ovina L.	4.350	128	1.795	1.698			347				378			5		
Lolium x Boucheanum Kunth	3.405	95	840	351			1.025	17			298	63		40		676
Arrehenatherum elatius L.	4.233	0		342			3.775					116				
Festuca arundinacea Schr.	6.845	13	1.813	154		239	3.415		104		1.057				40	9
Poa nemoralis L.	40	0		0			0				40					
Festulolium	368	3	251	109			0							5		
2. *Leguminosae*																
Pisum sativum L. partim	35.969	57	7.927	7.460			14.394			55		692			180	5.204
Vicia faba L. partim	7.368	0	87	977			897			2		169			8	5.228
Vicia sativa L.	41.118	0	22	198	2.858	30.916	2.987		4.004							134
Vicia villosa Roth	734	0		288		223	37		186							
Trifolium pratense L.	11.005	2	912	1.302			5.662		308	22		293		1.896	525	83
Trifolium repens L.	4.407	0	3.516	283			226							253	13	116
Trifolium repens L. gigan.	5	0		0			0		5,47							
Trifolium alexandrinum L.	5.791	0		0			0		5.791							
Trifolium hybridum L.	63	0	4	0			1							58		
Trifolium incarnatum L.	2.734	0		121			729		1.884							
Trifolium resupinatum L.	330	0		0			0		330							
Medicago sativa (ecotypes)	5.551	0	2	0		2.240	0		3.309					0		
Medicago sativa (varieties)	26.806	0	2	47	1.090	2.589	14.907		8.171							
Medicago lupulina L.	167	0	167	0			0									
Onobrichis viciifolia Sc.	142	0		0			33		109							
Hedysarium coronarium L.	410	0		0			0		410							
3. *Ceres*																
Triticum spelta L.	978		0	902			0		11	17		48				
Oryza sativa L.:	1.333	494		0	315		523									
- type japonica	10.805					1.759			9.046							
- type indica	6.640	0				2.688			3.952							
4. *Oleagineae*																
Linum usitatissimum (fibre flax)	19.262	7.355	21	6		227	10.961				22					669
Linum usitatissimum (seed flax)	14.349		2.333	3.197		2.093	813				3.261	72		731	53	1.796
Cannabis sativa L. (monocot)	324			26		290	5		3							

Source: Commission européenne, DG "Agriculture"

3.1.22. Hops

3.1.22.1.World market

331. In 2000 the world area under hops was around 58 000 ha, including almost 53 000 ha located in EU producer Member States and countries belonging to the International Hop Growers' Convention (IHGC). China, too, is a major producer, but no precise figures are available.

332. Areas under hops in the IHGC member countries and the EU increased by 2% in 2000, i.e. by around 1 200 ha, in particular in Germany (around 300 ha), in the United States (840 ha) and in the Czech Republic (100 ha).

333. At around 1 920 000 Ztr (Zentner), the 2000 world harvest was slightly up (+2.31%) on 1999. The quality of production remained stable, with an alpha-acid yield of 7.70% and alpha-acid output of 7 388 tonnes (7 310 tonnes in 1999).

334. The yield was 2% up on the 1999 harvest and 9% above the average for the last 10 years.

335. World beer output for 2001 is expected to amount to 1.400 million hl. At a hopping rate of 5.5 g alpha acid/hl beer, breweries need around 7 700 tonnes of alpha acid; the quantity of alpha acid produced during the 2000 harvest therefore fell short of requirements (by 312 tonnes).

336. Breweries would appear to have sufficient stocks to satisfy production requirements for several months. Thanks to constant technical progress and the trend towards the brewing of beer that is less bitter, less alpha acid is needed than before.

3.1.22.2.Community market

337. Hops are grown in eight Member States of the Community (Belgium, Germany, Spain, France, Ireland, Austria, Portugal and the United Kingdom), with Germany accounting for 80% of the 22 694 ha used for hop-growing in the EU in 2000. Compared with the 1999 harvest, areas remained more or less the same.

338. With production totalling 718 133 Ztr, the 2000 harvest was slightly larger than in 1999 (around 4%). The same is true of the average yield per hectare, at 1.58 tonne/ha (as against 1.53 tonne/ha in 1999) or 32 Ztr/ha (30.6 Ztr/ha in 1999).

339. Production was of very good quality and the average alpha-acid yield was 8.94% for all varieties in the Community as a whole, i.e. the equivalent of 3 209 tonnes of alpha acid at 141 kg/ha for beer production in 2001.

340. The average price of hops sold under contract was €184/Ztr, i.e. €7/Ztr down on the 1999 harvest.

341. The average price for hops sold on the free market rose sharply (from €156/Ztr in 1999 to €270/Ztr in 2000).

342. Under the market organisation for hops, aid is granted to hop producers to enable them to attain a reasonable level of income. The Council fixed the aid at €480/ha for all varieties for a period of five years from the 1996 harvest (Council Regulation

(EC) No 1554/97 of 22 July 1997). Council Regulation (EC) No 1514/2001 of 23 July 2001 extended the aid scheme for hops producers for a further three years (from 2001 to 2003). The same amount of aid is granted for areas temporarily resting and/or permanently grubbed up, which together amounted to 574 hectares in 2000, 352 hectares of which are in Germany (Council Regulation (EC) No 1098/98 of 25 May 1998).

343. Estimates for the Community harvest in 2001 are slightly higher than for 2000.

4.10.1.1 **Area, yield and production of hops**

		Belgique/België	Deutschland	España	France	Ireland	Österreich	Portugal	United Kingdom	EU-15
1		2	3	4	5	6	7	8	9	10
Number of holdings	1998	54	2 547	816	120	2	79	17	183	3 818
	1999	56	2 324	797	114	1	76	14	174	3 556
	2000	62	2 197	766	115	1	73	14	167	3 395
	% TAV 2000/1999	10,0	-5,0	-4,0	1,0	0,0	-4,0	0,0	-4,0	-5,0
Area (ha)	1998	264	19 683	814	799	7	250	104	2 450	24 371
	1999	255	18 299	808	814	7	225	64	2 214	22 686
	2000	246	18 598	815	817	2	216	42	1 959	22 694
	% TAV 2000/1999	-4,0	2,0	1,0	0,0	-67,0	-4,0	-34,0	-12,0	0,0
	% of 2000 tota	1,0	82,0	4,0	4,0	0,0	1,0	0,0	8,0	100,0
Area under hops per holding (ha)	1998	4,9	7,7	1	6,7	3,5	3,2	6,1	13,4	6,4
	1999	4,5	7,9	1	7,1	7	3	4,6	12,7	6,4
	2000	4	8,5	1,1	7,1	2	3	3	11,7	6,7
	% TAV 2000/1999	-11,0	8,0	10,0	0,0	-70,0	0,0	-35,0	-8,0	5,0
Yield (100 kg/ha)	1998	19,3	15,7	17,6	15,9	13,6	15,4	5,4	13,4	15,5
	1999	17,0	15,3	19,4	16,2	12	14	9,2	13,6	15,3
	2000	19,6	15,8	17,4	20,6	15,2	13,4	9,9	13,8	15,8
	% TAV 2000/1999	15,0	3,0	-10,0	27,0	27,0	-4,0	8,0	1,0	3,0
Production (t)	1998	510	30 859	1 436	1 269	10	385	56	3 271	37 795
	1999	432	27 912	1 569	1 317	8	316	59	3 007	3 460
	2000	481	29 292	1 417	1 683	3	288	42	2 700	35 906
	% TAV 2000/1999	11,0	5,0	-10,0	28,0	-58,0	-9,0	-29,0	-10,0	4,0

Source: European Commission, Directorate-General for Agriculture.

4.10.4.1 **Market balance - hops**

1	2	Unit (3)	EU-15 1997 (4)	EU-15 1998 (5)	EU-15 1999 (6)	EU-15 2000 (7)	EU-15 % TAV 2000/1999 (8)	World 1997 (9)	World 1998 (10)	World 1999 (11)	World 2000 (12)	World % TAV 2000/1999 (13)
Hops												
A	Area	1 000 ha	26,79	24,37	22,69	22,69	0,0	70,30	60,10	57,81	57,85	0,0
B	Yield	t/ha	1,56	1,55	1,53	1,58	3,0	1,54	1,57	1,62	1,65	2,0
C = A x B	Production: hops	1 000 t	41,87	37,79	34,71	35,85	6,0	112,20	94,67	93,65	95,45	2,0
D	of which - alpha acid	%	8,75	7,50	7,38	8,94	21,0	7,80	7,70	7,80	7,70	– 1,0
E = C x D/100	- alpha acid	t	3 663,63	2 834,25	2 561,60	3 205,00	25,0	8 782,00	7 248,00	7 310,00	7 350,00	5,0
Beer												
F	Beer production ([1])	Mio hl	316,00	309,00	302,00	330,00	9,0	1 300,00	1 313,00	1 337,00	1 374,00	3,0
G	of which - alpha acid	grams/hl	:	:	:	:	:	:	:	5,50	5,50	0,0
H = F x G x 1 000	- alpha acid	t	:	:	:	:	:	:	:	7 354,00	7 557,00	3,0

([1]) Following year.

Source: European Commission, Directorate-General for Agriculture+ World: Hopsteiner report 1999 & Barth report 1999/00.

4.10.5.1 **Market price for hops**

		Zentner = 50 kg				% TAV
		1997/98	1998/99	1999/00	2000/01	2000/01 / 1999/00
1		2	3	4	5	6
Aromatic varieties						
EU-15 (no contract)	ECU	62	81	145	245	69,0
EU-15 (under contract)	ECU	213	211	210	198	– 5,7
Total	ECU	178	180	194	209	7,7
Bitter varieties						
EU-15 (no contract)	ECU	66	103	170	299	75,9
EU-15 (under contract)	ECU	183	174	163	165	1,2
Total	ECU	139	151	165	208	26,1
All varieties combined						
EU-15 (no contract)	ECU	64	92	156	270	73,1
EU-15 (under contract)	ECU	202	197	191	184	– 3,7
Total	ECU	164	168	182	209	14,8
Belgique/België	BEF	3 049	4 340	4 728	8 760	85,3
Deutschland	DEM	297	308	333	397	19,2
España	ESP	23 888	25 018	23 438	25 009	6,7
France	FRF	1 583	1 336	1 325	1 341	1,2
Ireland	IEP	293	255	210	250	19,0
Österreich	ATS	3 471	3 132	3 107	3 102	– 0,2
Portugal	PTE	18 700	18 000	20 000	20 000	0,0
United Kingdom	GBP	187	194	189	194	2,6

Source: European Commission, Directorate-General for Agriculture.

3.1.23. *Flowers and live plants*

344. This sector covers a wide range of products: bulbs, live plants (ornamentals and nursery products), cut flowers and foliage. The market organisation provides for quality standards and customs duties, with no specific protective measures against imports apart from any safeguard measures that might prove necessary. In 1996 the Council adopted a three-year promotion programme (1997-99) eligible for Community financing of €15 million a year, possibly rising to 60% of the actual cost of the measures implemented by groups representative of activities in this sector, the aim being to boost consumption of Community products in the EC.

345. In the last few years, both production and trade have grown significantly in this sector. In 2000 Community production amounted to around €14 billion.

346. The total area devoted to ornamental horticulture is around 115 000 ha, the main producer being the Netherlands.

347. Community imports from non-member countries account for around 7% of EU production in financial terms. In 2000 they totalled 338 000 tonnes (€1.146 million), a rise of around 88% on the figure for 1990. Fresh cut flowers accounted for about 41% of those imports, the EU being the biggest market in the world in this respect. Most of these flowers (approximately 80%) are exempt from customs duty under agreements with non-member countries, such as the Generalised System of Preferences in the case of Central and South American countries and the agreements concluded with the ACP States under the Cotonou Convention.

348. Five Mediterranean countries (Cyprus, Israel, Jordan, Morocco, and the West Bank and Gaza Strip) enjoy tariff exemptions for certain cut flowers (roses and carnations) under set quotas and subject to a minimum import price.

349. Kenya has become the EC's main supplier of fresh cut flowers (around 40 000 tonnes), followed by Israel (around 24 300 tonnes).

350. Among the other countries in the EC's top 10 suppliers for the sector as a whole are Costa Rica and the USA, notable as the main suppliers of foliage, Ecuador and Zimbabwe, whose exports to the EC grew more slowly in 2000 (up around 4% and 6% respectively compared with 1999). Poland's exports of live plants and nursery products to the EC rose by 9%.

351. Import prices for fresh cut flowers were 8% up on 1999;

352. EC exports to non-member countries totalled around 395 000 tonnes in 2000 and were worth €1.373 million, i.e. up 9% in tonnes and 16% in value on 1999. In decreasing order of importance, they are made up of live plants and nursery products, fresh cut flowers, bulbs and foliage. Exports of live plants and nursery products in 2000 were 14% up on 1999 (€456 million as against €400 million); cut plants were up 22% (€452 million as against €371 million).

353. The external trade balance for 2000 was positive for the sector as a whole in financial terms (at around €227 million), mainly due to bulbs and live plants, with export surpluses of €260 million and €252 million, respectively.

3.1.24. Animal feed

354. Huge quantities of agricultural products go into animal feed, which is the main outlet for EC production of cereals and oilseeds and practically the only utilisation of permanent grassland and fodder grown on arable land. Altogether, feed accounts for three quarters of the Community's UAA (utilised agricultural area). Moreover, animal feed generally represents about 65% of all pigmeat and poultrymeat production costs.

355. Overall demand[89] fell by around 1% in 2000/01 in relation to the previous marketing year, because of a contraction in the bovine (milk and meat) and pig sectors, despite an increase in the poultry sector. Half of the total supply[90] comes from feed that is not generally marketed (pasture, hay and silage) and is consumed mainly by ruminants. The other half, which can be consumed by all livestock, is made up of marketable feeds (cereals, substitutes, oilcake, etc.), which are the subject of very stiff competition (on price and nutritional value).

356. Total animal consumption of the key marketable products[91] in 2000/01 in the EC is put at 207.2 million tonnes, unchanged overall against 1999/2000, but with substantial shifts between products. This consumption is made up of:

– domestically-produced products, estimated at 153.5 million tonnes (at the same level as the preceding marketing year); the drop in supply of Community oilseeds, protein crops and meat-and-bone meal following the ban[92] on their use in animal feed was offset by an increase of more than four million tonnes in the use of cereals;

– net imports estimated at 53.7 million tonnes, unchanged overall in relation to the previous marketing year; oil-cake imports (mainly soya) increased by the same proportion as the fall in imports of cereal substitutes (mainly manioc and corn gluten feed).

357. As regards substitutes subject to import quotas, the quota utilisation rate for manioc imports fell from 73% in 1999 to 64% for manioc from Thailand, while it remained at less than 3% for all other origins. The quota utilisation rate for sweet potatoes from China was again 0% in 2000.

358. Industrial production of compound feedingstuffs in the EU[93] is estimated at 124.4 million tonnes in 2000, up 1.5% on 1999, mainly as the bovine sector (milk and meat) picked up.

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89 This includes all marketable and non-marketed animal feed, estimate for EUR-15.

90 According to the Eurostat fodder balance expressed in FU (fodder units), equivalent to the energy provided by 1 kg of average barley.

91 Covering most marketable feed used in the Community by the compound feedingstuff industry and on farms (on-farm consumption and purchases of raw materials) and evaluated in the detailed table below: Animal consumption of key marketable products (estimate for EUR-15). Source: Directorate-General for Agriculture.

92 Council Decision 2000/766/EC of 4 December 2000 (OJ L 306, 7.12.2000, p. 32).

93 Provisional figures for EUR-15 without Greece and Luxembourg: table 4.13.7.3, part 2. Source: European Federation of the manufacturers of compound feedingstuffs (FEFAC).

EU industrial production of compound feedingstuffs by category of animal

(million tonnes)

Compound feedingstuffs for:	1999	2000	Difference	% change
all bovine animals (milk and meat)	34.0	35.8	1.7	5.1
pigs	43.4	43.7	0.3	0.7
poultry	37.2	37.0	-0.2	-0.5
other	8.0	7.9	-0.1	-0.9
TOTAL compound feedingstuffs	122.6	124.4	1.8	1.5

359. In terms of total production of compound feedingstuffs by Member State in 2000, the main increases were recorded in Spain, Germany, Denmark and France, while the largest falls were recorded in the United Kingdom and the Netherlands.

360. Cereals incorporated into compound feedingstuffs[94] in the EC amounted to almost 51 million tonnes in 2000, almost 500 000 tonnes more than in 1999.

361. The decisive factors determining the composition of feedingstuffs continue to be the prices for raw materials relative to one another and the percentage of total demand accounted for by the different animal species. In 2001/02 the quantity of cereals consumed in animal feed will depend on livestock demand and the prices of imported products. By enhancing the competitive edge of cereals over substitute products, the implementation of Agenda 2000 will increase the percentage of cereals used in animal feed.

94 Table 4.13.7.5, part 2. Source : FEFAC.

Animal consumption of key marketable products (estimate for EUR-15)

(million tonnes)

KEY PRODUCT	import duty rates	1999/2000 ANIMAL CONSUMPTION				2000/01e ANIMAL CONSUMPTION			
		EU	IMP	EXP	TOTAL	EU	IMP	EXP	TOTAL
GRAIN CEREALS									
Common wheat	T	38.8	-	-	38.8	40.8	-	-	40.8
Barley	T	30.4	-	-	30.4	29.9	-	-	29.9
Maize	T	28.8	0.9	-	29.7	30.4	1.2	-	31.6
Other	T	10.7	1.2	-	11.9	11.8	1.3	-	13.1
TOTAL CEREALS		108.8	2.1	-	110.9	113.0	2.5	-	115.4
TOTAL SUBSTITUTES (ex Annex D), of which:		*20.8*	*13.5*	-	*34.3*	*20.5*	*11.5*	-	*32.0*
Manioc	6% C / T	-	4.2	-	4.2	-	3.0	-	3.0
Sweet potatoes	0 C / T	-	-	-	-	-	-	-	-
CGF (corn gluten feed)	0 C	1.6	4.9	-	6.5	1.7	4.5	-	6.2
Bran	T	10.9	0.1	-	11.0	10.8	0.0	-	10.8
MGC (maize germ cake)	0 C	0.2	0.2	-	0.4	0.2	0.1	-	0.3
Citrus pellets	0 C	-	2.0	-	2.0	-	1.6	-	1.6
Dried sugar beet pulp	0 C	5.7	0.5	-	6.2	5.4	0.5	-	5.9
Brewing and distilling residues	0 C	2.0	0.7	-	2.7	2.0	0.8	-	2.8
Various fruit waste	0 C	0.4	1.0	-	1.4	0.4	1.0	-	1.4
TOTAL OTHER ENERGY FEEDS, of which:		*2.0*	*3.5*	-	*5.6*	*2.0*	*3.2*	-	*5.2*
Molasses	T	0.6	2.9	-	3.6	0.6	2.6	-	3.2
Animal and vegetable fats (added to feed)	4-17% C	1.4	0.6	-	2.0	1.4	0.6	-	2.0
TOTAL: HIGH-ENERGY FEEDS		22.9	17.0	-	39.9	22.5	14.7	-	37.2
OILCAKE AND SEEDS (oilcake-equivalent), of which:		*8.5*	*36.3*	*2.5*	*42.3*	*7.1*	*37.2*	*1.9*	*42.4*
Soya	0 C	1.0	27.5	1.5	27.0	0.9	28.5	1.5	27.9
Rape	0 C	5.9	1.2	0.9	6.2	4.5	1.5	0.3	5.7
Sunflower	0 C	1.6	3.2	-	4.8	1.7	2.8	-	4.5
Other	0 C	-	4.4	0.1	4.3	-	4.4	0.1	4.3
TOTAL OTHER PROTEIN FEEDS, of which:		*13.2*	*2.0*	*1.0*	*14.2*	*11.0*	*2.0*	*0.8*	*12.2*
Protein plants	2-5% C	4.4	1.0	-	5.4	3.3	1.1	-	4.4
Dried fodder, etc.	0-9% C	4.8	0.1	0.2	4.7	4.9	0.1	0.2	4.8
Fish meal and meat meal	0-2% C	3.5	0.9	0.8	3.6	2.3	0.8	0.6	2.5
Skimmed-milk powder	T	0.5	-	-	0.5	0.4	-	-	0.4
TOTAL: HIGH-PROTEIN FEEDS		21.6	38.3	3.5	56.4	18.1	39.2	2.7	54.6
GRAND TOTAL: KEY PRODUCTS		153.3	57.4	3.5	207.2	153.5	56.4	2.7	207.2
Key products index: 1994/95 = 100									
* Consumption index					108.3				108.2
* Livestock demand index					108.3				108.2

Notes: e = estimate; T = Tariff since 1.7.1995; C = bound under GATT; % = import duty as at 1.7.1995; 0 = exempt.

3.2. Market developments - livestock products

3.2.1. Milk and milk products

3.2.1.1. World market

362. According to initial estimates, world production of milk (including cow's milk, buffalo milk, sheep's milk and goat's milk) was set to increase by a little over eight million tonnes (+1.4%) in 2001 to a total of 585 million tonnes. The production of

buffalo milk was expected to account for most of the increase, despite an increase in production in Australasia (mainly cow's milk), because production in Russia and the other countries of eastern Europe is expected to remain unchanged.

363. Asia: the rise in production in India, where more than half the milk produced is buffalo milk, accelerated. In 2001 India was expected to produce more than 86 million tonnes and confirm its position as the world's second producer after the EU, thereby increasing its lead over the United States. The increase in production in India has been underpinned by growing domestic demand. Nevertheless, per capita annual consumption is only 85 kg (less than a quarter of what it is in western countries), with drinking milk accounting for three quarters of that quantity. Pakistan, the other major producer in the region and fifth largest in the world, was expected to produce just over 26.5 million tonnes in 2001, its production having risen by 1.4% per year since 1996.

364. In Latin America production looked set to increase in most countries, from just over 60 million tonnes in 2000 to more than 61 million tonnes in 2001. Brazil is both the region's biggest milk producer (the sixth largest in the world) and the foremost importer among the Mercosur countries. While its production was expected to reach 22.9 million tonnes in 2001, Brazil's domestic consumption was also set to absorb large additional quantities of milk products from Argentina and Uruguay, in particular.

365. At just over 79 million tonnes, milk production in eastern Europe in 2001 looked set to reach the same overall total as in 2000, but with some differences as between countries. The decline in production in the former Soviet Union following the break-up of the country was less marked in 2000, and there is every probability that production will now begin to pick up again in the coming years. On the other hand, production in 2001 in eastern European countries (Poland, Romania, the Czech Republic, etc.) was expected to revert to the upward trend recorded between 1997 and 1999. Supplies of feedingstuffs are still limited, however, with consequent further reductions in herds. The shortage of foreign currency since the rouble crisis of 1998 has led Russia to call sporadically on the world market as a major buyer of milk products. It imported products worth USD 800 000 in 1995, but less than USD 200 000 in 1999. Its position as the largest purchaser of butter explains why that market remained rather depressed, with very low prices of around USD 1 200-1 400 per tonne. Russian domestic demand for butter faces competition from cheaper substitutes such as vegetable oil. Similarly, consumption of traditional products is falling as consumers in the region switch to products such as long-life milk, soft cheeses, ice cream and desserts.

366. In the United States, after a 3.3% increase in 2000, production was expected to remain almost unchanged, i.e., it would return to stability, despite the use of BST (bovine somatotropin), which had initially presaged spectacular growth in production but which proved disappointing thereafter. In Canada the maintenance of processing quotas for milk left production practically unchanged.

367. In Australasia, weather conditions were particularly favourable to both the region's major producers. Favourable prices in comparison with other sectors are encouraging new investment in the dairy industry.

368. In Australia, weather conditions have been very favourable over recent marketing years, enabling milk production to rise above 11 million tonnes - an increase of 17.5% since 1998. There is a trend towards increased use of compound feed in dairy farming in Australia. The Australian authorities have introduced a new support scheme[95] which will lead producers towards a non-subsidised system. The aim is to increase the size of holdings, even if this entails reducing the number of producers. Milk producers have recently been campaigning for an about-turn in policy, but without success.

369. In New Zealand, milk production fell by 5% in the 1998/99 marketing year in the aftermath of a drought. This was followed in 2000 and 2001 by a spectacular resumption of production, which increased by 21% to 13.7 million tonnes. Milk production has thus returned to the trend during 1995-98, thanks to good weather for pasturing and favourable world prices. Any falls in world prices could be offset (as they have been in the past) by devaluations of the New Zealand dollar, a policy sometimes also followed by Australia with regard to its own currency.

3.2.1.2. Community market

370. The dairy herd was expected to be down by 133 000 head to 20.5 million (a fall of 0.6%) by the end of 2001, while yields were expected to be up by 2%. Production was thus set to increase by about 302 000 tonnes to 122.06 million tonnes. Member States forecast that milk deliveries will total 114.5 million tonnes, up around 524 000 tonnes, due to increases in Germany, Spain, the Netherlands, Italy, the United Kingdom and Austria, and despite expected drops in France and Finland. Deliveries in 2000 fell by 504 000 tonnes (0.4%).

371. The output of drinking milk has remained fairly stable since 1998, at around 29 million tonnes. At barely 2.2 million tonnes, little change was expected in the production of cream intended for consumption against 1999 and 2000.

372. Butter production in 2001 was set to drop by 34 000 (1.75%) to 1.85 million tonnes. The fall would be down to dairy butter, because production levels of farm butter are rising and not representative.

373. Butter consumption looked set to remain at 1.78 million tonnes in 2001 (down 0.5%). Per capita consumption is also expected to fall, by 0.6% to 4.72 kg.

374. Cheese production in 2000 increased by some 234 000 (around 3.5%), topping the seven million tonne level for the first time. The increase in 2001 is expected to be slightly lower. However, a further 183 000 tonnes will be produced (+2.6%).

375. Consumption is also expected to increase, by 0.5% or around 33 000 tonnes in 2001. Per capita consumption of cheese looks set to increase by 0.4%, which is less than the annual trend of 2.3% recorded in the past. However, the Member States' forecasts have not taken account of the increase of more than 2% expected by the representatives of the dairy industry.

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95 AUD 0.46/litre of drinking milk and AUD 0.09/litre of milk for processing. Payments will be quarterly for eight years.

376. Production of milk powder is expected to fall by 2.3% (some 46 000 tonnes) to two million tonnes. The drop is spread over all types of milk powder. Thus, production of skimmed-milk powder (SMP) (one million tonnes) is expected to fall by 0.4%, whole-milk power by 2.5%, semi-skimmed milk powder by 1.2% and buttermilk powder by 2.8%.

377. Production of casein is expected to drop by 1 000 tonnes, i.e. equivalent to around 53 000 of skimmed liquid milk. Manufacture of condensed milk is expected to increase for the first time in four years (1.4%), going against the historical 1.7% downward trend, hence the interest in exporting this product.

378. Lastly, other figures worth noting include: the sharp reduction in the number of dairy farms, the annual decline in 1995-2000 (EU-15) being 5% (there were thus 663 303 farms in 2000); the average number of cows per holding, which is expected to rise to 32; and the average quantity of milk delivered per holding, which is set to exceed 180 000 kg. Average milk deliveries per holding actually cover a very wide range, from 40 000 tonnes/holding in Austria to 501 000 tonnes/holding in Denmark.

379. Overall consumption of dairy products in the EU has been increasing since 1997. It is expected to amount to 115.2 million tonnes in 2001, up 0.3% on 2000. This figure is the total for all uses made of the milk available.

380. Community stocks were at an all-time low in March 1996, when there was scarcely a single tonne of either butter or skimmed-milk powder in public storage. Since then, stocks of skimmed-milk powder have begun to rise in response to slack demand both within the EU and elsewhere. At the end of 1999 a sharp increase in demand, particularly on the world market, suddenly reversed that trend. These favourable market conditions made it possible to sell off all public stocks of skimmed-milk powder in August 2000. The quantity of butter entering intervention in 2001 was expected to be very limited, at around 25 000 tonnes.

381. Internal prices for milk products in 2001 showed similar trends. The average price for butter began the year at 97.5% of the intervention price, drifted down until mid-March (93.5%), whereupon it began to climb again to 99.9% at the end of July, after which it fell very slightly towards the support price. The price for skimmed-milk powder started off at 131% of the intervention price, fell over the first four months to 112% and rose again in May (127%), when it started its final descent to below the intervention price.

382. There were several sharp reductions in the export refunds for milk powder. Export refunds for skimmed-milk powder have been at zero since the end of July 2001. World market prices for milk products rose during the first half of the year and subsided thereafter, except for whey for which prices were surprisingly buoyant.

383. EU dairy exports rose by 13.5% in 2000, i.e. by almost two million tonnes of milk equivalent. This is entirely consistent with the resumption of export licences which, under GATT Uruguay Round agreements, had not been used in previous years. The volume exported in 2001 is expected to be substantially lower (-21%), mainly as a result of lower exports of butter and skimmed-milk powder. Moreover, demand for these two products on the world market has been slack and stocks in the EU have been limited, in particular for skimmed-milk powder. Imports in 2000 increased to

by 0.9% to three million tonnes (including casein and fresh products). Forecasts for 2001 also point to an increase in imports, up to 3.1 million tonnes.

3.2.2. Beef and veal

3.2.2.1. World market

384. According to FAO and Eurostat data, world beef production in 2000 amounted to 57.2 million tonnes, i.e. approximately 2.2% higher than its level in 1999. Beef production represents just over one quarter of total meat production. For 2001 it is expected that world beef production will slightly decrease.

385. In 2000, EU beef production accounted for 12.9% of world production. European Union production amounted to 7.4 million tonnes, a decrease of 3.7% compared with 1999. This contrasts with the developments in most other beef producing countries in the world, where production increased: e.g. in Argentina, Brazil, China, Russia and the United States.

386. The United States remains the main beef-producing country with a share of 21.5% of world production.

World beef production *(in '000 tonnes)*

	1999	2000	% change 2000/1999
Argentina	2 653	2 900	9.3
Australia	2 011	1 988	-1.1
Brazil	6 182	6 460	4.5
China	4 711	5 023	6.6
EU-15	7 697	7 401	-3.8
India	1 421	1 442	1.5
Japan	540	534	-1.1
Mexico	1 401	1 415	1.0
Russia	1 868	2 126	13.8
United States	12 123	12 311	1.6
World	55 962	57 170	2.2

Source : FAO and Eurostat.

In terms of external trade, beef exports over 2000 as a whole were 2.2% below the level reached in 1999. This reduction was due particularly to the sharp decline in exports originating from the European Union, whereas exports from Australia and New Zealand increased compared with the preceding year. Australia remains the main beef exporting country in the world (22.9% of total exports), followed by the United States (19.4% of total exports).

387. Beef imports in 2000 were at 5 306.7 million tonnes, a decrease of 2.4% compared with 1999. Whereas imports actually increased in most countries, a sharp decline was seen in the European Union (a reduction of over 35% compared with the year before) and even more so in Russia (-52.7% compared with 1999).

388. International beef prices showed a slight improvement in 2000. On average beef prices were 3.3% higher compared with the preceding year. European Union market prices for adult male bovines (quality R3) were at €282.88/100 kg in 2000 or approximately 0.7% higher than in 1999. Carcase prices for cows (quality O3) and heifers (quality R3) were exceptionally high during 2000, with prices averaging at €215.49 and €290.77/100 kg respectively. These prices were around 7.8 and 4.5% respectively higher than those recorded during 1999, and this despite the sharp fall in prices that was seen following the outbreak of the second major BSE crisis in the European Union as of end October 2000.

3.2.2.2. Main legislative and policy developments

389. In line with the Agenda 2000 agreement, the implementation of the reform of the common organisation of the market in beef and veal continued in 2001 (cf. Regulation (EC) No 1254/1999[96]). In particular, a further reduction of 7% of the intervention price took effect on 1 July 2001. This reduction was compensated by an additional increase in the direct payments to farmers through the various beef premiums and the national envelopes.

390. As a result of the second BSE crisis and the resulting sharp price decreases, intervention buying-in was re-opened as of December 2000. In view of the severe market situation, Regulation (EC) No 562/2000 on the buying-in of beef was amended on several occasions, with more flexible rules being introduced aimed at effectively supporting the market in crisis (cf. Regulation (EC) No 2734/2000[97]; Regulation (EC) No 283/2001[98]; Regulation (EC) No 371/2001[99]; Regulation (EC) No 503/2001[100]; Regulation (EC) No 590/2001[101]; Regulation (EC) No 719/2001[102]; Regulation (EC) No 826/2001[103]; Regulation (EC) No 1082/2001[104]; Regulation (EC) No 1209/2001[105] and Regulation (EC) No 1922/2001[106]).

391. A scheme for private storage of cow meat was put into place from November 2000 to February 2001 (Regulation (EC) No 2561/2000[107]). A similar scheme providing aid for private storage of veal was put into place during August and September 2001 in order to tackle specific problems encountered, particularly in the calf sector in the Netherlands (Regulation (EC) No 1642/2001[108]).

392. Furthermore, in view of the exceptional crisis situation and the need to rebalance the beef market, the Commission adopted in December 2000 the ‘purchase for destruction scheme' (Regulation (EC) No 2777/2000[109]). Under this scheme, animals

96 OJ L 160, 26.6.1999, p. 21.
97 OJ L 316, 15.12.2000, p. 45.
98 OJ L 41, 10.2.2001, p. 22.
99 OJ L 55, 24.2.2001, p. 44.
100 OJ L 73, 15.3.2001, p. 16.
101 OJ L 86, 27.3.2001, p. 30.
102 OJ L 100, 11.4.2001, p. 13.
103 OJ L 120, 28.4.2001, p. 7.
104 OJ L 149, 2.6.2001, p. 19.
105 OJ L 165, 21.6.2001, p. 15.
106 OJ L 261, 29.9.2001, p. 52.
107 OJ L 293, 22.11.2000, p. 5.
108 OJ L 217, 11.8.2001, p. 5.
109 OJ L 321, 19.12.2000, p. 47.

aged more than 30 months that have not been tested for BSE and which otherwise would produce heavy surpluses on the market were withdrawn from meat production through purchasing and subsequent destruction of the animals. This scheme, that was applicable in the first half of 2001, was jointly financed by the European Community (70%) and the Member States (30%).

393. The purchase for destruction scheme was followed by the 'special purchase scheme' (Regulation (EC) No 690/2001[110]) for carcases of animals over 30 months that are not eligible for public intervention and which have tested negatively for BSE. Member States have to purchase carcases when for two consecutive weeks the average market price for cows is equal to or below a trigger price. Member States subsequently have the choice of either destroying or temporarily storing the purchased carcases. This scheme, initially applicable at the latest from 1 July and until 31 December 2001, is part-financed by the European Community (70%) and the Member States (30%). It was subsequently decided to prolong the scheme during the first quarter of 2002, in view of the remaining problems on the market for cow meat.

394. The Commission proposed additional measures to the Council and the European Parliament such as the temporary lifting of the annual intervention ceiling of 350 000 tonnes, the introduction of individual premium quotas and further incentives to promote more extensive production methods. A political agreement on these measures was reached in June 2001 with the formal adoption of the amendments in July 2001 (Regulation (EC) No 1512/2001[111]).

395. Several measures were also taken with regard to the beef premium schemes, such as an increase of the advance payment from 60% to 80% (Regulation (EC) No 2733/2000[112] and Regulation (EC) No 2088/2001[113]), the introduction of flexible rules for the extensification payment and the special premium (Regulation (EC) No 192/2001[114]).

3.2.2.3. Beef labelling

396. As from 1 September 2000, European Parliament and Council Regulation (EC) No 1760/2000 introduced the first phase of the compulsory beef labelling system, which introduces a requirement for traceability of beef such that all labels must indicate: a traceability number ensuring the link between the meat and the animals or animals; the words 'slaughtered in' with the name of the Member State or third country and the approval number of the slaughterhouse; the words 'cutting in' with the name of the Member State or third country and the approval number of the cutting plant.

397. Under the difficult conditions imposed by the disruptions to trade caused by BSE and foot-and-mouth disease (FMD) in 2001, operators and Member State administrations have undertaken to implement these rules, while at the same time preparing the systems necessary for implementing of the second and final phase on 1 January 2002. As of that date, the label will also contain an indication of the Member State or third country of birth and all the Member States or third countries where fattening of

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110 OJ L 95, 5.4.2001, p. 8.
111 OJ L 201, 26.7.2001, p. 1.
112 OJ L 316, 15.12.2000, p. 44.
113 OJ L 282, 26.10.2001, p. 39.
114 OJ L 29, 29.1.2001, p. 27.

the animals took place. Where the beef is derived from animals born, fattened and slaughtered in the same Member State or third country, the indication may be given as 'origin in' with the name of Member State or third country concerned.

3.2.3. Sheepmeat and goatmeat

398. The European Union is the world's second producer of sheep- and goatmeat after China[115], followed by India, Australia, New Zealand, Turkey, Saudi Arabia and Russia.

399. New Zealand is the main world exporter (with more than half of world exports), Australia being the second. Imports are substantial in the EU, Saudi Arabia, the United States, South Africa and Japan. The EU is also the second world consumer after China.

400. On the EU market production has been virtually stable, against the background of a slight decreasing trend during recent years. However, gross indigenous production is expected to be 1.021 million tonnes carcase weight in 2001, which implies a significant decrease (by 11.4%) mainly due to the effects of the FMD outbreaks. Among the major EU producers, France is the country having shown production decreases repeatedly year after year during the last two decades and Ireland during the most recent years. France also remains the most important recipient of internal trade, chiefly from the United Kingdom in the past, lately from Ireland.

401. The EU market imports a quantity which is about one fifth of its needs. The main supplier is New Zealand, largely through the United Kingdom, although there is a development to diversification to several Member States.

402. Prices were at very good levels during most of 1996 and 1997. The graph of prices for 1998 appears to be a mirror image of the price trends in previous years: high prices around the middle of the year and very low in the first and last thirds of the year. 1999 started at very low levels, recovering around Easter and remaining firm during the spring. Nevertheless, prices collapsed in the United Kingdom and Ireland during the summer, due to high levels of supply. The year ended with relatively good levels of prices, following shortage of supply and high prices in Spain.

403. The year 2000 experienced a major price recovery. The EU average has also been boosted by the strength of the pound sterling against the euro, which has had an impact on the calculation of the premium by reducing its estimated value. The market for sheepmeat has attained a relatively stable position for the majority of Member States and for the EU as whole, particularly following a lack of consumer confidence in beef around the end of the year.

404. The FMD crisis experienced during most of the year 2001 brought a ban on exports for the United Kingdom, the main intra-EU traditional exporter, a situation that was very beneficial in terms of prices for the other major intra-EU exporter, Ireland. The shortage of supply on the European continent implied very high price levels and average EU prices of around €400/100 kg for many months. The shortage of supply, accompanied by high prices and relatively low consumption levels, is expected to

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[115] China is expected to produce about 2.6 million tonnes in 2000, according to the FAO. For the United States, a modest figure of 0.148 million tonnes is anticipated (sources: FAO and GIRA).

continue throughout the following year. As a result of the FMD crisis, the market in the United Kingdom experienced a difficult period with low prices and restrictions of animal movements, particularly in FMD-sensitive areas. At the end of the summer, and at the request of the United Kingdom authorities, the European Commission started the private storage scheme for a relatively small amount (140 tonnes), given the high storage prices contained in the bids within the call for tender procedure.

405. Imports into the Community are carried out mainly under free WTO or tariff-reduced quotas together with additional quantities provided for in the Europe Agreements. For market management reasons, the quotas are managed on a calendar year basis. The increasing proportion of chilled meat being sent by New Zealand is causing concern among some Member States. New Zealand is by far the main supplier to the European Union, exporting a quantity that is close to its tariff-free quota of 22 6700 tonnes. Australia is the second largest exporter to the European Union, with just under 19 000 tonnes. Each one of the other exporters (EU candidate countries from central European Europe - in particular Hungary - and Uruguay) exports quantities that are under 11 000 tonnes.

406. The EU ewe premium for marketing year 2000 was €17.5/ewe, which is calculated by computing the difference between the basic price after applying the stabiliser (€468.785/100 kg) and the market price (€357.254/100 kg) and multiplying by a technical coefficient (0.1567). The premium figure for 2001 is expected to be much lower than the previous year. Producers in less-favoured areas (LFAs) received a supplementary 'Rural World' premium.

3.2.3.1. Main legislative and policy developments

407. The European Commission presented a proposal for a reform of the sheepmeat regime which would be applied from the beginning of 2002. The main modifications to the regime concern the ewe premium. In particular, it is proposed that the deficiency payment be replaced by a flat-rate payment. This will be stable and predictable and being a known fixed amount will allow forward planning and simplify farm management. It will enable producers to respond more readily to market signals.

408. The level of the premium proposed is €21 with a reduced amount of €16.8 for sheep farmers who produce sheep's milk, and goat farmers. It is proposed to set the supplementary premium at €7 for all producers.

3.2.4. Pigmeat

3.2.4.1. World situation

409. In 2000, world production of pigmeat increased slightly by 1.3% to arrive at a total of 91.1 million tonnes[116]. China remains the world’s leading producer with an output of 42 million tonnes, up 4.7% from the previous year. The European Union remained second in the world with an annual production of 17.5 million tonnes, which was 2.6% less than in 1999. In 2001 European production is expected to remain more or less at the same level. The world’s third largest pigmeat producer was the United States, with 8.5 million tonnes in 2000, down 3.4% from the previous year.

[116] Source: FAO.

3.2.4.2. Community market

410. In 2000, EU market prices started to recover from the very low levels of 1998 and 1999. The significant reduction in pigmeat production by 2.6% was the main reason for this recovery. The price increase continued in 2001, caused mainly by the problems on the meat markets due to BSE and FMD. Despite higher feed costs in 2001, the majority of European pig producers returned very good profits and were able to compensate for the losses made in the crisis years 1998 and 1999. The EU average market price for the whole year 2000 totalled €141/100 kg; in 2001, the average price may reach around €170/100 kg. In view of the favourable market situation, export refunds for fresh and frozen pig carcases and cuts were put to zero in July 2000. Due to market problems induced by the recent outbreaks of FMD, an exceptional market support scheme was made available in the Netherlands between May and June 2001 for delivery of piglets, fattened pigs and calves to the authorities from the FMD surveillance areas. The scheme also included aid for not inseminating sows.

411. Per capita consumption of pigmeat decreased by -2.5% in 2000 to 43.5 kg/year. In 2001, consumption is expected to increase slightly by 0.4%, as demand for pigmeat remains high due to the BSE crisis.

412. In 2000, the quantity of pigmeat exported out of the European Union amounted to 1.26 million tonnes (in carcase weight), which means a decrease of 9.1% compared to 1999. Imports similarly decreased by -11.4% to 48 000 tonnes in 2000. The most important destination for the exports of pigmeat in 2000 was Russia with a quantity of 410 000 tonnes (equal to 26.6% of Community exports). Japan was second with 284 000 tonnes, and Hong Kong plus China was the third most important destination, with 160 000 tonnes. The share of exports with refunds decreased in 2000, because export refunds were reduced to zero for fresh and frozen pigmeat as of July.

3.2.5. Poultrymeat

413. World production of poultrymeat has increased at a steady but slower pace since 1991: by 7% a year from 1991 to 1995 and 4% a year from 1996 to 2001. The rate of increase was higher in the main producer regions, viz. 5% a year from 1996 to 2001 in China and 9.2% a year from 1996 to 2001 in Brazil. After falling in 1997, Russian production has started to rise again. In the European Union, production has risen by an average of 1.9% per year since 1996.

Poultrymeat production *('000 tonnes)*									
	United States	Brazil	China	Japan	Russia	Hungary	EU	Other	World
1996	14 522	4 144	9 630	1 249	705	365	8 358	11 456	50 429
1997	14 952	4 562	10 400	1 234	630	372	8 636	12 805	53 591
1998	15 128	4 627	10 700	1 221	640	400	8 823	12 998	54 537
1999	15 990	5 641	11 150	1 189	640	360	8 778	13 813	57 561
2000	16 362	6 117	11 960	1 196	660	370	8 798	14 175	59 638
2001	16 611	6 445	12 285	1 180	700	375	9 164	14 597	61 357
Annual rate of change 2001/1996	2.7	9.2	5.0	-1.1	-0.1	0.5	1.9	5.0	4.0

2001: Estimates
Sources : European Union March 2002; USDA October 2001.

414. The world market continued to expand in 2001, thanks in particular to growing demand in Russia, China and Japan. The United States remained the world's leading exporter in 2000 and 2001, owing chiefly to its exports of cheap cuts and various promotion programmes. Brazilian exports outstripped EU exports for the first time in 2001. Russia remains the worlds largest importer and although its production is increasing slightly, it is expected continue to increase its imports.

415. After the drop in 1999, EU production is set to increase again, particularly in 2001 (+3.7%). Community exports fell considerably (-4.2%) in 2001. Imports of salted meat from Brazil and Thailand greatly inflated the volume of EU imports: up 43% in 2000 and 45% in 2001.

416. After the good prices in 2000, prices were particularly high during the first half of 2001 (due to the crises in the beef and veal sector and foot-and-mouth disease in the pigmeat sector) and then fell back to the average level of 1994-99 during the second half of the year.

417. Poultrymeat does not qualify for support on the internal market. The rules governing trade with third countries have been adapted to comply with WTO rules, in particular to restrict exports with refunds (286 000 tonnes a year from 2000/01). This restriction has led to a targeting of refunds on specific countries of destination and products. Thus, in 2001, less than 30% of Community exports qualified for refunds.

418. Import quotas at reduced customs duties for a total of 184 430 tonnes continue to apply under the association agreements and the "double zero" approach (with Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria, the Baltic states and Slovenia). Furthermore, 15 500 tonnes of de-boned chicken and 2 500 tonnes of turkey meat can be imported free of customs duty each year, in addition to 11 900 tonnes for 2001/02 (July/June) under the minimum access arrangements at reduced duty, and 2 400 tonnes under other bilateral agreements (with Turkey and Israel).

3.2.6. *Eggs*

419. World production increased by 4.4% per year from 1991 to 1995 and continued to rise by 3.5% per year from 1996 to 2001. Although the average increase in the United States was higher than in the European Union, it continues to occupy second place. Egg production in China is increasing strongly: by 8.8% from 1996 to 2001, making it the world's largest producer.

Egg production *('000 tonnes)*

	United States	Mexico	Brazil	China	Japan	Russia	EU	Other	World
1996	4 669	1 589	750	2 610	1 922	15 474	5 182	9 602	41 798
1997	4 738	1 718	768	2 598	1 946	17 223	5 260	7 181	41 433
1998	4 874	1 824	832	2 569	2 013	18 773	5 348	7 117	43 349
1999	5 060	1 978	901	2 560	2 013	22 283	5 396	7 127	47 318
2000	5 150	2 144	903	2 565	2 068	23 262	5 479	7 338	48 908
2001	5 235	2 198	920	2 568	2 086	23 638	5 651	7 411	49 705
Annual rate of change 2001/1996	2.3	6.7	4.2	-0.3	1.7	8.8	1.7	-5.0	3.5

2001: Estimates
Sources : European Union March 2002; USDA October 2001.

420. Having increased since 1996, world exports fell in 1999. They increased in 2000 and have now reached a level slightly higher than in 1998. The main importing countries are still Japan (egg products) and Hong Kong (eggs in shell). The volume of Community exports fell by 12% in 2000 and by 2.1% in 2001.

421. On the Community market, the number of laying hens increased by 3% in 2001. Prices remained close to the average during the first half of 2001, then rose slightly above it during the second half of the year.

422. The market organisation is similar to that for poultrymeat.

423. Trade: under the WTO, refunds are subject to a ceiling of 98 800 tonnes (eggs-in-shell equivalent) in 2001/02. Since the summer of 1995, exports have remained below the limit agreed within the WTO.

424. The association agreements with Poland, Hungary, the Czech Republic, Slovakia and Bulgaria provide for an 80% reduction in customs duties on certain egg products. Under the minimum access arrangements, import quotas at a reduced duty were opened in 2001/02 for an annual volume of 157 500 tonnes, broken down into three groups of products, those for egg products and ovalbumin being the only ones used.

425. On 19 December 2000 the Council adopted Regulation (EC) No 5/2001[117] amending Regulation (EEC) No 1907/90 on certain marketing standards for eggs, which makes

[117] OJ L 2, 5.1.2001, p. 1.

it compulsory to indicate the farming method on fresh eggs and packs and simplifies the classification of eggs by merging classes B and C.

3.2.7. *Honey*

3.2.7.1. World situation

426. In 2000, world honey production stood at 1.241 million tonnes, up 1.5% on the previous year[118]. Prices on the world market increased by 2.7% as against 1999.

3.2.7.2. European market

427. The self-sufficiency rate in the EU was 48.24% in 1999/2000, slightly up on the previous marketing year. This was due to the increase in production and the fall in imports. Per capita human consumption was stable at 0.7 kg a year.

428. Under Council Regulation (EC) No 1221/97 laying down general rules for the application of measures to improve the production and marketing of honey[119], the Commission adopted decisions approving the national programmes for the fifth year (2002 marketing year). In February 2001, the Commission presented its report to the Council and Parliament on the implementation of that Regulation during the first three marketing years. In its conclusions, the Commission proposed that the annual framework of the national programmes be maintained to give the programmes a durable and coherent line. The implementing Regulation was amended accordingly and simplified management was adopted.

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118 Source: FAO.
119 OJ L 173, 107.1997, p. 1.

CHAPTER IV

4. AGRIMONETARY ARRANGEMENTS

4.1. Developments in 2001

429. The agrimonetary measures adopted in 2001 were limited to the application of Council Regulation (EC) No 2799/98 establishing agrimonetary arrangements for the euro[120], namely the fixing of agrimonetary compensation for the reduction in national currency of certain amounts in Denmark, Sweden and the United Kingdom because of the revaluation of their currencies.

430. Regulation (EC) No 653/2001 of 30 March 2001 accordingly set a new maximum amount of compensatory aid resulting from the exchange rates for the pound sterling applicable to the beef/veal and sheepmeat sectors and to structural measures[121]. The reduction is 1.9% and the total maximum amount EUR 26.95 million, 50% of which is financed by the European Union. The compensatory aid for the United Kingdom resulting from the rates applicable to arable crops was set by Regulation (EC) No 1966/2001[122]. The reduction is 3.394% (2.546% for fibre flax and hemp) and the overall maximum amount EUR 52.99 millions, of which half is financed by the European Union.

431. The appreciable revaluation of the pound sterling and the Swedish krona in 2000 (7.556% for sterling and 4.956% for the krona, less the neutral margin of 2.6%, making 4.956% and 1.223% respectively) resulted in agrimonetary compensation being fixed at EUR 224.12 million for sterling and EUR 11.12 million for the Swedish krona, of which 50% is financed by the European Union on condition that the Member State contributes an equivalent amount [Regulation (EC) No 654/2001[123]].

432. Following the depreciation of the Danish krone and the Swedish krona, current compensatory aid was adjusted. Regulation (EC) No 651/2001[124] cancelled the second tranche of compensatory aid for Denmark linked to the beef/veal and sheepmeat sectors and structural measures, resulting from conversion rates applicable in January 2000, and also reduced the amount of the third tranche of compensatory aid to Denmark for 1999 in the same sectors. This reduction brings the total maximum amount of the third tranche to EUR 810 000 instead of EUR 890 000. The Regulation also reduced the amount of the second tranche of compensatory aid to Sweden linked to the beef/veal and sheepmeat sectors and to structural measures, resulting from conversion rates applicable in January 2000. This reduction brings the total maximum amount to EUR 6.63 million instead of EUR 7.24 million.

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120 OJ L 349, 24.12.1998, p. 1.
121 OJ L 91, 31.3.2001, p. 62.
122 OJ L 268, 9.10.2001, p. 24.
123 OJ L 91, 31.3.2001, p. 64.
124 OJ L 91, 31.3.2001, p. 58.

433. Regulation (EC) No 1967/2001[125] cancelled the second tranche of compensatory aid to Sweden linked to arable crops and flax and hemp, resulting from conversion rates applicable in July and August 2000, and the third tranche of compensatory aid to Sweden linked to the same sectors, resulting from conversion rates applicable in July and August 1999. The Regulation also reduced the amount of the third tranche of compensatory aid to Denmark for 1999 in the arable crops sector. This reduction brings the total maximum amount of the third tranche to EUR 6.84 million instead of EUR 8.80 million.

4.2. Agrimonetary aids

434. In 2001, the United Kingdom has notified several requests for granting agrimonetary compensation in the beef, sheep and dairy sectors[126]. Some of the requests concerned the payment of the second tranche of aid for which the United Kingdom had decided not to pay the national contribution to the first tranche.

435. For the requests concerning the payment of first tranches notified in 2001, the United Kingdom decided to grant the national contribution to the financing of the aids in view of the serious problems created by animal diseases in the country.

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[125] OJ L 268, 9.10.2001, p. 26.

[126] Aids numbers N 155/2001, N 156/2001, N 157/A/2001, N 157/B/2001, N 158/A/2001, N 158/B/2001 and N 565/2001.

CHAPTER V

5. RURAL DEVELOPMENT IN 2001

436. The 69 rural development plans (RDPs) submitted for Commission approval at the end of 1999 and early in 2000 were considered and in some cases amended. In most cases, implementation began within the period allowed by Council Regulation (EC) No 1257/1999. The Commission adopted the last plans presented in 2000 during the year.

437. For the Objective 1 and 2 areas with integrated rural development measures under the Structural Funds programming, following the adoption in 2000 of the Community support frameworks (CSFs) and most of the single programming documents (SPDs) under Council Regulation (EC) No 1260/1999, the last documents were considered and implementation of the operational programmes (OPs) (which extend the CSFs) adopted in 2000 began.

438. Implementation of the Leader+ Community Initiative programmes submitted by the Member States which were adopted in May 2000 and approved by the Commission in the second half of 2000 also began.

5.1. Belgium

5.1.1. Rural development plans (EAGGF Guarantee Section)

439. Three rural development plans have been operating in Belgium since autumn 2000: one at federal level and regional plans in Flanders and Wallonia.

5.1.1.1. Amended RDPs

440. Amendments requiring a Commission decision were made to the federal plan and the plan for Flanders in 2001. An initial amendment to the plan for Flanders had already been submitted at the very end of 2000.

5.1.1.2. Level of payments for the period 16 October 2000-15 October 2001

441. The allocation to Belgium for 2001 amounted to €52 million, of which 65% was used. The situation varies considerably from one plan to another: almost all (96%) the available budget for the federal plan was used while the figure for the plan for Wallonia was 80% and that for Flanders 47%. However, with 58% of the total for Belgium, the plan for Flanders has the largest budget while the federal plan and the plan for Wallonia have 19% and 22% respectively.

5.1.2. Operational programmes and single programming documents (EAGGF Guidance Section)

442. Belgium has only one single programming document (Structural Funds) paid for from EAGGF Guidance Section appropriations: the Objective 1 transitional SPD for the province of Hainaut in Wallonia.

5.1.3. Leader+ programmes

443. Belgium submitted two Leader+ proposals, at the end of 2000 for Flanders and at the beginning of 2001 for Wallonia; they were adopted in 2001. The adoption procedure progressed quite slowly because the answers to the large number of questions asked by the Commission were very incomplete.

5.2. Denmark

5.2.1. Rural development plans (EAGGF Guarantee Section)

5.2.1.1. New RDP adopted

444. The Commission approved the rural development plan for Denmark (decision C(2000) 2894 of 29 September 2000). Public expenditure amounts to €944.5 million of which the Union will provide €348.8 million over the period 2000-06.

445. The programme includes aid for investment in agricultural holdings, for young farmers' setting up, training, disadvantaged regions, improving the processing and marketing of agricultural products, for development and for the adaptation of rural areas and woodlands.

5.2.1.2. Amended RDP

446. The amendment to the Danish RDP for 2000 was approved by decision C(2001) 2130 of 27 August 2001. The main changes concerned the inclusion of aid for investment involving risk materials (by-products and waste) and improving the conditions for aid for investment in the processing and marketing of organic products.

5.2.1.3. Level of payments for the period 16 October 2000-15 October 2001

447. For 2001 the programme provides for expenditure of €891.86 million, of which the EU will contribute €438.20 million. Agri-environmental measures account for €546.50 million of the total expenditure, of which the Union will provide €281.96 million.

448. In the reference period from 16 October 2000 to 15 October 2001, expenditure on the RDP was €459.02 million.

5.2.2. Leader+ programmes

5.2.2.1. New programmes adopted

449. The Leader+ programme for Denmark was approved by decision C(2001) 2129 of 27 August 2001. Total expenditure for this programme in the period 2001-06 will be €61.4 million to which the Union will contribute €17 million and the private sector €27.4 million.

450. The Leader+ programme for Denmark covers rural areas with some 742 000 inhabitants. The target groups are women and young people. Measures in Denmark could, for example, concentrate on: developing innovative centres and companies, increasing skills and creating jobs, local services, protection and improvement of the

environment and marketing local products. This programme will finance up to 12 local action groups.

5.3. Germany

5.3.1. Rural development plans (EAGGF Guarantee Section)

5.3.1.1. The RDP for Berlin was adopted in 2001.

5.3.1.2. Amended RDPs

451. The German authorities submitted amendments to the rural development plans for Baden-Württemberg, Bavaria, Hamburg, Lower Saxony, North Rhine-Westphalia, Saarland, Schleswig-Holstein, Brandenburg, Mecklenburg-Western Pomerania, Saxony-Anhalt and Thuringia. The changes concern the revision of the financing plans, amendments to the measures and the introduction of new measures.

5.3.1.3. Level of payments for the period 16 October 2000-15 October 2001

452. Expenditure from the EAGGF Guarantee Section for that period amounted to €709 415 244, 97.4% of the annual ceiling for Germany.

5.3.2. Operational programmes (EAGGF Guidance Section)

5.3.2.1. Level of payments in 2001

453. Expenditure from the EAGGF Guidance Section for that period amounted to €188 744 583.

5.3.3. Leader+ programmes

454. The Commission approved many of the Leader+ programmes for Germany at the end of 2001.

5.4. Greece

5.4.1. Rural development plans (EAGGF Guarantee Section)

5.4.1.1. Level of payments for the period 16 October 2000-15 October 2001

455. At 31 July 2001 payments amounted to €57.5 million.

5.4.1.2. Annual report

456. The annual report was received on 30 April 2001 and further information was provided on 22 August. Implementation is still inadequate since 2000 saw only the earlier accompanying measures, plus early retirement and compensatory allowances for less-favoured areas. Establishment of the administrative framework and introduction of the arrangements for implementing the new agri-environmental measures has proved fairly complex and slow.

5.4.2. Operational programmes and single programming documents (EAGGF Guidance Section)

5.4.2.1. Adoption of the new operational programmes and single programming documents.

457. The Commission approved the national programme for the EAGGF Guidance Section on 6 April 2001. The EU will contribute €1 233.4 million to a total cost of €3 010.2 million. All the regional programmes implementing the various Structural Funds were approved during the first half of 2001 at a total cost of €10 914.4 million, to which the Union is contributing €7 041.7 million (€1 026.9 million from the EAGGF Guidance Section). All the programme complements were adopted by the Monitoring Committees at the end of the first half-year and early in the second.

5.4.2.2. Amendment of operational programmes and single programming documents

458. The financing plans for all the operational programmes were automatically amended to bring them into line with the financial perspective as amended by the budgetary authority.

5.4.2.3. Annual report

459. The operational programmes and their programme complements were adopted during 2001 so that the criteria for selecting measures were not available in 2000. This meant that expenditure on these measures could not be checked in the computerised monitoring system and so no expenditure could be registered in 2000. This situation, arising from the late adoption of the programmes, was regularised in 2001, including for the measures provisionally selected and financed in 2000 by national funds. Accordingly, the reports for 2000 simply described the administrative and procedural situation regarding implementation of the programmes instead of providing factual data, particularly financial figures, on implementation.

5.4.3. Leader+ programmes (EAGGF Guidance Section)

5.4.3.1. Adoption of new programmes

460. There is only one programme for the whole of Greece. Its total cost is €392.6 million, of which the EAGGF Guidance Section will provide €182.9 million.

5.5. Spain

5.5.1. Rural development plans (EAGGF Guarantee Section)

461. The nine plans were adopted in 2000 and are being implemented: two horizontal programmes for the accompanying measures (all regions except Navarre and the Basque Country) and for the improvement of the structures of production (outside Objective 1), and regional programmes for the Autonomous Communities of Aragon, the Balearic Islands, Catalonia, Madrid, Rioja, Navarre and the Basque Country. The cost to public funds for 2000-06 is €5 688 million, of which the EAGGF Guarantee Section will provide €3 481 million.

5.5.1.1. Amended RDPs

462. The Commission accepted the requests for amendments made by the regional authorities.

463. The amendments to the horizontal programme for the accompanying measures are as follows: establishment of priority criteria for granting aid for the four measures concerned, changes in the calculation of agri-environmental premiums and in the part-financing rate for the compensatory allowances and for the afforestation of agricultural land, and introduction of new agri-environmental measures. The aim of these amendments is to increase the environmental impact of the programme and ensure that its budgetary management is balanced.

464. Amendment to the plan for the Autonomous Community of Madrid concerns the conditions for access to the aid scheme. It introduces a broader definition of beneficiaries from the measures for ‘diversification of agricultural activities’ and ‘other forestry measures’.

5.5.1.2. Level of payments for the period 16 October 2000-15 October 2001

465. Total funds for 2001 amount to €475.4 million. Estimates from Spain in its annual payment statements show that payments to beneficiaries in 2000 should reach €594 million. This figure should be regarded as an estimate, and also includes some advances already paid out.

5.5.2. Operational programmes and programme complements (EAGGF Guidance Section)

466. The Commission received the programme complements for all the operational programmes, i.e.: the horizontal programme to improve the structures of production in the Objective 1 regions, the operational programmes for the 10 Objective 1 Autonomous Communities (Andalusia, Asturias, the Canary Islands, Castile-La Mancha, Castile-Leon, Extremadura, Galicia, Murcia, Valencia and Cantabria, which is in transition) and the technical assistance programme for the Objective 1 regions. The Monitoring Committees approved most of the programme complements, which apply the strategy for public assistance and contain a detailed description of the measures. The total public cost of these rural development measures is €7 606 million, of which the EAGGF Guidance Section will provide €5 021 million in 2000-06.

5.5.2.1. Level of payments for the period 16 October 2000-15 October 2001

467. The 7% payment on account was made in 2001 for all the operational programmes; it amounted to €351 million.

468. In addition, €115 million was paid for some Objective 1 programmes from the previous period, mainly in Castile-Leon and Castile-La Mancha. €10 million was paid for Interreg II programmes in Spain and Portugal, none of which was completed in 2001.

5.5.3. Leader+ programmes

5.5.3.1. National and regional Leader programmes adopted

469. The national horizontal Leader+ programme was approved on 18 May 2001. It supports five interregional local action groups and the establishment of a network for the 150 regional local action groups in Spain. It seeks to develop the innovative nature of Leader+ and expand cooperation beyond regional boundaries. The public cost of this programme is €41.6 million, of which the EAGGF Guidance Section will contribute €23.6 million.

470. Approval of the horizontal Leader+ programme was followed by approval of the regional Leader+ programmes managed by the various Autonomous Communities. The main aim is to prepare long-term rural development strategies and a small part of the budget is earmarked for inter-regional and international cooperation and measures, monitoring and evaluation. The total public cost of the 17 regional programmes is €755 million, of which the EAGGF Guidance Section will provide €473 million.

5.5.3.2. Leader II

471. Payments were made for the programmes in Andalusia (€8.4 million) and Galicia (€5.6 million). These programmes were extended beyond 2001.

5.6. France

5.6.1. Rural development plans (EAGGF Guarantee Section)

472. A national rural development plan was implemented throughout metropolitan France and, in the case of the accompanying measures, in the Objective 1 regions from 7 September 2000.

5.6.1.1. New RDP adopted

473. A rural strand financed by the EAGGF Guarantee Section was incorporated into the 20 single programming documents for the metropolitan regions. These were considered carefully, resulting in a decision for each region taken at the end of March 2001. Of the total funding, 85% went to the national programme and 15% to the rural development strand for each of the 20 regions.

5.6.1.2. Amended RDP

474. Amendments to the national rural development programme were requested at the end of 2000 and in 2001. Consideration of these requests resulted in approval by the Star Committee on 21 November 2001.

5.6.1.3. Level of payments for the period 16 October 2000-15 October 2001

475. Funding for France in 2001 totalled €787 million, €690 millions for the national programme and €97 million for the rural strand of Objective 2.

476. France used 78% of this sum. Consumption of the national plan was 84% and of Objective 2 33%.

5.6.2. Operational programmes or single programming documents (EAGGF Guidance Section)

477. France has six Objective 1 regions (Guadeloupe, Martinique, French Guiana, Réunion, Corsica and the three arrondissements of Douai, Valenciennes and Avesnes-sur-Helpe), the last two of which are receiving transitional support.

5.6.2.1. Amended operational programmes or single documents

478. At the Monitoring Committee meetings for the regions concerned, requests were made for amendments to the Objective 1 programmes and these are now being considered. In the case of the overseas departments (the outermost regions), the regulations adopted by the Council on 28 June 2001 provide a certain number of derogations which will result in amendments to all the documents.

5.6.2.2. Level of payments for the period 16 October 2000-15 October 2001

479. The payments made for these regions comprise the statutory payment on account of 7%, which is automatic once the documents are adopted. Requests for interim payments were submitted for Guadeloupe, Réunion and Corsica.

5.6.3. Leader+ programmes

480. France proposed a national Leader+ programme which the Commission approved following examination on 7 August 2001. Since a global grant is made for this programme, an agreement was signed between the intermediate body (the CNASEA) and the Commission, and the 7% payment on account could be made in 2001. The French authorities issued a call for tenders for the designation of local action groups to select 140 groups in two stages.

5.7. Ireland

5.7.1. Rural development plans (EAGGF Guarantee Section)

481. The plans were amended to include support for three more native rare breeds (Dexter cattle, Connemara ponies and Galway sheep) under the agri-environmental measures. The Commission decision (C(2001) 1273) approving this amendment was notified to the Irish authorities on 7 July 2001.

482. EAGGF expenditure amounted to €326 552 240.89, 100.8% of Ireland’s annual ceiling.

5.7.2. Operational programmes (EAGGF Guidance Section)

483. The Monitoring Committees for the two operational programmes (Southern and Eastern, Border Midland and Western) adopted some minor changes to State aid measures on 24 and 26 November 2001.

484. Payments for forestry measures are operational although the other agricultural and rural development measures have been delayed by the restrictions arising from foot and mouth disease.

5.7.3. Leader+ programmes

485. The Leader+ programme for Ireland was adopted on 3 July 2001 (Commission decision C(2001) 1296). Accordingly, the Irish authorities selected 22 local action groups and preparations were made for the signature of an agreement with each of them.

5.8. Italy

5.8.1. Rural development plans (EAGGF Guarantee Section)

5.8.1.1. Adoption of new RDPs

486. The Commission adopted seven new regional programmes in 2001, for Calabria (EAGGF contribution of €223.8 million to total public expenditure of € 299.2 million), Campania (€151.2 million to a total of € 201.7 million), Molise (€ 33.4 million to a total of €45.2 million), Apulia (€ 291.9 million to a total of € 389.4 million), Sicily (€420.1 million to a total of € 560.8 million), Basilicata (€ 183.2 million to a total of €244.3 million) and Sardinia (€ 302.8 million to a total of € 403.7 million).

487. Approval of these programmes concludes the initial phase of consideration and negotiation of all the Italian programmes.

5.8.1.2. Amended RDPs

488. Pursuant to the new Regulation (EC) No 672/2001 amending Regulation (EC) No 1750/1999, which authorises new commitments for breeds threatened by extinction and supported under earlier schemes, the rural development plans which excluded such breeds were amended by a Commission decision of 2 August 2001. These were the programmes for the autonomous province of Bolzano and the regions of Emilia-Romagna, Friuli-Venezia Giulia, Lazio, Piedmont, Tuscany and Valle d'Aosta.

489. The amendments to the plan for Umbria reprogramming the financing plan and adjusting several measures to take account of their actual implementation were approved by a Commission decision of 3 December 2001.

490. The plans for Tuscany and Piedmont were amended. The two requests concerned support for investment in agricultural holdings in order to make use of the opportunity mentioned in Article 1 of Regulation (EC) No 2075/2000 of granting up to €25 000 to very small holdings experiencing structural difficulties in achieving minimum standards as regards the environment, hygiene, animal welfare, economic viability and level of knowledge and occupational skill.

5.8.1.3. Level of payments for the period 16 October 2000-15 October 2001

491. At 15 October 2001, expenditure from the EAGGF Guarantee Section for 2001 on the 21 rural development programming documents totalled €658.28 million, 106% of the annual ceiling for Italy.

5.8.1.4. Programming 1994-1999 (EAGGF Guidance Section)

492. The earthquake in 1997 damaged the bulk of the regions of Umbria and Marche and the programming of structural assistance under Objective 5(b) encountered serious difficulties. At the duly justified request of the Italian authorities, the Commission adopted two decisions (on 5 September 2001 for Umbria and on 9 October for Marche) extending to 31 December 2002 the time allowed for payments to final beneficiaries so as not to interrupt the reconstruction work going on in rural areas.

5.8.2. Operational programmes or single programming documents (EAGGF Guidance Section)

5.8.2.1. Amendment of operational programmes or single programming documents

493. The amendment to the programme for Calabria was approved; it concerns the adjustment of a number of measures including that for aid to businesses, particularly as regards aid under Regulation (EC) No 2075/2000 for very small holdings and those experiencing structural difficulties.

5.8.2.2. Level of payments in 2001

494. The seven Objective 1 regions (Sicily, Sardinia, Calabria, Basilicata, Campania, Apulia and Molise) received the 7% payment on account pursuant to Article 32(2) of Regulation (EC) No 1260/1999; the EAGGF contributed €208.8 million.

5.8.3. Leader+ programmes (EAGGF Guidance Section)

5.8.3.1. Adoption of new programmes

495. Two programmes for the autonomous province of Bolzano and the autonomous region of Valle d'Aosta were adopted on 25 September 2001. The programme for Bolzano is receiving €7.75 million from the EAGGF Guidance Section towards a total of €22.83 million and the Valle d'Aosta €2.14 million towards €5.5 million.

496. The other 20 regional programmes are in the process of consideration and approval.

5.8.3.2. Level of payments in 2001

497. The 7% payment on account for the two programmes approved (Bolzano and Valle d'Aosta) amounts to €692 300.

5.9. Luxembourg

5.9.1. Rural development plans (EAGGF Guarantee Section)

5.9.1.1. Level of payments for the period 16 October 2000-15 October 2001

498. EAGGF payments during the period totalled €9 578 120, 77.24% of the ceiling in the decision of 29 September 2000 approving the RDP.

5.10. Netherlands

5.10.1. Rural development plans (EAGGF Guarantee Section)

5.10.1.1. Amended RDP

499. On 19 December 2000, the Dutch authorities proposed a change to their RDP which was approved on 9 October 2001.

5.10.1.2. Level of payments for the period 16 October 2000-15 October 2001

500. EAGGF payments during the period totalled €54 543 367, 95.69% of the ceiling in the decision of 28 September 2000 approving the RDP.

5.10.2. Leader+ programmes

5.10.2.1. Adoption of new operational programmes or single programming documents

501. The Commission approved four new Leader+ programmes in 2001, two on 30 July for the Randstad and the eastern Netherlands, and two on 31 July for the northern and southern Netherlands.

502. In all the regions, the first series of local action groups is being selected by the Committees, and the procedures for signing agreements with each of them have begun.

5.11. Austria

5.11.1. Rural development plans (EAGGF Guarantee Section)

5.11.1.1. Level of payments for the period 16 October 2000-15 October 2001

503. The programme includes total expenditure of €891.86 million in 2001 with a contribution from the Union of €438.20 million. Agri-environmental measures account for €546.5 million of total expenditure and the Union will contribute €281.96 million.

504. During the reference period from 16 October 2000 to 15 October 2001, expenditure on the RDP totalled €459.02 million.

5.11.2. The Burgenland Objective 1 programme

5.11.2.1. Level of payments in 2001

505. The programme includes total expenditure of €243.5 million for 2000 and 2001, of which €77 million will come from the EU, including €11.7 million from the EAGGF. Since the Burgenland Objective 1 programme was adopted, €8.1 million from the EAGGF Guidance Section has been paid.

5.11.3. Leader+ programmes (EAGGF Guidance Section)

5.11.3.1. New operational programme or single programming document

506. The Leader+ programme for Austria was adopted by decision C(2000) 820 of 26 March 2001. Total expenditure under this programme for 2001-06 amounts to €161.5 million, of which the private sector will provide €58 millions and the EAGGF Guidance Section €75 million.

507. The Leader+ programme for Austria covers eight regions of the country, excluding the Vienna urban district. It will support up to 70 local action groups.

5.11.3.2. Level of payments in 2001

508. The programme provides for total expenditure of €22.86 million in 2001, including €10.62 million from the European Union and €8.7 million from the private sector.

509. In 2001, the EAGGF Guidance Section made a payment of €5.28 million, about 7% of the total amount planned for this programme.

5.12. Portugal

5.12.1. Rural development plans (EAGGF Guarantee Section)

5.12.1.1. Adoption of new RDPs

510. The two regional programmes for the Azores and Madeira were adopted by the Commission on 1 March and 30 April 2001. The plan for the Azores will receive an EAGGF contribution of €122.2 million to total expenditure of €149.6 million and the plan for Madeira a contribution of €22.4 million to total expenditure of €28.1 million. Approval of these programmes closed the initial phase of consideration and negotiation of the three programmes for Portugal.

5.12.1.2. Level of payments for the period 16 October 2000-15 October 2001

511. At 31 August 2001 payments stood at €118.3 million.

5.12.2. Leader+ programmes (EAGGF Guidance Section)

5.12.2.1. Adoption of new programmes

512. The single national programme was adopted on 25 July 2001. Its total cost is €266.92 million, of which the EAGGF Guidance Section will provide €161.6 million.

5.12.2.2. Level of payments in 2001

513. Only the 7% payment on account was made in 2001.

5.12.3. Operational programmes (EAGGF Guidance Section)

5.12.3.1. ‘Agriculture and rural development’ operational programme

514. The Monitoring Committee met twice in 2001 and decided on some amendments to the programme complement and an amendment to the programme concerning an

exception under Article 37(3) of Regulation (EC) No 1257/1999 concerning new planting of vineyards.

515. Payments by the EAGGF Guidance Section up to 31 December 2001 totalled €47.026 million.

516. The annual meeting with the managing authority was held on 25 October 2001.

5.12.3.2. Regional operational programmes

517. The Portuguese authorities requested an amendment to the five ROPs, following a change in the rules on support for very small agricultural holdings.

5.13. Finland

5.13.1. Rural development plans (EAGGF Guarantee Section)

518. The three plans which have been finalised and are operational are the horizontal plan for the accompanying measures, the regional continental plan for the non-Objective 1 areas and the regional plan for the Åland islands. The public cost of these plans in 2000-06 is €5 400 million, of which the EAGGF Guarantee Section will provide €2 199 million.

5.13.1.1. Amended RDPs

519. Some amendments were made to the plans in 2001. The horizontal plan was amended to include the former farms under threat and to adjust the part-financing rate. The regional continental plan was amended to adjust the balance between the various measures and take better account of actual needs. The plan for the Åland islands was amended to include the former farms under threat and to take account of agri-environmental initiatives.

5.13.1.2. Level of payments in 2001

520. The amount allocated for 2001 was €300.4 million. The report from Finland shows that €296 million had been paid to beneficiaries by 30 September and €29.8 between 1 and 15 October.

5.13.2. Operational programmes or single programming documents (EAGGF Guidance Section)

521. The two single programming documents adopted in 2000 were finalised and became operational: the programme for North Finland, with a total budget for 2000-06 of €1 053 million, including a contribution of €69.5 million from the EAGGF, and that for East Finland with a total budget of €2 558 million, of which €127.6 million will be financed by the EAGGF. The two programme complements including details on the implementation of the measures were submitted to the Commission and approved on 3 October.

5.13.2.1. Level of payments in 2001

522. Following the 3.5% payment on account made in 2000, €10.8 million was paid in 2001. That includes the balance of the payment on account and other interim payments.

523. The only payment planned in 2001, relating to the previous programming period, was for €13.7 million and concerned the Objective 6 programme.

5.13.3. Leader+ programmes (EAGGF Guidance Section)

5.13.3.1. Programme Leader+ adopted

524. The Leader+ programme for Finland was approved on 22 March 2001. The total public cost is €110 million, to which the EAGGF Guidance Section will contribute €55.4 million. This programme covers all the rural areas of continental Finland. Besides the priority themes in the Commission’s guidelines, special attention has been paid to efforts to encourage migration to rural areas and increase the interaction between urban and rural areas. Stress on women and young people in rural areas runs throughout the Leader+ programme.

5.13.3.2. Level of payments in 2001

525. The 7% payment on account was made in 2001.

5.14. Sweden

5.14.1. Rural development plans (EAGGF Guarantee Section)

526. The rural development programme for Sweden has a total budget of €2 552 million, to which the EAGGF Guarantee Section is contributing €1 130 million.

5.14.1.1. Amended RDPs

527. The Swedish authorities proposed an amendment to the Plan in 2001 to include among the eligible agri-environmental measures a holding breeding farm animals in danger of extinction, a breed of sheep known as Gutefår. The Commission approved the proposed amendment on 26 September.

5.14.1.2. Level of payments for the period 16 October 2000-15 October 2001

528. The amount allocated to the plan in 2001 is €154.3 million. The report submitted by 30 September 2001 shows payments standing at €142.9 million; the figures for 1-15 October are merely estimates.

5.14.2. Operational programmes and single programming documents (EAGGF Guidance Section)

5.14.2.1. Annual reports and payments

529. The programme complements for the two Objective 1 programmes Norra Norrland and Södra Skogslänsregionen, containing details of the measures implemented, were submitted to the Commission, which approved them on 4 October 2001.

5.14.2.2. Level of payments for the period 16 October 2000-15 October 2001

530. A 7% payment on account for both programmes was made in 2000.

5.14.3. Leader+ programmes (EAGGF Guidance Section)

5.14.3.1. Leader+ programme approved

531. The Leader+ programme for Sweden was adopted on 3 July 2001. This programme will support 12 local action groups working on long-term development in rural areas of Sweden, apart from the four northernmost regions. The horizontal aims of the programme are: employment, equal opportunities, the integration of young people and the environment. The strategies of the local groups are based on the following topics or actions: using new techniques and new technologies, increasing the value of local production and services, improving the quality of life in rural areas and making better use of natural and cultural resources. Total public expenditure for the period to 2006 is €100 million, of which the EAGGF Guidance Section will provide €40 million.

5.14.3.2. Level of payments in 2001

532. The 7% payment on account for the Leader+ programme was made in 2001.

5.15. United Kingdom

5.15.1. Rural development plans (EAGGF Guarantee Section)

533. There are four plans for the period 2000-06: England, Northern Ireland, Scotland and Wales. The total cost of these programmes is €3 243 million, to which the EAGGF Guarantee Section will contribute €1 167 million.

5.15.1.1. Level of payments in 2001

534. In 2001 €159.5 million was granted for these four plans and €183.7 million paid to beneficiaries. The overshoot of €24.2 million will be deducted from future years to respect the original budget.

5.15.2. Operational programmes and single programming documents (EAGGF Guidance Section)

535. Assistance from the EAGGF Guidance Section is available only in the regions eligible under Objective 1 (or those receiving transitional support). The United Kingdom has six such regions: Cornwall & Isles of Scilly, Merseyside, Northern Ireland (in transition), South Yorkshire, Highlands and Islands (in transition) and West Wales & the Valleys. The documents (Community Support Framework in the case of Northern Ireland) were approved in 2000. On 22 March 2001, the two operational programmes for Northern Ireland were approved as described below.

536. The operational programmes for Objective 1 include expenditure totalling €13 821 million and a contribution from the Structural Funds of €6 056 million, (€356 million from the EAGGF Guidance Section). The Peace II programme to support peace and reconciliation has total expenditure of €741 million (€531 million from the Structural Funds and €32.2 million from the EAGGF).

537. The Commission received the programme complements for all the United Kingdom's single programming documents during 2001.

5.15.2.1. Annual reports and payments

538. The level of payments for the period 1 January 2000 to 31 December 2001.

539. The 7% payment on account (€5.4 million) was made for the transitional programme for Northern Ireland (the payment for the other programmes financed by the EAGGF Guidance Section had been made in 2000). In addition, the payment of €32 million for the Peace II programme in Northern Ireland was approved in 2001.

540. Some payments were made in respect of the previous programming period, including €11.9 million for the Objective 1 programme for Scotland. €9.5 million was paid for the Objective 5(a) programmes and €11.9 million for the Objective 5(b) programmes (mainly in Wales, North-West Grampian and Dumfries and Galloway).

5.15.2.2. Leader+ programmes adopted

541. The Leader+ programmes for England, Wales and Northern Ireland were adopted in 2001. At the time of writing, the programme for Scotland was still being considered. The public cost of the four programmes is €252.9 million, including €112.7 million from the EAGGF Guidance Section.

5.15.2.3. Annual payments

542. Level of payments for the period 16 October 2000 to 15 October 2001 *(EAGGF Guarantee Section year*) for England, Northern Ireland, Scotland and Wales amounted to € 183,67 million.

CHAPTER VI

6. ENVIRONMENT AND FORESTRY

6.1. Environmental measures

543. On 20 March 2001, in order to monitor progress towards the integration of environmental concerns in the agricultural policy in line with the request made by the Cardiff European Council in June 1998 and by successive European Councils on a number of occasions, and shortly after its communication of January 2000 entitled "Indicators for the integration of environmental concerns into the common agricultural policy",[127] the Commission adopted a new communication entitled "Statistical Information needed for Indicators to monitor the Integration of Environmental concerns into the Common Agricultural Policy".[128] In February, acting on a request from the Agricultural Council of January 2000 to cover the whole area of sustainable development, the Commission presented a working paper entitled "A Framework for Indicators for the Economic and Social Dimension of Sustainable Agriculture and Rural Development".[129]

544. On 27 March 2001 the Commission also adopted a communication entitled "Biodiversity Action Plan for Agriculture"[130] Containing an analysis of the relationship between agriculture and biodiversity and emphasising both the mutual benefits that could follow together with the harmful impact certain kinds of agricultural activities could have on the conservation of biodiversity.

545. A number of key ideas based mainly on experience drawn from implementing agri-environmental measures then provided guidance for the preparation of an action plan which defined priorities in precise areas of intervention likely to attain the goals set by the European Community biodiversity strategy[131]. The action plan also sets specific targets and establishes a timetable for carrying out priority tasks. To ensure effective monitoring of the implementation of the proposed instruments and evaluation of their results on the conservation and sustainable use of genetic resources in agriculture, the communication also underlines the need to design operational indicators in this area.

546. As part of the implementation of the measures contained in the European Climate Change Programme (ECCP) adopted by the Commission in March 2000, a working group on agriculture was set up and continued to function throughout the first half of 2001. A working paper was prepared and it to serve as a basis for one of the chapters of a forthcoming communication to the Commission on a proposed list of priority actions and sectoral policy measures.

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127 COM (2000) 20 Final
128 COM (2001) 144 Final
129 SEC (2001) 266
130 COM (2001) 162 Final, Volume III
131 COM (1998) 42 Final

6.2. Forestry measures

547. The national protection programmes are part of 80 forest fire protection plans that have been approved by the Commission.

548. These plans are essential if certain forestry measures adopted pursuant to Community action on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) are to be eligible.

549. To ensure consistency between forest fire protection plans and forestry measures implemented in the context of rural development, a start was made on updating the plans in 1999. In 2001 the Commission delivered a favourable opinion on the most recent updates.

550. Furthermore, in order to have at their disposal an instrument for monitoring and evaluating national and Community forest fire protection schemes, the Member States and the Commission set up a Community forest fire information system. This now contains details of more than 500 000 fires recorded since 1985 in regions of the Community at risk. The information is published annually. The most recent publication, dating from late October 2001, contains a study of the relationship between the data on forest fires and meteorological, geographical and socioeconomic information.

551. Under the programme to protect the Community's forests against atmospheric pollution (legal basis: Council Regulation (EEC) No 3528/86) the folmlowing work was undertaken:

- an assessment of the state of health of forests;

- pilot projects designed to obtain a better understanding of forest ecosystems.

552. The results of this programme are presented in the report entitled 'Forest condition in Europe' published jointly with the United Nations Economic Commission for Europe (ref: ISSN 1020-587X).

CHAPTER VII

7. FINANCING OF THE CAP IN 2001

7.1. European Council in Berlin and budget discipline

553. Agricultural expenditure in 2001 took account of the conclusions of the Berlin European Council of 24 and 25 March 1999 on the Agenda 2000 proposals: the Commission's proposed guideline (and within it rural development measures, veterinary measures, the Sapard pre-accession agricultural instrument and the amount available for agriculture in connection with accessions) was adhered to, but sub-guideline ceilings on expenditure were introduced in the shape of a subceiling for traditional market expenditure (1(a)) and another subceiling for expenditure on rural development (1(b)). These two subceilings have been set as follows:

Expenditure in 2000-06 (EUR million at 1999 prices)[132]

	2000	2001	2002	2003	2004	2005	2006	Total
Total future CAP	40 920	42 800	43 900	43 770	42 760	41 930	41 660	297 740
a) markets[133] (subceiling 1(a))	36 620	38 480	39 570	39 430	38 410	37 570	37 290	267 370
b) rural development[134] (subceiling 1(b))	4 300	4 320	4 330	4 340	4 350	4 360	4 370	30 370

7.2. EAGGF Guarantee Section

554. The EAGGF Guarantee Section appropriations adopted for 2001 in SAB No 1/2001 total EUR 44 023.7 million (including EUR 40 million for the agricultural budgetary reserve - Chapter B0-40)[135]. The agricultural guideline[136] is EUR 48 788 million and covers not only expenditure under Subsection B1 but also expenditure under the Sapard pre-accession instrument (EUR 540 million of commitment appropriations entered in Chapter B7-01). There is thus a margin of almost EUR 5 000 million between the agricultural guideline and the related appropriations. The appropriations under:

– the subheading for traditional EAGGF Guarantee Section expenditure and veterinary expenditure (Subheading 1(a) covering Titles B1-1 to B1-3) amount

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132 A 2% deflator will be used for calculating amounts at current prices.

133 Including veterinary and plant health protection measures but excluding accompanying measures.

134 Including accompanying measures.
- To this expenditure should be added rural development measures - other than under Objective 1 - which are currently financed by the EAGGF Guidance Section.
- These amounts roughly correspond, on average, to the proposal put forward by the Commission as part of Agenda 2000.
- All rural development measures are part-financed by the European Commission and the Member States.

135 Not including EUR 500 million of appropriations entered in the monetary reserve (B1-6).

136 An instrument of budgetary discipline setting a maximum growth threshold for agricultural spending.

to EUR 39 528.7 million, i.e. EUR 506.3 million below the subceiling laid down in the Interinstitutional Agreement of 6 May 1999[137];

– the subheading "rural development and accompanying measures" (Subheading 1(b) covering Titles B1-4 and B1-5) amount to EUR 4 495 million, i.e. the same as the subceiling fixed in the Interinstitutional Agreement.

7.2.1. Stages of the budget procedure

555. The 2001 Preliminary Draft Budget was drawn up by the Commission and proposed to the Budgetary Authority in May 2000. The appropriations proposed for the EAGGF Guarantee Section totalled EUR 44 100.2 million, i.e. EUR 39 605.2 million for Subheading 1(a) (EUR 429.8 million below the ceiling for Subheading 1(a) at EUR 40 035 million) and EUR 4 495 million for Subheading 1(b) (i.e. at the same level as the ceiling).

556. The Council adopted the draft budget in July 2000. The appropriations in Subheading 1(a) were reduced by EUR 330 million and those for Subheading 1(b) by EUR 225 million. EAGGF Guarantee Section appropriations thus totalled EUR 43 545.2 million, of which EUR 39 275.2 million for Subheading 1(a) and EUR 4 270 million for Subheading 1(b).

557. At the end of October 2000 the Commission adopted a letter of amendment to the Preliminary Draft Budget to take account, firstly, of developments on agricultural markets and, secondly, of recently adopted agricultural legislation and the decisions of the Agriculture Council meeting of July 2000 resulting in requirements of EUR 43 167.7 million. The amount of EUR 38 672.7 million for Subheading 1(a) was below the ceiling and the EUR 4 495.0 million for Subheading 1(b) was at the same level as the ceiling.

558. In December 2000 the Tripartite Dialogue on the 2000 budget was concluded and the budget adopted by the President of the European Parliament was EUR 43 297.7 million for Heading 1 of the budget (including EUR 100 million under Chapter B0-40), of which EUR 38 802.7 million for Subheading 1(a) and EUR 4 495 million for Subheading 1(b).

559. However, as a result of the BSE crisis beginning in November 2000, a number of measures were taken, including those adopted following the decisions of the Agriculture Council meeting of 4 December 2000, at an estimated cost of EUR 971 million. On 31 January the Commission adopted a preliminary draft Supplementary and Amending Budget to allow for the additional costs resulting from the support measures for the beef market which had not yet been entered in the budget at that stage. The procedure for adopting SAB No 1/2001 was completed on 28 February 2001. The additional appropriations amounted to EUR 726 million after revision of the EUR/USD rate used in the budget under the budgetary discipline arrangements (see point 9), which led to a downward revision by EUR 245 million of the appropriations for the sectors affected by that rate, in particular cereals, sugar, cotton and rice. Thus the updated appropriations for Heading 1 of the budget were

137 Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and the improvement of the budgetary procedure (1999/C 172/01).

EUR 44 023.7 million (including EUR 40 million under Chapter B0-40) (see point 2 above for details).

7.2.1.1. The monetary reserve

560. The operating mechanisms for the monetary reserve are set out on page 139 of the 1995 Report on the Agricultural Situation.

561. In accordance with Council Regulation (EC) No 2040/2000 on budgetary discipline[138], the euro/dollar parity used for drawing up the Preliminary Draft Budget was EUR 1 = USD 0.99 (average rate for January, February and March 2000), for the amending letter EUR 1 = USD 0.91 (average for July, August and September 2000) and for the SAB EUR 1 = USD 0.87 (average for August-December 2000).

562. For a large proportion of export refunds for agricultural products, particularly cereals and sugar, and some internal aid such as that for cotton, however, expenditure depends on the movement of the US dollar rate. The real euro rates recorded were thus substantially lower than the rate used in the budget. The average dollar rate for the period 1 August 2000 to 31 July 2001 (the reference period for determining the impact of the dollar) diverged from the rate used in the budget (EUR 1 = USD 0.89) and the amount of expenditure incurred by Member States was higher as a result of the movement in the dollar rate. The resultant additional costs were EUR 115 million. Given that these additional costs are below the neutral margin of EUR 200 million referred to in Article 11(2) of Regulation (EC) No 2040/2000, no transfer could be made from the monetary reserve. In any case, as a result of the favourable economic development and the resultant savings, these additional costs were still financable out of the budget appropriations in Titles 1 to 3 of the EAGGF Guarantee Section for 2001.

563. Unlike the year before, the dual rates led to savings: abolition of the green rates eliminated the dual rate effect in the euro countries, producing major economies. Thus, the cost of the dual rates for the EAGGF Guarantee Section estimated at EUR 77 million when the amending latter was drafted turned out to be EUR 122 million less, producing a final plus of EUR 45 million.

7.2.2. The EAGGF Guarantee Section in the context of the general budget

564. In a general budget of the European Union for the 2001 budget year totalling EUR 93 305.2 million (in payment appropriations entered in SAB No 1/2001), EUR 44 023.7 million in payment appropriations (excluding the monetary reserve, but including the appropriations entered in Chapter B0-40 "provisions"), i.e. 47%, was allocated to the Guarantee Section. In 2000, EAGGF Guarantee Section expenditure had also accounted for 47% of general budget expenditure.

7.2.3. The EAGGF and its financial resources

565. The EAGGF forms an integral part of the European Union's budget. Its appropriations are therefore determined in accordance with budget procedures, in the same way as other Community expenditure.

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138 OJ L 244, 29.9.2000, p. 27.

566. The CAP also generates revenue in the form of sums collected under the common market organisations. This revenue, which forms part of the Union's own resources,[139] consists of:

– levies, which are variable charges on imports from non-member countries of agricultural products covered by the common market organisations; such charges are intended to compensate for the difference between prices on the world market and prices agreed within the Union. Under the Agreement on Agriculture following the Uruguay Round of multilateral trade negotiations, levies have been replaced by fixed import duties since 1995;

– levies collected under the common organisation of the market in sugar; these are divided into production levies on sugar and isoglucose, sugar storage levies and additional elimination levies which ensure that farmers and sugar manufacturers finance the cost of disposing of sugar which is surplus to Community internal consumption.

Revenue

Charges accruing to the Union's own resources under the CAP (amounts prior to deduction of collection costs)

(EUR million)

Type of charge	1995	1996	1997	1998	1999	2000	2001[140]
Agricultural levies	844.3	810.1	1 025.2	1 102.2	1 187.3	1 198.4	1 180
Sugar levies	1 316.4	1 213.7	1 114.0	1 070.1	1 203.6	1 196.8	1 006.3
Total	2 160.7	2 023.8	2 139.2	2 172.3	2 390.9	2 395.2	2 186.3

567. It should be noted that there are other sources of agricultural revenue. Under the common organisation of the market in milk and milk products, producers pay an additional levy if milk quotas are exceeded. This revenue does not, however, form part of the Union's own resources and is considered to be part of the measures to stabilise agricultural markets. It covers the additional expenditure brought about by the production overrun on the quotas and is thus deducted from this same expenditure.

7.2.4. EAGGF Guarantee Section expenditure

568. EAGGF Guarantee Section expenditure comprises:

139 The Union's other own resources are: the levy on VAT, customs duties collected under the common customs tariff and Member States' contributions.

140 Estimates in the 2001 budget.

– export refunds (EUR 5 646.2 million in 2000);

– public and private storage (EUR 951.2 million in 2000);

– withdrawals and similar operations (EUR 517.0 million in 2000);

– direct payments[141] (EUR 25 529.2 million in 2000);

– other intervention relating to the common market organisations (EUR 3 539.8 million in 2000);

– other expenditure, principally rural development (EUR 4 281.7 million in 2000).

569. Direct payments to producers are thus currently by far the largest type of aid.

570. In connection with the CAP reform in 1992 mention should also be made of the accompanying measures to assist farmers with projects to protect the environment, maintain the landscape, develop the use of woodland resources or transfer their holdings with a view to early retirement, plus, under the 1999 reform, other rural development measures, including compensation granted in less-favoured areas, all of which make up the second pillar of the CAP.

571. Furthermore, as a result of the reorientation and later the reform of the CAP, the EAGGF Guarantee Section has been used to finance, in whole or in part, various specific measures for the management of agricultural markets such as the distribution of agricultural products to the needy in the community, measures to combat fraud, measures to promote quality and measures designed to compensate for the geographical isolation of the French overseas departments (Poseidom), Madeira and the Azores (Poseima), the Canary Islands (Poseican) and the Aegean islands.

7.2.4.1. Public storage

572. As shown in Table [3.4.5] (statistical part of this Report), between 1 October 1998 and 30 September 2000, when the public storage accounts were closed, the book value of the products in storage was down on 1998: from EUR 1 398 million to EUR 877.8 million, a fall of 37%. This resulted from a sharp reduction in stocks of cereals, olive oil, for which intervention is closed, and skimmed-milk powder. In 2001, as a result of the BSE crisis, there was more buying-in of beef and veal, and stocks at the end of the financial year are likely to reach a level of 230 000 tonnes (provisional figure in carcase equivalent).

7.2.5. Clearance of accounts

573. The Commission adopted the following Decisions on the audit of agricultural expenditure by the Member States under the EAGGF Guarantee Section:

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141 Direct payments as defined in the Annex to Regulation (EC) No 1259/1999 of 17 May 1999 (OJ L 160, 26.6.1999, p. 113).

- Decision of 5 February 2001 (2001/137/EC) pursuant to Article 5(2)(c) of Regulation (EEC) No 729/70 - sixth Decision.[142]

- Decision of 8 May 2001 (2001/474/EC) in respect of 2000 – clearance of accounts.[143]

- Decision of 11 July 2001 (2001/557/EC) pursuant to Article 5(2)(c) of Regulation (EEC) No 729/70 - seventh Decision.[144]

574. The expenditure recovered from Member States in respect of these three Decisions comes to EUR 542.8 million.

575. The agricultural expenditure audit departments focused on significantly improving the integrated administration and control system (IACS) in force since 1993, which has proved to be an effective and efficient instrument for managing and controlling expenditure on arable crops and livestock premiums.

576. The agricultural expenditure internal audit departments reviewed all legislation and organised four groups of experts and many bilateral contacts to this end.

577. The main objectives of this general review are:

   a) to produce a new consolidated Clearance Regulation which:

      - provides a more logical and coherent layout;
      - clarifies and simplifies certain aspects;
      - facilitates more practical implementation;
      - ensures a more uniform approach.

   b) to update the Regulation, taking account of:

      - proposals by Member States received following bilateral contacts;
      - interpretations and other written guidelines previously provided to Member States;
      - experience gained in recent years from clearance of accounts missions and expert group meetings;
      - recent Community legislation, particularly as concerns:

         i) the new slaughter and extensification premium schemes;

         ii) cattle identification and registration;

         iii) geographical information systems;

         iv) the incorporation of aids involving sectors not previously covered;

      - technological advances, such as databases and satellite imaging.

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[142] OJ L 50, 21.2.2001.
[143] OJ L 167, 22.6.2001.
[144] OJ L 200, 25.7.2001.

578. The principal topics under consideration are:

a) extending the **'paperless' claims system**, whereby aid applicants provide far less detail than required in the past;

b) efficient use of **control resources** by:

– maximising the use of computerised and remote controls;

– improved targeting of, and reaction to, higher-risk areas;

– executing integrated on-the-spot checks covering several schemes;

– reducing on-the-spot checks, where appropriate;

c) effective and consistent **penalty systems** as a deterrent to fraud and irregularities, whilst still ensuring the appropriate degree of proportionality;

d) introduction of a '**holding-based'** approach for the numerous bovine premium schemes.

579. The agricultural expenditure audit departments also took part in the following:

– 184 on-the-spot inspection missions in the 15 Member States;

– discussions with the Member States on the findings of inspection missions in respect of 1999 and 2000;

– the work of the European Parliament's Budgetary Control Committee in the context of the discharge of the 1999 budget;

– the opinion of the Court of Auditors on the new clearance of accounts procedure applied from the 1996 financial year;

– the opinion of the Court of Auditors on the 2000 Statement of Assurance;

– approval of five Sapard paying agencies and supervision and assistance in setting up five other Sapard paying agencies;

– the work of the conciliation body;

– adoption of Council Regulations on the part-financing of olive oil agencies and tighter controls on agricultural expenditure.

7.2.6. Expenditure on agricultural markets in 2001

580. The uptake of EAGGF Guarantee Section appropriations for the 2001 financial year (expenditure by the Member States from 16 October 2000 to 15 October 2001) amounted to EUR 42 083.3 million, i.e. 95.6% of the appropriations entered under Subsection B1 of the budget. The initial appropriations of EUR 44 023.7 million thus exceeded expenditure by EUR 1 940.4 million.

581. Total expenditure for Subheading 1(a) (traditional EAGGF Guarantee Section expenditure and veterinary expenditure, covering Titles B1-1 to B1-3) amounts to

EUR 37 719.5 million, i.e. EUR 2 315.5 million below the subceiling laid down in the Interinstitutional Agreement of 6 May 1999.

582. Total expenditure for Subheading 1(b) (rural development, covering Title B1-4) amounts to EUR 4 363.8 million, i.e. EUR 131.2 million below the subceiling.

583. There was underutilisation in most sectors in 2001, the main ones being:

– arable crops (- EUR 381.8 million): underutilisation is due essentially to higher-than-expected proceeds from the sale of intervention stocks and lower-than-expected depreciation costs, and to lower direct aid payments compared to the area declarations sent in by the Member States;

– fruit and vegetables (- EUR 96 million): this is due to a reduction in the quantities of fresh fruit and vegetables withdrawn from the market and the lower rate of implementation of operational funds by producer organisations, and a reduction in payments of citrus processing aid;

– milk and milk products (- EUR 438.4 million): this is due essentially to a reduction in the export refund rates, a reduction in spending on the public storage of butter and lower expenditure on aid for the use of skimmed-milk powder;

– and especially beef and veal (- EUR 924 million), where underutilisation is due mainly to the fact that the rate of implementation of BSE-related measures was very low and that the volume of beef/veal exports fell sharply following the closure of the beef export markets.

584. By contrast, the following sectors slightly exceeded budget appropriations: olive oil, agrimonetary measures and wine products. The overrun in the latter sector in particular was due mainly to an increase in the quantities of table wine distilled under crisis distillation.

7.3. EAGGF Guidance Section

585. Implementation of the reform of the Structural Funds since 1 January 1989 has gradually changed the nature of the assistance granted by the EAGGF Guidance Section. In the first programming period from 1989 to 1993, an ever-increasing share of Community contributions was taken up by the part-financing of operational programmes (99.8% of the total in 1999, as compared with 52% in 1993 and 40% in 1991). The second reform of the Structural Funds, which came into force on 1 January 1994 and covers the period 1994 to 1999, put the finishing touches to the system of annual reimbursement of national expenditure that had not been programmed.

586. In accordance with the conclusions of the Berlin European Council in 1999, a third programming period for the Structural Funds was introduced to run from 2000 to 2006. EAGGF Guidance Section involvement in this new period on the basis of Council Regulations (EC) No 1260/1999 (the general Structural Fund Regulation) and No 1257/1999 (support for rural development) only covers Objective 1 areas, the Community Initiative Leader+ programme and technical assistance.

587. In the new period from 2000 to 2006, there is no decrease in Community support for rural areas although the EAGGF Guidance Section envelopes for the new period may suggest this. The reason is because measures on agricultural structures and the diversification of rural areas outside Objective 1 regions (the former Objectives 5(a) and 5(b)) and compensatory allowances, which up to 1999 were funded by the EAGGF Guidance Section, are now covered by the EAGGF Guarantee Section.

588. Thus, Community support for the four accompanying measures of compensatory allowances for less-favoured areas and areas subject to environmental constraints (funded up to 1999 by the EAGGF Guidance Section), early retirement, agri-environmental measures and woodland management, is funded out of the EAGGF Guarantee Section throughout the Community. Community support for other rural development measures in areas outside Objective 1 is also funded out of the EAGGF Guarantee Section.

7.3.1. Funding carried out

589. EAGGF Guidance Section expenditure by Member State and by Structural Fund Objective during the period 1991 to 1999 is shown in the tables below (Tables 1.1.1a and 1.1.1b).

590. In the new 2000-06 programming period (Table 1.1.1c) the EAGGF Guidance Section contributes to Objective 1 (regions whose development is lagging behind), the Leader+ initiative and technical assistance as indicated above. It also continues to cover the payment commitments of programmes from previous periods that are still running ("Completion of previous programmes") which in principle must be wound up by 31 December 2001. Any remaining payments must be made no later than 31 December 2002.

591. In 2000 an amount of EUR 2 324 million was exceptionally committed for all the Structural Funds together (including EUR 148 million for the EAGGF Guidance Section) to cover the outstanding part of the last tranche (1999) of the 1994-99 programming period. This was because, as a result of the lack of budget allocations at the end of the 1999 financial year and the late adoption of the last programming adjustment decisions outside the accounting deadline, it was not possible to commit all of the programmes under the 1994-99 CSFs and integrated Community programmes in 1999 (Table 1.1.1c: former Objectives 1, 5(a), 5(b), 6, integrated Community programmes and transitional measures).

592. The amount of EUR 2 324 million for all the Funds together was covered by EUR 2 175 million from re-used appropriations carried over from 1999 and 2000 and by EUR 149 million from unprogrammed allocations intended for innovative measures and technical assistance for the 2000-06 period.

593. For 2000, the first year of the new programming period, the fall in expenditure over previous years is due to the fact that, as already mentioned above, the EAGGF Guidance Section only funds certain rural development measures in Objective 1 areas (Tables 1.1.1a-c) while the remaining measures and areas are now covered by the EAGGF Guarantee Section.

Table 1.1.1a - EAGGF Guidance Section expenditure (commitment appropriations)

(EUR million)

Member State	1991	1992	1993	1994	1995	1996	1997	1998	1999	**2000**
BELGIQUE/BELGIË	30.5	28.2	1.7	37.6	40.0	39.9	32.5	40.2	86.5	**4.5**
DANMARK	18.0	23.5	20.0	42.5	16.7	29.1	17.2	27.4	47.1	**0.1**
DEUTSCHLAND	200.2	253.7	348.7	700.2	807.9	805.1	718.6	839.4	893.1	**310.3**
ELLÁDA	274.2	392.2	402.9	266.3	463.8	328.3	339.1	374.5	321.1	**42.6**
ESPAÑA	514.2	633.6	412.9	544.7	709.5	695.-	925.2	788.2	991.2	**12.8**
FRANCE	425.3	554.4	633.5	619.7	347.8	526.3	633.1	600.3	857.9	**94.0**
IRELAND	168.5	194.5	165.7	178.3	157.3	261.1	285.2	111.1	121.8	**35.5**
ITALIA	326.5	375.9	625.0	263.2	454.2	428.1	580.1	753.1	1350.7	**384.1**
LUXEMBOURG	6.7	6.3	9.0	9.8	6.0	4.3	1.1	12.2	11.2	**0.0**
NEDERLAND	20.5	21.9	19.5	32.1	13.1	27.3	13.6	8.3	60.8	**2.1**
ÖSTERREICH					97.7	122.6	84.5	127.7	187.9	**6.9**
PORTUGAL	313.4	289.8	313.9	510.5	282.7	379.5	309.4	444.1	159.7	**405.2**
SUOMI/FINLAND					109.8	102.4	129.3	98.8	174.7	**16.0**
SVERIGE					24.7	65.4	14.4	60.9	79.6	**16.0**
UNITED KINGDOM	110.2	100.8	99.5	130.5	74.1	116.0	45.7	75.2	231.8	**57.2**
OTHER (technical assistance for Leader)					3.7	4.1	3.4	5.5	5.4	-----
TOTAL	**2 408.2**	**2 874.8**	**3 093.4**	**3 335.4**	**3 609.1**	**3 934.5**	**4 132.4**	**4 366.9**	**5 580.5**	**1 387.3**

Table 1.1.1b - Expenditure by Objective, 1991-99 period

(EUR million)

Objective	1991	1992	1993	1994	1995	1996	1997	1998	1999
Community Support Frameworks									
Objective 1 (regions lagging behind)	1 440.8	1 634.7	1 599.2	1 905.3	2 395.2	2 416.5	2 578.7	2 502.8	2 534.6
Objective 5(a) (agricultural structures)	631.3	701.3	923.9	1 131.6	655.9	802.4	974.7	1 066.3	1 310.9
Objective 5(b) (rural areas)	260.2	475.8	508.7	265.8	249.5	508.4	421.5	562.8	1 170.9
Objective 6 (Nordic areas)					47.7	44.7	51.3	51.2	93.9
Community Initiatives									
Leader II	Included under other headings			0.3	235.9	83.1	65.4	116.4	303.1
Interreg II				0.0	12.8	31.3	17.6	44.7	100.3
REGIS II				0.0	0.0	17.0	4.6	6.3	53.5
Envireg				---	---	---	---	---	---
PEACE				0.0	1.3	8.1	13.0	7.9	7.0
POSEI				---	---	---	---	---	---
Art. 8 of Reg. 4256/88				5.2	0.6	15.4	5.3	1.0	6.2
Transitional measures	75.9	63.0	61.6	27.2	10.3	7.6	0.4	7.5	0.1
TOTAL	2 408.2	2 874.8	3 093.4	3 335.4	3 609.1	3 934.5	4 132.4	4 366.9	5 580.5

Table 1.1.1c - Expenditure by Objective, 2000-06 period

(commitments, EUR million)

Objective	2000	2001	2002	2003	2004	2005	2006
Community Support Frameworks							
Objective 1: 2000-06 period (regions lagging behind)	**1 239.3**	**3 237.2**					
Former Objectives 1 and 6 (1994-99 period)	**76.9**	******	******	*****	*****	******	******
Former Objective 5(a) (1994-99 period)	**29.4**	******	******	******	******	******	******
Former Objective 5(b) (1994-99 period)	**1.0**	******	******	******	******	******	******
Community Initiatives							
Leader+: 2000-06 period	**0.0**	**271.3**					
Previous integrated Community programmes (1994-99 period)	**37.0**	******	******	******	******	******	******
2000-06 period: innovative measures and technical assistance	**0.0**	**0.0**					
Previous transitional measures/technical assistance (1994-99 period)	**3.7**	**0.3**	******	******	******	******	******
TOTAL	**1 387.3**	**3.508.8**					

7.3.2. *Budget execution*

594. In terms of the appropriations available in 2000, including those originally entered in the budget together with transfers and carryovers (EUR 3 059.4 million in commitment appropriations and EUR 4 039.8 million in payment appropriations), execution of the 2000 budget for the whole of the EAGGF Guidance Section was 45.4% for commitment appropriations and 88.1% for payment appropriations.

595. The small amount committed in 2000 was due to the budget allocation being greater than the programming approved for Objective 1 under the EAGGF Guidance Section, delays in the adoption of some Objective 1 programmes and the fact that no Leader+ programmes were adopted.

596. This is because, at the time the 2000 budget was drawn up in 1999, the breakdown between Funds for 2000 was not known and the distribution for the previous period was used. In 2000, the process of examining and approving the 70 Objective 1 programmes and the 73 Leader+ programmes took longer than anticipated. As a result, for Objective 1, appropriations were committed for only the first year of 35 programmes in 2000. For Leader+, no programme was adopted in 2000.

597. The year 2000 was the first in the new 2000-06 programming period in which the source of funding for rural development programmes depended on the type of measure and the geographical area.

598. The EAGGF Guarantee Section continued to finance, across the whole of the EU territory, the three accompanying measures introduced with the 1992 CAP reform, to which the compensation scheme for farmers in less-favoured areas was added from 2000, which up to 1999 was covered by the EAGGF Guidance Section.

599. For all other rural development measures, the source of financing is differentiated according to the geographical context:

- in regions eligible under Objective 1 (regions whose development is lagging behind), the EAGGF Guidance Section will continue to finance rural development measures which will be fully integrated as at present into development programmes, in combination with the other Structural Funds;

- outside the Objective 1 regions, the source of finance for rural development measures will be the EAGGF Guarantee Section.

600. The appropriations in the 2001 budget for the EAGGF Guidance Section amounted to EUR 2 969.8 million for commitments and EUR 2 839.4 million for payments. These figures include the appropriations for the new Objective 1 programmes for the period 2000-06, the Community Initiative Leader+ and technical assistance, as well as payment appropriations for the closure of programmes under the former Objectives 1, 5(a), 5(b) and 6 and integrated Community programmes for the period 1994-99.

601. So far, i.e. as at October 2001, the following budget adjustments have been made to take account of the situation as regards adoption of programmes for 2000-06:

– carryover of commitment appropriations: EUR 726.7 million were carried over from the 2000 budget to 2001 so that the appropriations for 2000 for the 20 Objective 1 programmes adopted too late to be committed in 2000 could be committed for 2001;

– re-budgeting: for all the Structural Fond programmes that could not be adopted in 2000 because of delays, amounts for the year 2000 not committed are to be transferred to subsequent financial years from 2002 onwards. To do this, it was necessary to amend the multiannual financial perspective in accordance with Article 17 of the Interinstitutional Agreement of 6 May 1999. As a result, for the EAGGF Guidance Section, 15 Objective 1 programmes and all the 73 Leader+ programmes were re-budgeted.

– adjustment of the budget allocation: the amount allocated to Objective 1 under the EAGGF Guidance Section in the 2001 budget was EUR 123 million above the requirements programmed for 2001. As a result, a transfer was made to the ERDF to cover a deficit there.

602. Following these adjustments, the budget availabilities for the EAGGF Guidance Section are EUR 3 573.5 million in commitment appropriations, out of which EUR 3 129.8 million have already been committed, corresponding to the total amount for 2001 for the Objective 1 programmes.

603. At present, i.e. October 2001, for the 2000-06 programming period for the EAGGF Guidance Section, all the Objective 1 programmes have been adopted and annual commitments made for 2000 and 2001. The Leader+ programmes are in the course of being adopted and budget appropriations committed.

7.4. Evaluation

604. Evaluation of agricultural measures covers both structural and rural development measures, and market-related measures. The general approach developed for conducting external, independent evaluation studies was consolidated and published on the Internet this year together with the evaluation studies and guidelines set out below.

7.4.1. Evaluation of market-related measures

605. The previously initiated evaluations concerning the oilseeds sector and set-aside of agricultural land were completed in 2001. The studies regarding promotion of agricultural products and the starch and milk sectors entered the contractual phase in 2001 and will be ready at the end of the year or early in 2002. Preparations were begun with regard to evaluations in the olive oil, tobacco, citrus fruits and wine sectors.

7.4.2. Evaluation of structural and rural development measures

606. Work continued on establishing evaluation guidelines for the cycle of evaluations to be executed at national level regarding the 2000-06 programming period. This comprised in particular guidelines for evaluation of the Community initiative Leader+ and Sapard (pre-accession measures for agriculture and rural development in applicant countries) as well as dissemination of the common strategy on evaluation of rural development programmes in the Member States.

607. Following guidelines issued in 1999, a large number of national-level evaluations were carried out for measures financed under Objective 5(a), Objective 5(b) and Leader II in the period 1994-99, and the work necessary to collect this information at Community level was initiated in 2001.

608. Also, a previously initiated evaluation study concerning afforestation of agricultural land was completed in 2001.

CHAPTER VIII

8. PREPARING FOR ENLARGEMENT

8.1. Main developments

8.1.1. Accession negotiations

609. Negotiations on a chapter of the *acquis communautaire* are opened when the EU's Common Position on the chapter is transmitted to the candidate country concerned, on the occasion of a meeting of the Accession Conference. During the year 2000, negotiations on the agriculture chapter had been opened with the 'Luxembourg 6' group of candidate countries, i.e.: Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia. In late 2000 and early 2001, these six candidate countries submitted their replies to the EU Common Positions. Subsequent to these replies, DGs Agriculture and Enlargement held technical meetings with the six individual candidate countries to clarify technical points and exchange further information. In December 2001, revised EU Common Positions were transmitted to the Luxembourg 6.

610. In June 2001, negotiations on the agriculture chapter were opened for a further three candidate countries: Latvia, Lithuania and Slovakia. Replies to the EU Common Positions were subsequently received from them. Technical meetings were held in September and October 2001.

611. In December 2001, negotiations on the agriculture chapter were opened for Malta.

612. As of the end of 2001, negotiations on the agriculture chapter had not been opened for Bulgaria or for Romania. Concerning Turkey, negotiations had not been opened for any chapter of the *acquis communautaire* as the EU considered that Turkey did not sufficiently meet the political criteria for membership.

8.1.2. Regular Reports

613. In November 2001, the Commission published for each of the 13 candidate countries its Regular Report. These are annual publications which review the progress of each candidate country in the light of the accession criteria. They assess progress on the basis of legislation that has actually been adopted by the candidates (i.e. not on the basis of draft legislation) and measures which have actually been implemented. As in previous years, one chapter in each Regular Report was devoted to agriculture.

Bulgaria	SEC(2001) 1744
Cyprus	SEC(2001) 1745
Czech Republic	SEC(2001) 1746
Estonia	SEC(2001) 1747
Hungary	SEC(2001) 1748
Latvia	SEC(2001) 1749
Lithuania	SEC(2001) 1750
Malta	SEC(2001) 1751
Poland	SEC(2001) 1752
Romania	SEC(2001) 1753

Slovakia	SEC(2001) 1754
Slovenia	SEC(2001) 1755
Turkey	SEC(2001) 1756.

8.1.3. Sapard

614. Between October and December 2000 the Commission approved the Sapard programmes for each of the 10 recipient countries: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia.

615. Bilateral financing agreements were negotiated with the candidate countries, in order to establish a legal framework for the implementation of Sapard. The Multi-annual Financing Agreement sets out the rules covering all aspects relevant to the proper use, control and accountability of Sapard funds for the duration of the programme, namely 2000-2006. The Annual Financing Agreement sets out the financial commitment of the Community for each candidate country eligible for assistance under Sapard and has to be drawn up and concluded for each year of the programme. Between December 2000 and March 2001 all 10 candidate countries signed both agreements with the Commission acting on behalf of the Community. In April the Commission notified the countries of the completion by it on behalf of the Community of all necessary formalities for the conclusion of the Agreements. The dates of the entry into force of each Agreement depended on this and upon the notification of a similar exercise having been completed in the country concerned. In all cases, the conclusion of both the Multi-annual Financing Agreements and the Annual Financing Agreements for 2000 was secured by end of January 2002.

616. During the year all countries continued their efforts to prepare the structures and the legislative and administrative framework to implement the Sapard programmes. Bulgaria submitted its national act of accreditation of the Sapard agency to the Commission in December 2000. Following an examination of the national accreditation work by the Commission services, including on-the-spot audit, the Commission adopted a decision conferring management of aid to Bulgaria on 15 May, for three measures. A decision of a similar nature was taken for Estonia on 15 June, for four measures, after the submission of the national act of accreditation in February. These two countries are currently in the operative stage and have started selecting projects and making payments. By the end of the year another three countries had obtained Commission decisions conferring management responsibilities: Slovenia on 19 November, Lithuania on 26 November and Latvia on 6 December.

617. As regards the five countries that by the end of the year still had not received conferral of management decisions, all had made substantial progress[145].

618. An important part of the implementation of the Sapard programme concerns the setting up of an effective and transparent monitoring system, including a monitoring committee similar to that in Member States for Structural Funds. In February the Commission held a seminar on monitoring with the participation of the 10 candidate countries. It examined in detail issues concerning the arrangements, requirements

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145 By the end of July 2002 conferral of management decisions had also been taken in favour of the Czech Republic, Slovakia and Poland.

and procedures in respect of monitoring the Sapard programmes and included presentations on the responsibilities and functions of the Managing Authority and the Monitoring Committee as well as on the use of monitoring indicators. Monitoring Committees have been established in all the countries. During their first meetings the most pertinent issues, such as the internal rules of procedure, the monitoring indicators and an opinion on the selection criteria for the Sapard measures, were discussed and approved.

619. In May two seminars on evaluation were organised aiming at introducing the candidate countries to the approach promoted by the Commission and followed by the Member States for the evaluation of Community-financed rural development programmes. Another seminar took place in Estonia in July and concerned aspects of programme management, implementation, delivery and the experience of the accredited Sapard agencies.

620. Finally, the Commission negotiated and adopted on 28 November the model of the Annual financing agreements for 2001 with the objectives first of all of making the Community contribution to finance the actions scheduled for 2001 in the Sapard programmes available. Furthermore the negotiations involves adaptation of the Multi-annual Financing Agreements in the light of the experience acquired and amendment of the Annual Financing Agreements 2000, mainly to extend until the end of 2003 the deadline before which Community funds committed in 2000 can be used for payments.

Sapard

	Bulgaria	*Czech Republic*	*Estonia*	*Hungary*	*Latvia*	*Lithuania*	*Poland*	*Romania*	*Slovakia*	*Slovenia*
Signature of Multi-annual Financing Agreement	*18.12.2000*	*5.02.2001*	*25.01.2001*	*1.03.2001*	*25.01.2001*	*5.03.2001*	*25.01.2001*	*2.02.2001*	*26.03.2001*	*5.03.2001*
Signature of Annual Financing Agreement 2000	*12.02.2001*	*5.02.2001*	*1.03.2001*	*1.03.2001*	*30.03.2001*	*5.03.2001*	*29.03.2001*	*27.02.2001*	*26.03.2001*	*5.03.2001*
Conclusion of MAFA	*20.04.2001*	*10.12.2001*	*28.05.2001*	*15.06.2001*	*4.07.2001*	*29.08.2001*	*18.05.2001*	*17.01.2002*	*16.05.2001*	*28.08.2001*
Conclusion of AFA 2000	*20.04.2001*	*10.12.2001*	*28.05.2001*	*15.06.2001*	*11.05.2001*	*29.08.2001*	*18.05.2001*	*17.01.2002*	*16.05.2001*	*16.10.2001*
National Act of accreditation	*13.03.2001*	*29.06.2001*	*29.01.2001*		*2.07.2001*	*5.07.2001*	*20.09.2001*			*11.09.2001*
Commission decision on conferral of management (2001-2/…/EC),	15 May 380 L 134 / 65 7.5.2001	15.04.2002 298 L102/32 of 18.04.2002	15 June 461 L 162 / 19 9.6.2001		6.12.2001 885 L327/45 of 12.12.01	26.11.2001 857 L320/44 of 5.12.01			15.04.2002 299 L102/34 of 18.04.2002	19.11.2001 820 L307/25 of 24.11.01
First meeting of Monitoring Committee	*22.05.2001*	*10.05.2001*	*21.09.2001*	*2.05.2001*	*12.07.2001*	*8.11.2001*	*28.06.2001*	*28.11.2001*	*19.07.2001*	*27.07.2001*
Commitment of 2000 allocation	*30.01.2001*	*31.01.2001*	*30.01.2001*	*13.02.2001*	*30.01.2001*	*13.02.2001*	*31.01.2001*	*13.02.2001*	*13.02.2001*	*13.02.2001*
First payment 2000 allocation (date and amount in euro)	*28.05.2001 12 988.950*		*18.07.2001 3 024 459*		*3.01.2002 5.444.374*	*18.12.2001 7.433.186*				*14.12.2001 1.579.138*

8.1.4. CEECs, progressive liberalisation of bilateral agricultural trade

621. In March 1999 the Council authorised the Commission to open negotiations with each of the CEECs with a view to further liberalising bilateral trade in agriculture. Negotiations with each of the countries have been carried out on a reciprocal basis, with no product *a priori* excluded from the negotiations. In accordance with the Council directives, a global balance of the negotiations has been achieved. The negotiations were equally founded on the principle of neutrality with respect to the functioning of the CAP.

622. The negotiating approach covered three different kinds of bilateral concessions linked to the degree of sensitivity of the products and to the nature of the CAP mechanism:

8.1.4.1. List 1:

623. For the least-sensitive products (CEEC products currently facing EU import duty of less than 10% and products imported from the EU and not cultivated in the CEECs), an immediate and full liberalisation of trade has been agreed for unlimited quantities. The list covers more than 400 products and includes, in particular, citrus fruits, olive oil and horsemeat.

8.1.4.2. List 2:

624. The so-called ‘double zero’ approach provides for the reciprocal elimination of export refunds and the elimination of import tariffs within the framework of tariff quotas. The initial level of the tariff quota has been set, as far as possible, at the level corresponding to the current trade pattern (based on the average of the past three years). A substantial yearly increase of the tariff quotas has been agreed bilaterally, taking into account the sensitivity of the products and the potential trade development.

8.1.4.3. List 3:

625. This involves a limited exchange of ad hoc concessions decided on the basis of specific requests made and agreed on a case-by-case basis. The list also aims at balancing the overall agreement.

626. The approach is identical for all the CEECs – for those in the Luxembourg group (Hungary, Poland, Czech Republic, Estonia, Slovenia) with whom negotiations on the agricultural chapter of the *acquis* were opened in June 2000, those in the Helsinki group (Lithuania, Latvia, Slovakia) with whom negotiations on the agriculture chapter commenced on 12 June 2001 and for those others in the Helsinki group (Bulgaria, Romania) with whom negotiations on the agriculture chapter have not yet begun.

8.1.5. Results of the negotiations

627. New progressive trade liberalisation agreements have been concluded and have entered into force with the 10 CEECs. Foreseeing immediate liberalisation of most of the non-sensitive products, in particular a large number of Mediterranean products, the agreements provide equally for progressive liberalisation in the sectors of

poultrymeat, pigmeat, cheese and some fruits and vegetables, based on the ‘double zero’ approach. The results differ from one country to another, according to their readiness to liberalise the trade.

628. Based on current trade figures (1998-2000), some 75% of CEEC agricultural exports to the EU enter duty free with a further 14% benefiting from preferential duty rates. On the other hand 61% of EU exports to the CEECs are duty free with an additional 15% benefiting from preferential duty rates.

629. While the results achieved so far are satisfying, negotiations will continue with a view to progressively expanding agricultural trade liberalisation with each country, in order to avoid the potential negative impact of an immediate opening of markets upon accession.

CHAPTER IX

9. INTERNATIONAL RELATIONS

9.1. International organisations and agreements

9.1.1. World Trade Organisation (WTO)

9.1.1.1. WTO consultations and dispute settlement

630. The panel "*Belgium – Administration of measures establishing customs duties for rice*" was established on 12 March 2001 at the request of the United States to examine the WTO compatibility, mainly under the Customs Valuation Agreement, of the assessment by the Belgian customs authorities of the transaction values of certain shipments of rice imported by the company Master Foods from the US into the EC between July 1997 and December 1998. At the request of the US, the panel suspended its proceedings from 27 July until 30 November 2001. On 16 November 2001 the Belgian authorities, acting under EC law, redetermined the duties in dispute on the basis of new evidence produced. This should resolve the matter before the panel.

631. The EC have intervened as third party in the panel established on 12 March 2001 "*Chile – Price band system and safeguard measures relating to certain agricultural products*" which concerns, *inter alia*, the interpretation of 'variable import levies' under article 4.2 of the Agreement on Agriculture.
The EC have also intervened as third party in the compliance panel established on 1 March 2001 (report circulated on 11 July 2001) and subsequent appeal by Canada of 4 September 2001 "*Canada – Measures affecting the importation of milk and the exportation of dairy products*" which concern mainly the interpretation of export subsidies under Article 9.1(c) of the Agreement on Agriculture.

632. Consultations between the EC and US regarding the protection of trademarks and geographical indications for agricultural products and foodstuffs in the European Communities and in particular EC Regulation 2081/92, requested by the US on 1 June 1999, have continued throughout 2001.

9.1.1.2. Towards a new round of trade negotiations

633. On 14 November 2001 in Doha (Qatar) the 142 members of the WTO concluded the fourth WTO Ministerial conference. The results of the meeting are far reaching, comprising a decision to launch a new round - the Doha Development Agenda – including both further trade liberalisation and new rule-making, underpinned by commitments to strengthen assistance to capacity building in developing countries. The negotiation will last three years – until 1 January 2005. At the WTO Ministerial conference a WTO waiver was also granted from the obligations of the European Communities under Article I.1 of the GATT with respect to the granting of preferential tariff treatment for products originating in ACP States as required by Article 36.3, Annex V and its Protocols of the ACP-EC Partnership Agreement, until 31 December 2007.

634. A waiver was also granted from the EC's obligations under GATT Article XIII with respect to the EC's imports of bananas under the EC's separate tariff quota of 750,000 tonnes for bananas of ACP origin from 1 January 2002 to 31 December 2005.

635. On agriculture, the Doha outcome was highly successful, as it was fully compatible with the EU mandate adopted by the Council in 1999, and with the EU negotiating proposal adopted in December 2000. The wording adopted makes it clear that the commitment to negotiate on market access, domestic support and on all forms of export subsidies, is without prejudice to the final result.

636. On market access, the Doha Declaration refers to negotiations aimed at substantial improvements, which recognises, as the EU does, the importance of further trade liberalisation, but also implies that all subjects are to be discussed, including the protection of geographical indications. On export competition, the text refers to the reduction of <u>all</u> forms of export subsidies, which is the position adopted by the EC as it comprises export credits, abuse of food aid and the operation of STE, "with a view to phasing out", but with a qualification in the Declaration that this would be without prejudging the outcome of the negotiations. This clarifies beyond doubt that there is no commitment now to negotiate the <u>elimination</u> of export subsidies. On domestic support, the Declaration commits members to negotiate <u>reductions</u> in trade distorting support. This corresponds to the EC proposal for further cuts in the "amber box" support whilst keeping the concepts of the "green" and "blue" boxes.

637. The EC position that non-trade concerns must be part of the negotiations is reflected in the Declaration, and in particular there is explicit recognition of the need to examine the proposals in this area submitted by Members. The EC have submitted proposals covering EC non-trade concerns, including environmental protection, rural development, food safety and animal welfare.

9.1.2. Organisation for Economic Cooperation and Development (OECD)

638. EU Member States account for half of the OECD members and are the major contributors to the OECD budget. The Commission participates actively in the work of this organisation, in particular, as far as agriculture is concerned, in the Committee for Agriculture (COAG), its working parties and at the interface with the Committees on Trade and Environment (Joint working parties).

639. Core to COAG activities is the annual preparation of a mid-term market prospect for the main OECD agricultural commodities (the 'Agricultural Outlook' report) and the yearly review of the main developments in agricultural policies of member countries (Agricultural Policies, Markets and Trade in OECD Countries generally known as the "Monitoring report"). A similar review focuses on the main developments of major non-OECD members, whether transition economies or emerging countries. These reviews include in particular a calculation of aggregated estimates of support to farmers, the so-called Producer Support Estimate (PSE) expressed as the percentage share of public financing in the overall income of the farming sector and to the whole agriculture and food sector the Total Support Estimate (TSE) which indicates the degree of support in the OECD economies.

640. Other regular COAG activities address agriculture and trade, agri-environment, rural development, agricultural structures and statistics, the Agricultural Knowledge System (extension, education and research) and international standards (in particular, certification of seeds, forestry reproductive material and tractors). Stocktaking of the past five years of OECD work on Agri-Environmental Indicators was done in 2000.

641. As mandated by OECD Ministers of Agriculture in March 1998, the COAG is now engaged in a substantial and broad-ranging work programme relating to the WTO negotiations on agriculture. At the end of 2000, a first series of analytical background material was published. This work covers traditional trade issues such as market access, domestic support, export competition, although in a more comprehensive manner than before, thanks to new analyses of subjects such as the use of officially supported export credits, the trade impact of state trading enterprises, decoupling, impact of support measures through a matrix evaluation of policies (the Policy Evaluation Matrix), etc. It also covers concerns going beyond trade issues, such as multifunctionality, food security, the relationship between trade and environment, the impact of biotechnology, food quality and appellations of origin, etc.

642. In 2001, the second part of the two year work programme of the Committee for Agriculture, the OECD deepened questions of trade liberalisation through modelling scenario studies for improving market access simulating changes in the tariff quota system and simulating impact of trade liberalisation on food security of developing countries. It also dealt with non tariff barriers and Sanitary and Phytosanitary measures, and with an analytical framework for the role of State Trading Enterprises in liberalising world trade. In the Non-Trade concerns field activity was highlighted by a first workshop on empirical studies regarding multifunctionality and a proposal for a work programme on Food Safety.

643. The interface between agriculture and environment initiated a second, more practical phase with a new working programme on indicators and impact. A series of workshops will present the state of the art on indicators and its further development while sector studies on livestock production will evidence the environmental charge of intensive production, study alternative systems and analyse policy solutions.

644. Two events of major importance for future OECD work in agriculture were held in 2001: the Ministerial meeting focussing on the sustainability of development and the High Level meeting on future agricultural policy reform in OECD countries. The ministerial declaration set a number of environmental parameters for agricultural policy to assure sustainability while the High Level meeting in September stressed the need for mainly consumer driven policy changes and developments with regard to food safety and quality, environmental care through multifunctional agriculture, the need for living rural areas and the dangers of excessive concentration in the agri-food sector.

645. Horizontal issues of importance to agriculture are being addressed through other OECD bodies such as regulatory reform, governance, e-commerce, code for multinational companies, sustainable development and territorial development.

646. All these activities have produced valuable material for the EU, particularly with regard to the reform process of the agricultural sector and ongoing multilateral negotiations. However, the Commission was disappointed that the OECD negotiation of an Understanding disciplining the use of export credits to agriculture has proved

unsuccessful, notwithstanding the commitment made under the Uruguay Round WTO Agreement on Agriculture.

9.1.3. Generalised System of Preferences (GSP)

647. The aim of the GSP is to foster the integration of developing countries into the world economy and the multilateral trading system. The GSP focuses on the needs of the poorest beneficiary countries through the so-called “Everything But Arms” initiative which is incorporated into the GSP.

648. In 2001 the EU adopted a new Generalised System of Preferences, Council Regulation (EC) No 2501/2001, which came into force 1 January 2002. It modifies significantly the previous schemes by improving the non-reciprocal trade preferences and providing strong incentives for compliance with core labour standards.

649. The main objective is to encourage beneficiary countries to make more and better use of the opportunities offered by the scheme, and thus to increase imports for which preferential treatment is available. This is to be achieved by improving preferential margins and by making the scheme more easily accessible.

650. The new GSP regime is based on only two product categories: sensitive (S) and non-sensitive (NS) instead of previously 4. While non-sensitive products continue to enjoy duty free access to the Community's market, all other products will benefit from a uniform flat rate reduction of 3,5 percentage points for ad valorem duties and 30% for specific duties. However, the new regulation also contains a "stand-still" clause assuring that the preferential treatment provided under the previous regulation continues to apply where it is more favourable.

651. As far as graduation is concerned, the rules have been clarified and complemented. In order to make the regime more neutral and objective, conditions for graduation will be examined on a yearly basis. Graduation will be decided only where the criteria are met during three consecutive years. Similarly, sectors that do not meet the criteria during three consecutive years will be readmitted.

652. Preferences provided under the special arrangements for Least Developed Countries (the so-called Everything But Arms initiative, which was adopted in February 2001) as well as under the special arrangements to combat drug production and trafficking will continue to apply without any change.

9.1.4. United Nations Food and Agriculture Organisation (FAO)

653. As a member of FAO, the EU took part in the work of the various bodies belonging to the organisation, in particular the meetings of the Committee on Agriculture, the Committee on World Food Security, the Committee on Commodity Problems and the Committee on Forestry, presenting its agricultural policy and setting out its approach to food security.

654. It also participated in the technical consultations on the revision of the International Plant Protection Convention (IPPC), which is aimed, *inter alia*, at bringing the Convention into line with the Agreement on the Application of Sanitary and Phytosanitary Measures of the Final Act of the Uruguay Round.

655. The Commission also played an active role in the FAO's technical contribution to developing countries in preparation for the talks in the context of the new negotiations within the WTO. The Commission also contributed to the FAO's discussions on trade-related but non-commercial issues, such as the multifunctional aspects of agriculture and its links in less advanced countries.

656. The Commission also took part in meetings, co-ordinations and preparatory work relating to the World Food Summit –five years later (WFS-fyl) due to take place in June 2002. The first World Food Summit took place in Rome, 1996 with the objective of reducing the number of undernourished people to half their present level no later than 2015.

9.1.5. International Grains Agreement (IGA)

9.1.5.1. Grains Convention

657. Lors de sa treizième session (Londres, 12 et 13 juin 2001), le Conseil international des céréales a décidé, en vertu des dispositions de la convention sur le commerce des céréales de 1995 (JO L 21 du 27.1.1997, p. 47), de proroger cette convention de deux ans jusqu'au 30 juin 2003 (JO C 195 du 11.7.2001).

9.1.6. International Sugar Organisation

658. The Community concluded an International Sugar Agreement by Council Decision 92/580/EC (OJ L 379, 23.12.1992, p. 15) which entered into force on 1 January 1993 for a period of three years. In May 2001 (28-29), The Council authorised the Commission to vote on behalf of the Community, within the International Sugar Council (ISC) for a two year roll-over of the International Sugar Agreement, 1992, until 31.12.2003.

9.2. Bilateral and regional trade relations

9.2.1. United States

659. Negotiations on a comprehensive EU/US wine agreement were continued with the aim to facilitate trade in wines while improving protection for European and American names used in winemaking and the assurance of oenological standards used by winemakers. However, progress was limited by the absence of agreement on a mechanism to decide the acceptability of oenological practices that may be introduced in the future. The EC proposed to refer any disagreement to binding arbitration, while the US sought mutual recognition, without any commitment that 'good practice' would necessarily be followed in future approvals.

660. The US continued to apply 100% *ad valorem* tariffs on USD 116.8 million of EU exports pursuant to the WTO arbitrator's ruling of the level of impairment in the *Hormones* case. The retaliation list covered diverse products, focussing on pigmeat, fruit juice, cheese, and fruit and vegetables. Talks aimed at agreeing an equivalent level of compensation to bring an end to the retaliation were intensively pursued in 2001.

661. Agreement was reached in the *Bananas* dispute with the US, leading to an ending of the USD 191 million sanctions applied to EU produce.

662. The Commission followed closely the continued expansion of production- and trade-distorting US farm subsidies and surplus disposal mechanisms. A fifth US "emergency" package was approved in 2001, as in previous years. The Commission cautiously welcomed a policy review issued by the US Government in September 2001, which highlighted the need to avoid production-distorting support. However, proposals for the future US Farm Bill issued later in the year, pointed to a consolidation of existing production- and trade-distorting measures. Concerning surplus disposal of commodities disguised as food-aid, the Commission made representations to the US in May 2001, pointing out that 20-year data of US wheat as so-called food-aid showed a consistent 90% inverse correlation with price: for every 1% drop in price, US food aid increased by 3.28%, and vice versa. While criticising non-genuine food-aid, the Commission emphasised its continued commitment to food security, and food aid where needed, supplied in fully grant form. The Commission also gave evidence to the General Accounting Office of the US Congress highlighting the inadvisability of creating a new surplus disposal programme disguised as schooling without fully assessing the repercussions for local economies. Discussion to discipline US subsidised export credits in OECD were ultimately unsuccessful, but the issue will be addressed multilaterally in WTO talks. The Commission continued to seek an end to WTO-incompatible US export subsidies, including those on agricultural products in the *Foreign Sales Corporation* case, and a state-level export subsidy scheme in the fruit sector.

663. In December 2000, the WTO Appellate Body confirmed the Panel ruling of July 2000 that the US safeguard on imports of wheat gluten was illegal. This decision was adopted by the WTO Dispute Settlement Body on 19.1.2001. In imposing the import restrictions, the US had failed to show the alleged harm to the US industry was not caused by factors other than the imports. In addition, the US had not followed the WTO procedures designed to seek a negotiated resolution of a dispute and had applied the quota in a discriminatory way. Despite the ruling, the US did not lift the quota and the EU was compelled to impose a duty of € 5/t on imports of corn gluten feed, pursuant to Council Regulation (EC) No 1804/98 of 14 August 1998[146] from the US up to a quantity of 2.73 million tons from 24.1.2001. On 1 June 2001, the US did not renew the wheat gluten quota and both it, and the EU's tariff on corn gluten feed, fell. The WTO ruling in *Wheat gluten* contributed in a significant way to limiting the scope for abuse of trade defence instruments, such as safeguards, by WTO members.

664. The Commission followed closely initiatives in the US Congress to restrict, and levy a charge on, imports of dairy products, including from the EU.

665. The Corn Gluten Feed Monitoring Group continued to meet regularly.

9.2.2. Canada

666. Discussions continued in the first half of the year concerning trade in wine and spirits with a view to concluding an EU/Canada agreement. In August, Council agreed a mandate for the negotiations, focussed on protection of the use of European names, quality standards for wines and spirits on the internal market, and the operation of

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[146] OJ L 233, 20.8.1998, p. 1.

Canadian Provincial alcohol monopolies. The first negotiation meeting took place on 7-8 November 2001.

667. Canada continued to apply 100% ad valorem tariffs on CAD 11.3 million of EU exports pursuant to the WTO arbitrator's ruling on the level of impairment in the *Hormones* case, focussed on pigmeat and fruit and vegetables.

668. On 20 March 2000, Canada rescinded a countervailing duty (CVD) against EU imports of pork-based luncheon meat, but continued CVDs against certain imports of canned ham from Denmark and the Netherlands for another 5 years. On 3 November 2000, Canada continued CVDs against EU imports of refined sugar, as well as continuing anti-dumping measures against the same imports from Denmark, Germany, Netherlands and the UK, for another 5 years.

669. The Commission continued the TBR investigation in Canada concerning lack of protection for the Parma ham geographical indication.

670. The Commission continued to monitor with concern, the commercial practices of the Canadian Wheat Board and other state trading enterprises. Proposals to increase transparency and discipline trade-distorting practices in WTO were included in the Doha Development Agenda.

671. In March 2001, the Canadian government increased farm subsidies to a level, which, with contributions from Provinces, could reach CAD 2.8 billion per year.

9.2.3. Mexico

672. A Free Trade Agreement between the EU and Mexico entered into force on 1 July 2000. Mexico has also given a commitment to negotiate a wine agreement with the EU.

673. A series of lists outlines the different ways in which various agricultural products will be administered, from immediate elimination of duties, to elimination of duties between three and ten years after entry into force. The EU will benefit in particular from Mexican liberalisation for wines, spirits, and olive oils. The EU will grant limited partial liberalisation quotas to Mexico for certain cut flowers, eggs and albumin, honey, fruit, vegetables, orange juice and pineapple juice and a transitional quota for avocados. Mexico will grant immediate or early liberalisation to EU exports for most of these products. Both parties have a waiting list of sensitive products that they cannot liberalise at this stage, subject to future review. (Bananas, sugar, beef, dairy products, rice, maize, sweet corn, starches and many fruits and vegetables are among the products on the EU reserve list). Essential elements of the CAP, including the EU entry price system and export refunds have been maintained. The agreement also includes a protocol on rules of origin, which sets out the requirements for eligibility for originating status for the various products.

9.2.4. Mercosur

674. In July 1998 the Commission adopted draft proposals for directives for the negotiation of an association agreement between the EU and Mercosur. The draft was approved by the Council on 13 September 1999.

675. As for the objectives of the trade component of the negotiations, the EC mandate foresees a comprehensive trade agreement covering not only trade in goods, but also services, government procurement, investment, intellectual property rights, competition, and dispute settlement. Also subject to negotiation are a wine and spirits agreement and a sanitary and phytosanitary agreement.

676. Six EU/Mercosur rounds have taken place to date. The first round commenced in April 2000 in Buenos Aires. The initial year of negotiation was mainly dedicated to organisation of work, establishment of main objectives and principles for the negotiations and fact-finding exercises.

677. At the fifth round in July 2001, the EC unilaterally presented the EC tariff giving a significant boost to the process. The EC offer covers all agricultural products and propose a tariff dismantling to be achieved for a trade volume of € 2 200 million representing around 80% of the current agricultural trade subject to duties. Added to the already duty free trade of € 5 800 million, free trade will be established for € 8 000 million or 90% of all current agricultural trade.

678. The offer is divided into 6 different categories. For products covered by four of the categories, *ad valorem* duties will be abolished immediately or gradually in equal steps over a period of up-to 10 years from the entry into force of the agreement.

679. In the 5th category covering the wine & spirits sector, duties will be abolished gradually. In parallel, a separate overall agreement for wine and spirits should be concluded including, in particular, the reciprocal exclusive protection of geographical indications, adequate protection for traditional expressions and a positive list of mutual recognised oenological practices.

680. In the 6th category concerning very sensitive sectors, subject to mixed or *non-ad valorem* duties, the Community is ready to introduce a greater import liberalisation through progressive concessions within preferential Tariff Quotas. Those concessions have to be negotiated taking into account the sensitivity of each product in the framework of the CAP.

681. During VI round in October 2001, Mercosur presented a tariff offer to the EC involving only 32% of total current trade. For agricultural products, only 40% of EU agri-exports are covering by this offer. In addition they presented a list of conditions for this offer, affecting the current CAP (entry price, domestic support or export refunds).

9.2.5. Chile

682. The EC mandate for Chile, foresees a comprehensive trade agreement covering not only trade in goods, but also services, government procurement, investment, intellectual property rights, competition, and dispute settlement. Also subject to negotiations is a wine and spirits agreement and a sanitary and phytosanitary agreement

683. Seven rounds of negotiations have taken place to date. In July 2001, both parties exchanged tariff offers in a reciprocal manner.

684. The EC offer presented to Chile covers all agricultural products and proposes a tariff dismantling to be achieved for a trade volume of € 650 million representing around

86% of the current agricultural trade subject to duties. Added to the already duty free trade of € 56 million, free trade will be established for € 708 million or 93% of current agricultural trade.

685. The offer is divided into 6 different categories. For products covered by four of the categories, *ad valorem* duties will be abolished immediately or gradually in equal steps over a period of up-to 10 years from the entry into force of the agreement.

686. In the 5th category covering the wine and spirits sector, duties will be abolished gradually. In parallel, a separate overall agreement for wine and spirits should be concluded, including, in particular, the reciprocal exclusive protection of geographical indications, adequate protection for traditional expressions and a positive list of mutual recognised oenological practices.

687. In the 6th category concerning very sensitive sectors, subject to mixed or *non-ad valorem* duties, the Community is ready to introduce a greater import liberalisation through progressive concessions within preferential Tariff Quotas. Those concessions have to be negotiated taking into account the sensitivity of each product in the framework of the CAP.

688. The Chilean proposal is divided into three categories of tariff elimination: immediate, 5 years and 10 years. Some tariff items await allocation into one of these categories. Agricultural products are subjected to condition of elimination of EC internal support and export refunds.

9.2.6. South Africa

689. Difficult negotiations were continued in 2001 between the EU and SA on the conclusion of wine and spirits agreements. An agreement was reached in January 2002. The main points of this agreement can be summarised as follows:

– protection of geographical indications,

– oenological practices and safeguard provisions,

– agreement on mutual recognition of import licences,

– increase in the volume of the duty free tariff quota for SA wines imported in bottles, from 32 million litres to 42 million litres, and

690. A Joint Wine Committee consisting of Commission and SA representatives will be up to monitor the correct operation of the agreement. In the framework of this Committee, further discussions will be held with a view to settling issues (such as trade marks and traditional expressions) for which the EU/SA wine agreement requires further negotiations.

9.2.7. Japan and South Korea

9.2.7.1. Bilateral trade relations with Korea and Japan in 2001

691. Negotiations with South-Korea and Japan were still focussing mainly on questions of deregulation, resolving in particular phytosanitary, animal-health and SPS issues in order to start exporting various kinds of products. At the beginning of the year Japan

agreed in principle on a recognition of the EU standards of organic products but a burdensome procedure for the recognition of organic inspection bodies entitled to certify such products was anything but finished by the end of the year.

9.2.8. New Zealand

692. Regarding the overall agricultural trade, the EU remains NZ's largest market for sheepmeat, kiwifruit, apples and wine. In terms of tariffs and tonnage, the bulk of New Zealand exports enter the EU without major problems. NZ quota access for the EU includes 226 700 tonnes of sheepmeat (of which 33 000 tonnes chilled), 76 000 tonnes of cream butter and 20 000 tonnes of cheddar cheese.

693. On wine, New Zealand requested a derogation as regards sulphur dioxide (SO2) and volatile acidity. Under EU legislation such derogation is possible for specific categories of wine produced under particular natural conditions which justifies higher contents of SO2 and volatile acidity. With a view to deciding on this derogation, the Commission, in November 2001 requested further detailed information to the NZ authorities.

9.2.9. The Mediterranean countries

694. New association agreements are being negotiated under the Euro-Mediterranean Partnership concluded with the EU's Mediterranean partners at the Barcelona conference in 1995. The agreements replace the co-operation agreements dating back to the 1970s. The new agreements, which are aimed at stepping up trade, provide for reciprocal trade concessions on agricultural products. The negotiations with Israel, Morocco and Tunisia were concluded in 1995, those with Jordan and the Palestinian Authority in 1997. The negotiations with Egypt were concluded in 1999 and were signed by the parties in June 2001. The negotiations with Algeria, the Lebanon and Syria are proceeding.

695. The agreement with Tunisia entered into force in 1998, those with Morocco and Israel in 2000, although the reciprocal agricultural concessions agreed with Israel and some provisions of the new agreement with Morocco entered into force early. The reciprocal agricultural concessions agreed with the Palestinian Authority entered into force provisionally in 1997.

696. The agricultural chapter of the agreements with Morocco, Tunisia and Israel is, under the terms of those agreements, subject to a review aimed at achieving greater liberalisation of trade. The negotiations concerned were concluded at the end of 2000 in the case of Tunisia, are well advanced in the case of Israel and have yet to begin in the case of Morocco.

697. For Turkey new arrangements have been applicable to agricultural products since 1998. Under those arrangements the preferential regime is extended to Turkish goods imported into the EU and there are concessions for Community agricultural products exported to Turkey. As a result of Turkey's ban on imports of European beef and cattle, Community has been deprived of the benefits of some of the concessions granted. A compromise solution is being sought under which Turkey would grant concessions on alternative products in compensation.

698. Malta and Cyprus are in a pre-accession phase, in which their agricultural policy is being adapted in the light of the body of EU law. On agricultural trade, as with the CEEC candidate countries, it is important that the pre-accession phase should also see a greater opening of markets: the Commission has therefore proposed further agricultural trade liberalisation with these countries too.

699. In the case of Malta there has been no substantial progress on the legal set-up, administrative structures or the rules governing market organisations. While there is monitoring of the veterinary aspects the provisions governing slaughterhouses are not yet in line with established EU law and practice.

700. There has been substantial progress in adapting Cyprus' agricultural policy, in particular with regard to the abolition of state monopolies and neighbouring reforms. A number of improvements are also required in the operation of market organisations. Transposal of the established body of EU law and practice remains patchy, in particular with regard to inspection at frontiers.

9.2.10. Western Balkans

701. In the framework of the Stabilisation and Association Process (SAP) with the Western Balkans and following the conclusion of the European Council of Lisbon of 23-24 March 2000, on 18 September 2000 the Council adopted Regulation (EC) No 2007/2000, amended by Regulation (EC) No 2563/2000, which offers the Western Balkans unilateral trade liberalisation as an autonomous trade measure. From 1 November 2000 agricultural imports originating in the Republics of Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia including Kosovo, are fully liberalised with the exception of beef, for which individual quotas at a reduced duty for baby-beef exist (except Albania) and wine, for which a global duty-free quota of 545 000 hl exists.

702. A Stabilisation and Association Agreement (SAA) with FYROM and Croatia was signed on 9 April and 29 October 2001 respectively. In agriculture, reciprocal trade concessions were agreed with the exception of wine. Pending the completion of the ratification procedure, an Interim Agreement (IA) was put into force as of 1 June 2001 with FYROM and as of 1 January 2002 for Croatia to cover the trade-related matters of the SAA's. Additional protocols to the SAA's and IA's were concluded for wine, including the reciprocal recognition, protection and control of wine names and designation of spirits and aromatized drinks, and are in the process of adoption in the Council.

703. Following its recommendation of June 2001 to proceed with SAA negotiations with Albania, the Commission transmitted to the Council, early December 2001, a draft negotiating mandate for the conduct of these negotiations.

9.2.11. ACP

704. In the framework of the ACP-EU Partnership Agreement, signed in Cotonou on June 23 2000, also refered to the as the Cotonou Agreement, the parties agreed to conclude new WTO compatible Economic Partnership Agreements (EPA), progressively removing barriers to trade between them and enhancing co-operation in all areas relevant to trade. Formal negotiations on EPAs will start in 2002.