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**COMMISSION PROPOSALS**  
**on the prices for agricultural products**  
**and on related measures (1996-1997)**

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**VOLUME I**

**Explanatory Memoranda**



1a

The Commission submits herewith its proposals for the agricultural prices for 1996/1997 and for certain related measures. The text is in three parts :

- Volume I : Explanatory Memoranda
- Volume II : Financial implications
- Volume III : Legal instruments

Summary of Volume I

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## INTRODUCTION

This year price fixing continues the policy of stable prices and aids which has applied since the 1992 reforms.

In the arable sector prices and aids levels were set in 1992 for the indefinite future and no new decisions are required now. For other sectors, unchanged prices and aids are proposed in this package.

This stability in terms of support levels does not, however, imply stagnation of policy. Within the sectors which were reformed in 1992 two major simplifications are proposed, a unification of the rates of rotational and non rotational set aside and the introduction of a single premium for young bulls in place of the current system of two annual premia.

This prices package should also be seen in the context of the continuing process of reforming those sectors not covered by the 1992 decisions. A new rice regime was agreed last December; Council discussions on reform of the fruit and vegetables regime are well advanced; the Commission has been glad to note the intention of the Italian Presidency to recommence the discussions on the proposed reform of the wine regime; and it intends to make proposals for the reform of the olive oil regime in the near future.

This package, based on stability with certain simplifications, has amongst its objectives that of contributing to the battle against waste and fraud and the improvement of sound financial management. The Commission strongly encourages the Council to respect the paramount importance of this objective.

## A. GENERAL CONSIDERATIONS

### 1. General economic situation

After the relatively strong recovery of economic growth in 1994 (2.8%), the EU economy exhibited a similar rate of growth in 1995, put at 2.7% according to the latest available official estimates. There are however indications that a slowdown of growth occurred in some of the major economies in the second half of the year (eg Germany and France), which might lead to a downward revision of the 1995 figure. A resumption of growth is still expected for the second half of 1996, putting the figure for the year as a whole at 2.6%. For 1997 some further (modest) growth acceleration is forecast.

Private consumption is expected to pick up more gradually helped by rising employment and moderate increases in real wages. The rate of unemployment is expected to fall from 10.7 % in 1995 to 10.3 % in 1996 and to just below 10 % in 1997 on average. Inflation should remain subdued in 1996 (3.0%) and fall further to 2.7% in 1997 due to a rather gentle growth and a moderation in wage increases.

### 2. The agricultural economy in 1995

This year saw the implementation of the final part of the 1992 reform. The improvement in the economic situation of farming in the Community continued and was further strengthened. While weather conditions for farming were fairly satisfactory in 1995 in most areas of the European Union, farmers in a large part of the Iberian peninsula had to cope with exceptionally high temperatures and drought for the fourth year running.

#### *The main agricultural markets*

Community cereals production for 1995 is estimated at approximately 175 million tonnes, a little higher than the 172 million tonnes of 1994. The rise of just over 2% in the area sown to cereals due to the reduction of set-aside by 3% and a switch from oilseeds to cereals (due to an overshoot of the oilseeds base area) was partially compensated by a fall in yields (Spain and Portugal). By contrast, yields in other Member States rose appreciably, particularly in Northern Europe.

Initially, market prices have reflected, although with a delay, reductions in the intervention prices adopted under the reform. Subsequently however, these price drops have been reduced on some markets, for some countries by the successive devaluations of certain green rates or by the reduction in surpluses following the drop in production and the massive disposal of intervention stocks, and by other factors (quality of the harvest, quantities withheld from the market by producers or collecting organizations, improvements in prices on the international market, etc.). At the end of December 1995, for example, the price for common wheat was 23% higher than the intervention price in Rouen and 48% higher in Milan. It is expected that a reduction in the set-aside rate to 10% for rotational and non rotational set aside and a cooling of prices on the world market will go some way to alleviate this situation.

The area sown to **oilseeds** in 1995 was down overall on the previous year as a result of the cut in compensatory aid in 1994/95, following the overshoot of the maximum guaranteed area in certain Member States. The drop in sown areas was particularly significant in the case of oilseeds grown for food uses (about - 8% on average). The fall was partially offset however, by the significant increase in the areas sown to oilseeds for non-food uses (up 57% on 1994 for all oilseeds and more than 70% for rape).

Overall production of oilseeds (food and non-food) is expected to be around 12.3 million tonnes in 1995, slightly down on last year. Those grown for non-food uses should increase from 1.4 to 2.2 million tonnes, a rise of just under 60 % in one year.

After falling sharply in 1994, **sugar** production rose slightly in 1995 (+ 3.6% on average for the European Union as a whole) as a result of a slight increase in the areas under beet and a small rise in sugar yields, which nevertheless remain below those of 1993.

The 1995 Community wine harvest, provisionally estimated at 150 million hl is around this level for the third year running, considerably less than it was in 1992 or even in 1993 when the harvest was relatively modest. Production is down in most of the producer countries because of poor weather conditions and, in certain cases, the drop in planted areas. The combination of these factors together with the elimination by distillation of surpluses that had built up in earlier years has brought about a relative equilibrium on the market in recent years which has had a positive impact on prices (there will be no compulsory distillation in 1995/96). In the majority of producer countries the prices for red wine in national currency at the end of December were considerably higher than at the same time the year before (+ 48% in Italy, + 6% in France and + 9% in Spain).

Milk production in 1995 is estimated to be very slightly up on the previous year (+ 0.5%) due to an increase in yields, despite a reduction in the dairy herd. Deliveries to dairies are expected to remain virtually unchanged, at last year's level, for the European Union as a whole. The drop in butter production noted in recent years continued in 1995 (- 40 000 tonnes compared with 1994). Butter production has fallen therefore by around 450 000 tonnes since the beginning of the 1990s. By contrast, cheese production continues to rise (+ 2.1% in 1995 compared with 1994) as a result of increasing consumption. The fall in butter production, together with the almost total exhaustion of public intervention stocks, has pushed up prices on the butter market. In almost all the Member States these were above the intervention price at the end of September 1995. Over 1995 butter prices rose on average by about 9% helped by the conjunction of a number of positive factors on the world market (lower production in some exporting countries and rising demand in some importing countries, etc).

After several years of cyclical fall, **beef and veal** production began the upward phase of the cycle in 1995. In 1996 it is expected to rise by around 1.9% following the 2.7% rise in 1995 and the fall of more than 4% in 1994.

In accordance with the decisions taken in 1992, intervention prices for beef were reduced by 6.2% at the beginning of July 1993, by 5.3% at the beginning of July 1994 and by 5.6% at the beginning of July 1995. These institutional price reductions were partially reflected in the market prices. However, actual reductions were as a rule less than those in the institutional prices because of the drop in production in recent years and the substantial reduction in intervention stocks. There has also been an additional impact on prices in national currency resulting from the monetary adjustments since September 1992. With the recovery of production, prices fell in the first half of 1995, before recovering some of the lost ground in the autumn. For the most part these remained above the level at which tenders for intervention can be opened and in the few cases where tenders for intervention were opened, no purchases were made.

In 1995 pigmeat production is estimated to be slightly down on the previous year (- 0.6%), in line with the drop in the pig herd for the European Union as a whole. As a result, pigmeat prices firmed up throughout the year, with the exception of a setback in May and June. In December 1995 they were on average 11% higher than they had been the previous year. Production may fall slightly in 1996 but a recovery can be expected towards the end of the year.

In 1995 poultrymeat production rose by an estimated 2.9%, after a similar increase the previous year. This growth is expected to continue at slower rate in 1996. Prices in early 1995 remained considerably below those for 1994, but by December 1995 were at a comparable level as the same time the previous year.

The slight drop in the production of sheepmeat and goatmeat in 1994 (- 0.8%) turned into a small increase in 1995 (0.3%). However a slight decline in production (-0.9%) is again expected in 1996. Average prices in ecus at the end of December 1995 were around 10% lower than at the same time the previous year.

#### *Producer prices*

It is estimated that the index of nominal producer prices for all agricultural products increased by averages of 2.7% for EUR-15 in 1995 and 3.4% for EUR-12 compared with the previous year. This corresponds to falls of 0.3% and 1.1% respectively in real prices.

It should not be forgotten in this connection that since 1993 the support prices for certain products (in particular cereals and beef) have decreased each year and that producers have instead received increasing compensatory aids, which are not taken into account in the producer price index.

Compared with 1994, the producer price index for crop products increased in real terms by an average of 1.5% (2.0% for EUR-12). However, the situation varies considerably from one product to another. In the cereals sector, real producer prices remained more or less unchanged (-0.7% on average), those for fresh vegetables fell by an average of 4.4%, while the decrease was over 5% for oilseeds. On the other hand, potato prices rose by nearly 8% in real terms, wine prices by over 10%, fresh fruit 3.7% and olives and olive oil 9.4%.

The producer price trend was, generally speaking, less satisfactory for livestock products. It fell, in real terms, by 3.6% on average, with decreases of as much as 12.5% for eggs, 9.5% for poultry, 8.4% for cattle and 5.5% for sheep and goats. The only livestock sector in EUR-15 which showed an upward trend was pigmeat, for which prices rose by an average of 3.5% in real terms.

In 1995 the general producer price index, in real terms, showed an upward trend in Spain (+1.5%), Italy (+1.5%) and the United Kingdom (+3.1%) and a downward one in Belgium (-4.5%), Germany (-3.6%), Luxembourg (-4.4%), the Netherlands (-4.2%) and also in Sweden (-4.1%), Austria (-23.6%) and Finland (-26.6%).

#### *Farm incomes*

Incomes are expected to have risen in 1995 in the crop sector (cereals, wine, olive oil, fruit).

Livestock production, in particular eggs and poultry, sheep and goats and cattle farming has come under some pressure. However in the cattle, and sheep and goat sectors the negative impact of the fall in producer prices has been largely offset by the increase in the level of premiums. Conversely, pigmeat production continued to become more profitable in 1995 as producer prices improved.

Unlike 1994, during which all EU 12 Member States recorded an increase in agricultural income in real terms, 1995 was characterised by a great variation among Member States. Five Member States, Greece, Spain, Portugal, the Netherlands and Belgium exhibited a decline in farm income ranging from -9.8% in Belgium to -1.7% in Greece. All five countries exhibited a strong growth in income in 1994.

The other EU 12 Member States exhibited increases in farm income for the second successive year ranging from United Kingdom (+16.6%) and Denmark (10.5%) to Germany (3.0%) and Ireland (1.6%).

Developments of income were not uniform in the three new Member States. In Austria income was little changed, Sweden recorded the strongest EU 15 increase of 25.7% following a 21.3% drop in 1994. Income in Finland dropped 7.5% in 1995 following a smaller drop (-1.7%) in 1994.

### **3. Agrimonetary measures and budget**

The 1996 budget guideline for the EAGGF Guarantee Section amounts to ECU 40,828 million, representing an increase of ECU 2,844 million on 1994. About ECU 1,000 million of this increase is due to the integration of the full effect of the GNP of the Union resulting from enlargement. The remainder of the increase essentially reflects the growth in GNP for the Union as a whole and the development of the GNP deflator. The impact on the budget of the monetary realignment within the EMS between September 1992 and May 1993 is estimated at ECU 1,746 million.

The 1996 budget has also taken into account the consequences of the decision of June 1995 to maintain, for a number of Member States with appreciating currencies, the agricultural conversion rates applicable to certain direct aids at unchanged levels and to grant degressive compensatory aid to producers for income losses resulting from the reduction in the conversion rates applicable to other measures.

Throughout this Volume, all amounts are expressed in "new" ECU even when they refer to the period before 1.2.1995 when the switchover coefficient was abolished, to facilitate comparisons.

### **4. Medium-term outlook for certain commodities**

Two main factors continue to influence the evolution of EU agricultural markets in the medium-term horizon: the new policy environment as a result of the CAP reform and the application of the GATT agreement.

In summary, under the assumption of stability in the CAP, the outlook for cereals, oilseeds, livestock and dairy products is the following.

For cereals, area allocation is affected by the level of set-aside. If the current standard set aside rate (15 % for rotational set aside and 20 % for non rotational set aside) were to be applied for the 1997/98 marketing year the cereals area should be around 32 million hectares. Within cereals, the share of soft wheat is expected to increase at the expense of barley, and remain rather stable for the other cereals. Yield trends are expected to continue the slower rate of annual growth observed since the mid 1980s, thus resulting in a level of total cereals production close to 190 million tonnes by the year 2000. Cereals consumption should regain the momentum of the first year of CAP reform, provided that world cereals prices decline from their present, historically high, levels, thus influencing the adjustment of domestic market prices towards the intervention price level.

Area allocation in the oilseeds sector, which is determined by the maximum guaranteed area, coupled with reductions in aid for Member States who contribute to any overshoot should stabilise the area at around 5.3 million hectares by 2000. With yields increasing at much lower rates than in the past, oilseeds production should be only slightly higher than its current level by the end of the decade. The level of oil cake for livestock production produced from oilseeds grown for non food purposes is approaching the limit foreseen in the Blair House Agreement. This limit will, therefore act as a constraint on non food oilseed production unless new end uses can be found for the oilcakes.

Beef production has entered into its cyclical upturn in 1995. However, its present level is lower than previous cycles mainly due to the very strong herd decline in Germany. The current beef cycle should thus reach its peak in 1997. However, many uncertainties continue to persist in the sector, in particular with respect to consumption. It is not unreasonable to hope that consumption will stabilize, with the positive impact of income growth offsetting the increased competitiveness of other meats, in particular poultry. But this equation could be upset if income growth falters or if there were renewed or intensified health concerns. On the more optimistic hypothesis, therefore, market equilibrium in the medium term can be maintained at current market price levels but significantly lower prices are likely if production restraint were to be relaxed or if demand falls.

Pork and especially poultry consumption should continue to increase in the future, although their level will be determined to a certain extent by the duration of the current high level of world cereals prices. Given that production is mainly demand driven in these markets, it should adjust to the level of domestic consumption and to export possibilities (which are influenced by GATT commitments). However, if Community cereals prices remain close to world levels, exports without refunds at least for some products should be possible.

Finally, the milk quota system should ensure stable milk production. A slight increase of non-subsidised domestic use is expected, mainly as a result of the increase in fresh products and cheese. However, this development will be almost totally offset by the continuing decline in butter consumption. In the sector as a whole, supply will continue to exceed demand by a significant margin. Whether the Union can go to the end of the GATT period without the need for quota reductions is heavily dependent on consumption trends.

## **5. Price Proposals and Accompanying Measures**

In 1995/96 the support price levels decided in 1992 were applied in full for the first time. Their full effect, however, particularly in the cereals sector, could not be properly appreciated because, for conjunctural reasons, market prices were well above support levels. Nevertheless, there has been nothing in the experience of 1995/96 to suggest the need for fundamental change at this stage. The general theme of this prices package, as regards the sectors reformed in 1992, is one of continuity, but with certain simplifications.

The simplifications concern set aside, where a single rate is proposed for rotational and non rotational set aside, and beef, where a single premium for young bulls is proposed in place of the present two.

The single rate of set aside which is proposed is 18 %. This reflects the fact that under the present system of different rates for rotational and non rotational set aside (normally 15 % for rotational and 20 % for non rotational set aside) producers have opted to put more than 50 % of the land concerned into non rotational set aside. It should be stressed that the figure of 18 % represents, like the existing figures of 15 % and 20 %, the point of departure for decisions by the Council which can, in exceptional circumstances, decide to apply a lower or a higher rate. The Commission intends to make a proposal as regards the 1997 set aside rate in July 1996, if harvest data justifies a departure from the normal rate.

The level of the single premium for bulls is one which enables the existing level of support for this sector as a whole to be maintained unchanged.

As regards tobacco, which was also part of the 1992 package, the Commission is due to make a report in April. For 1996/97, however, proposals on tobacco quotas have already been made and it is now proposed that premia be extended at an unchanged level.

Continuity is also provided in other sectors, but for wine and fruit and vegetables, where reform proposals are already under discussion in the Council, proposals are made on a precautionary basis to allow the existing regimes to function until they are updated after reform decisions have been taken. The same is true for olive oil, where reform proposals will be made shortly.

As regards other issues, for cotton, where a reformed system was introduced last year, a technical change is proposed in order to allow advance payments to be calculated more easily and thus to increase the proportion of the aid which can be paid before the end of the season.

For grain legumes (chickpeas, lentils and vetches), the current aid system is extended and the maximum guaranteed area is increased, as requested by the Council as part of its decisions of December 1993 on the application of the Blair House agreement on oil seeds.

For flax, as anticipated in the 1994/95 price proposals, it is proposed to introduce a maximum guaranteed area (MGA). This is accompanied by a degree of differentiation between traditional and non traditional production techniques, in order to avoid the MGA system having a disproportionate effect on either system.

In the milk sector, apart from some purely technical matters, no changes are proposed. It should be noted, however, that this degree of stability cannot be expected to last indefinitely. Indeed, next year, discussions will need to begin on longer term price and quota policy as the expiry date of the current quota regime approaches and as the tariff reductions decided in the context of the GATT agreement begin to make themselves felt.

For pigmeat, the changes in the basic price and standard quality agreed last year have allowed a better appreciation of the market situation, which improved significantly in 1995/96. No further changes are proposed now. For sheepmeat, the basic system of support level is extended unchanged but a new means of applying private storage, for application for short term actions in specific markets, is suggested.

As regards the measures which are conditioned by interest rates (monthly increments in the cereals and rice intervention prices and sugar storage refunds) reductions are proposed reflecting the generally downward trend in these rates. For cereals monthly increments, a further reduction is made to offset the fact that some of the reductions proposed by the Commission since 1992 were adopted only in part by the Council, with the result that there has been too much incentive to retain cereals early in the season.

As Annex I, the Commission is submitting the report on protein crops and linseed requested by the Council in its conclusions of the price package of last year.

As Annex II to the price proposals, the Commission is submitting a report on the beef male animal premia, on the deseasonalisation premium and on the derogations from the normal rules on livestock premia which are applied to the new German Länder. The proposal for a single premium for young bulls emerges from this report. Other proposals arising from the report are an extension, on a slightly different terms, of the existing deseasonalisation premium and the faculty for those Member States liable to problems of seasonality in beef production effectively to modulate the second steer premium in circumstances where the criteria for the normal deseasonalisation premium have not been met. As regards the new German Länder, the existing derogations in the sheep sector are continued in view of the low level of production. In the beef sector, however, it is suggested that it is now time for the Community rules to be fully applied.

**B. EXPLANATORY MEMORANDA BY PRODUCT****1. Arable crops****1.1 Rate of set-aside**

When fixing the rate of set-aside for the 1996/97 marketing year, the Council asked the Commission to consider the possibility of proposing an amendment to Regulation (EEC) No 1765/92 so that, in future, as a general rule, an appropriate uniform rate of set-aside could be fixed.

A uniform rate of set-aside would significantly simplify the rules but would risk weakening control of production if the rate were simply that decided on at the time of the reform, i.e. 15% rotational set-aside. Producers can currently opt for set-aside other than rotational set-aside, but only on condition that they set aside an additional 5% to compensate for the absence of rotation. This additional amount was reduced to 3% for the United Kingdom and Denmark. On the basis of these provisions and the forecasts for cereal production and outlets up to 2000, a uniform basic rate of set-aside equal to the present basic rates should be fixed. Since the beginning of the reform, producers have tended to move from rotational to non-rotational set-aside despite the additional set-aside required, and by 1995 more than half of set-aside in the Community was non-rotational. Given this situation, and in order to obtain the same effect with a uniform rate as with the differentiated rates, the Commission proposes to fix the uniform basic rate of set-aside at 18%.

As regards the rate of set-aside to apply for the 1997/98 marketing year, i.e. to the autumn 1996 and spring 1997 sowings, the Commission will, if necessary, make a specific proposal in July 1996, taking account, inter alia, of the forecast for the 1996 Community harvest and market developments.

- 1.2 In order to ensure consistency, given that the rate of compulsory set-aside will be the same for all Member States, the additional rate in the event of transfers of set-aside between farmers should be fixed at 3%.

**2. Cereals****2.1 Prices and compensatory payments**

In 1995/96, the final phase of the reduction of intervention prices, the definitive arrangements adopted under the reform were introduced. From that marketing year, the intervention price and the compensatory payments decided in 1992 remain applicable for the subsequent marketing years. The uniform intervention price for all cereals is ECU 119.19 per tonne and the compensatory payment ECU 54.34 per tonne per hectare of historical cereal yield as fixed in the regionalization plan.

## 2.2 Monthly increases

The intervention price for cereals is increased on a monthly basis from November to May by a sum amounting to ECU 1.3 per tonne per month for the 1995/96 marketing year. The increase for May also applies in June.

The Commission proposes to maintain these arrangements, changing just the level of the monthly increase.

The reductions in the monthly increases proposed by the Commission in the price packages since the beginning of the reform have not been accepted in full by the Council. The consequences have been felt on the markets, where there has been too marked a tendency to hold cereals at the beginning of the marketing year in order to market them later. The monthly increases should therefore be reduced to the optimum level required to ensure smooth disposal of the harvest throughout the marketing year. Furthermore, interest rates are falling and this is likely to continue in the medium term. For all these reasons, the Commission proposes to fix the monthly increase at ECU 1.10 per tonne per month.

## 3. Protein crops and linseed

The Annex I attached to this Explanatory Memorandum constitutes the report requested by the Council. It shows that a change in the system of payment of the aid for those crops would not improve the balance between arable crops.

## 4. Grain legumes

4.1 The scheme for grain legumes was introduced in 1989 by Council Regulation (EEC) N° 762/89 in order to maintain these crops having an economic interest for the European Community. It expires at the end of the 1995/1996 marketing year.

4.2 When it adopted the Regulation which implemented the "Blair House" agreement on oilseeds in December 1993, the Council made the following declaration: " The Council approves the Commission's intention progressively to strengthen the present support arrangements for producers of crops such as lentils, chick peas and vetches in order to achieve the objective of medium-term cultivation of an additional 280,000 hectares of such products in Spain. For each year during which that objective is achieved the level of aid will be reduced by the percentage by which the objective is exceeded". It thus signalled its wish to continue to support these products and even to provide for a certain increase in the area cultivated in order to provide an alternative to sunflower seed cultivation, particularly in those parts of the Union where these crops are a traditional part of the arable area.

- 4.3 Therefore, the Commission proposes an adapted scheme which retains the main elements of the current scheme ( Maximum Guaranteed Area (MGA) and hectare aid) , which puts the regulation for these crops more in line with some aspects of the regime for arable crops (adaptation of the aid in the current marketing year in cases where the MGA is exceeded) and which takes account of the December 1993 compromise. The Commission executed the aid element of that compromise by increasing the aid to 157 Ecu/ha in 1994/1995 and to 181 Ecu/ha in 1995/1996.
- 4.4 Therefore, the Commission proposes to increase the Maximum Guaranteed Area (MGA) to 400,000 ha and to fix the aid at the current level of 181 Ecu per hectare. An overshoot of the MGA in one marketing year gives rise to a proportional reduction of the aid during the same marketing year.
5. **Rice**
- 5.1 Prices
- The intervention prices for paddy rice for the 1996/97 to 1999/2000 marketing years were fixed by the Council Regulation on the reform of the COM. The price was fixed at ECU 351 per tonne for the 1996/97 marketing year. A 15% reduction spread over three years will bring the price for 1999/2000 to ECU 298.35 per tonne.
- 5.2 Monthly increases
- From the 1996/97 marketing year, the intervention period is from 1 April to 31 July. During that period, the intervention price is subject to four monthly increases, the increase for July also being applied in August.
- In view of the movement of interest rates, it is proposed to fix the monthly increase at ECU 2.06 per tonne.
6. **Sugar**
- 6.1. The Commission proposes to maintain unchanged the basic price for beet, the intervention price for white sugar and the manufacturing margin.
- This proposal relates to the basic price for beet and to the minimum prices for A beet and B beet, which depend ultimately on the ceiling fixed for the basic production levy and for the B levy, the latter subject to a subsequent increase in the ceiling in accordance with Article 28 of Regulation (EEC) No 1785/81.
- 6.2. As far as the reimbursement of storage costs is concerned, the Commission proposes that the amount of the monthly refund be reduced from ECU 0,45/100 kg to ECU 0,41/100 kg, to take account of the lower interest rates prevailing in the Community.

1996/97 PRICE PROPOSALS FOR SUGAR

	Unit	1995/96 prices (ECU)	1996/97 proposal (ECU)	Change %
1. Basic price for beet	tonne	47,67	47,67	0
2. Minimum price for A beet (1)	tonne	46,72	46,72	0
3. Minimum price for beet (2)	tonne	32,42	32,42	0
4. Intervention price for white sugar	100 kg	63,19	63,19	0
5. Target price for white sugar	100 kg	66,50	66,50	0
6. Intervention price for raw sugar	100 kg	52,37	52,37	0
7. Monthly reimbursement of storage costs	100 kg	0,45	0,41	- 8,9

- (1) 98% of the basic price for beet  
(2) 68% of the basic price for beet, except where Article 28(5) of Regulation (EEC) No 1785/81 is applied.

**7. Olive Oil****7.1 Prices 1996/97**

The Commission intends to propose in the near future a major reform of the regime. However, in view of the uncertainty over the timing of the proposals and over whether the Council can decide on the revised regime in time for it to apply to the 1996/97 marketing year, as a precautionary measure, the continuance of existing prices and aid levels is proposed.

Following this approach, the prices and aid levels proposed for the 1996/97 marketing year are detailed in the table. In this table 1994/95 and 1995/96 figures are also given for comparative purposes.

**Related measures :**

- 7.2 The fluctuating production levels specific to this product may result occasionally in a shortage on the market and very high prices. In order to be able to respond to such a situation by increasing the level of imports, it is proposed to give the Commission the power to suspend partially or totally the Common Customs Tariff when the market price of olive oil is significantly higher than the intervention price.

- 7.3 Certain minor adaptations to the consumption aid regime resulting also from the implementation of the Uruguay Round agreements are, in addition, proposed. They include in particular the suppression of the requirement that olive oil benefitting from the aid should be produced in the Community, and of the obligation for importers of olive oil (with the exception of olive oil imported from Tunisia under the quota benefitting from special arrangements) to constitute a guarantee equal to the amount of the consumption aid payable on the quantity imported.

These adaptations are a consequence of the inclusion in the Common Customs Tariff of an amount equal to that of the guarantee to be constituted. They should come into force not later than 1 July 1996 when the transitional measures adopted under Council Regulation (EC) No 3290/94 will expire.

## Price proposals for olive oil

..... Ecu/100 kg

<b>TYPE OF PRICES OR AID</b>	<b>1994/95</b>	<b>1995/96</b>	<b>1996/97</b>
1. Production target price	383, 77	383, 77	383, 77
2. Intervention price	191, 92	186, 17	186, 17
3. Representative market price	229, 50	229, 50	229, 50
4. Production aid	142, 20	142, 20	142, 20
5. Production aid for olive growers whose average production is less than 500 kg	151, 48	151, 48	151, 48
6. Consumption aid	12, 07	12, 07	12, 07
7. Percentage withheld on the production aid for :			
- quality improvement	1, 40%	1, 40%	1, 40%
- aid for producers organizations and associations thereof	0, 80%	0, 80%	0, 80%
8. Percentage withheld on the consumption aid :			
- promotion campaigns	0 %	0 %	0 %
- aid for trade bodies	5, 50%	5, 50%	5, 50%

## 8. Fibre plants

### Cotton

- 8.1 The cotton regime was reformed last year and so no major changes are proposed : the prices, the National Guaranteed Quantity for each Member State and, thus, the Maximum Guaranteed Quantity were all fixed for a five years period.
- 8.2 However, establishing the level of the advance at the beginning of the marketing year 1995/96 required the exercise of cautious judgement both as to the level of production and as to world prices. This was in order to ensure that the advance would not exceed the total payment. To avoid having to forecast both these unknown factors, the Commission proposes to amend the basic Council regulation in order to provide for a variable amount of advance. This advance will be based on the difference between a provisional estimate of the target price and the observed daily world price. The provisional estimate of the target price will correspond to the target price reduced by a provisional abatement. This will result from any application of the MGQ stabilizers which production forecasts indicate will be necessary. However, such production forecasts shall for these purposes be inflated by 15% in order to provide a safety margin to ensure that aid advance payments do not exceed final aid payments. The final payment, to be made as soon as final production figures are available, will thus become a flat rate sum equal to the difference between the provisional abatement and its definitive level. Moreover, the current system under which the aid can be prefixed created distortion of competition between operators. For this reason, and to simplify the management of the regime, the Commission proposes to provide that the demand for aid must be lodged on the same day as the cotton is placed in supervised storage.

### Fibre flax

- 8.3 Fibre flax is supported by an aid per hectare, part of which is retained to finance a linen promotion scheme.
- After several years of important market surpluses, the flax market has been reasonably well balanced in recent years, but is now expected to move again into surplus. For some time now the Commission has been warning in price packages that, after watching the development of this crop carefully, there may be a need to propose some means of limiting the planted area, e.g. a maximum guaranteed area.
- Because of the desirability of more stability in the flax market and in the areas sown, a regime providing for a Community maximum guaranteed area (MGA) based on average areas cultivated over the last three years (81,500 ha) is proposed, from the 1997/98 marketing year onwards. In case of overshoot, a reduction in the aid for the marketing year concerned (1% for an overrun of each 1% of the MGA) will apply. The decision should be taken now, so that producers can take account of this new policy instrument in planning their investment for next year.
- 8.4 The planted area has been expanding in recent years more in new growing areas (in particular Spain and the UK) than in traditional areas (in particular France, Belgium, the Netherlands).

In the new areas the growing techniques are more concentrated on the yield of seed, whilst the yield and quality of the fibre is lower, mainly because the crop is harvested by cutting the plants rather than by grubbing them (pulling), and also because the flax is sown at a lower density. The more traditional and intensive way of growing leads to higher production costs with investments in specialised harvesters and scutching plant.

In order to avoid the effect of the MGA bearing disproportionately on producers practising traditional production techniques, it is proposed to introduce from the 1997/98 marketing year an aid abatement to be applied to the aid paid to those producers who harvest their crops by cutting rather than grubbing up (pulling) their crops. The level of the abatement, to be set by the Commission under management committee procedure, will take account of the different variable costs involved in the two systems and the difference in the value of the output as well as the need to avoid encouraging the non-traditional producers to invest also in the traditional intensive production techniques, which would increase the production of flax fibres and with it the risk of market disequilibrium. This new abatement would replace the existing abatements linked to the yields of seed, which seem to be no longer justified taking into account the new harvesting (retting) techniques used in the traditional areas. This would simplify on the spot controls by the Member States after harvest.

- 8.5 The new system will be reviewed after three years experience, in particular to verify that the objective of improving control over the planted area whilst maintaining a reasonable balance between traditional and less intensive production techniques has been achieved.
- 8.6 For the 1996/97 marketing year the Commission proposes to maintain the current aid level and the current amount retained to finance promotion actions at 935.65 Ecu (before any aid abatement) and 53.64 Ecu per hectare respectively.

#### Hemp

- 8.7 In view of the current and foreseeable market situation for hemp and the level of aid proposed for fibre flax, the Commission considers that the areas sown with hemp can be kept around their current level by keeping the aid for 1996/97 at 774.74 Ecus/ha.

#### Silkworms

- 8.8 Silkworm rearing is practised in a few areas of the Community only and benefits from a flat rate aid per box. Taking into account the benefits for some rearers from large devaluations of their national currency the Commission proposes to set the amount of aid at the same level as last year, i.e. Ecu 133,26.

## 9. Wine

- 9.1 Since May 1994 the Commission has presented to the Council and to Parliament the proposal on the reform of the common organization of the market in wine in order to fix new rules for that sector. Among other things, the proposed measures make the fixing of guide prices superfluous. It may not, therefore, be necessary to make a proposal within the price package. However, since the Council may not adopt the proposed measures as they stand and may, moreover, not be able to decide in time for the application of the reform to the 1996/97 marketing year, it seems sensible to extend various legal provisions of the existing wine regime in order to ensure that, if necessary, it can continue to function as at present.
- 9.2 The Commission therefore proposes extending the guide prices for the 1995/96 marketing year into the 1996/97 marketing year.
- 9.3 Pending the establishment of the new Common Market Organisation in wine, it is proposed to extend for the 1996/97 marketing year certain deadlines established by Community legislation concerning the submission of the reports on the sulphur dioxide (SO<sub>2</sub>) content of wines, sparkling wines and liqueur wines.

As regards other reports:

- the report on measures enabling producer groups to be included with producers for compulsory distillation contracts. The postponement of this deadline, which concerns Regulation (EEC) No 2046/89, will be studied in the context of a separate proposal dealing with amendments to this regulation.
- the link between structural measures and compulsory distillation will no longer have any significance if the administrative guidelines provided for by the reform are adopted. It is therefore proposed that the obligation to produce this report be deleted;
- as to the reports on "enrichment" and the delimitation of wine-growing areas, the presentation of the discussion paper and the reform proposal render them redundant since conclusions on those subjects have already been drawn by the Commission. The studies used by the Commission to draw up its proposal are now available and have been provided to the Council.

It is also proposed to extend certain deadlines for market management, in particular:

- the rules for calculating the quantities to be distilled for each production region (uniform percentage and reference wine year) accepted following the Dublin compromise, which were deferred until 31 August 1996, as well as the derogation granted for a particular application of the compulsory distillation system in Greece;

- the trial periods for certain deacidification practices which are reaching their expiry date;
  - the period during which it is permitted to reserve for the promotion of grape juice part of the aid granted for the use of grape must to make grape juice, the deadline of which was already extended last year until 31 August 1996.
- 9.4 With regard to Spain's problems concerning the possibility of mixing white wine and red wine (Mezcla) and marketing wines with a degree of acidity lower than that fixed for the rest of the Community, it is proposed to extend for the next marketing year the measures already adopted under the last price package and similarly to provide for the same derogation on acidity in Portugal as has been granted in the past.
- 9.5 The rules currently in force concerning the ban on new planting and the system granting Community premiums for grubbing up vines are due to expire in the course of the current marketing year. It is proposed, pending a decision on the set of measures proposed under the reform, to extend the system in force for a new year.
- 9.6 It is also proposed to provide for a specific derogation for certain special wines (obtained from botrytis grapes) in the United Kingdom as regards the maximum SO<sub>2</sub> content. For this precise category of wine the maximum content should be raised to 300 mg/l (the same as that provided for analogous products in other regions).

It should be noted that:

- with regard to the extension of the deadline for the restructuring of vines planted in "hybrid" varieties in Madeira and the Azores, the Commission will be submitting to the Council the appropriate proposal as part of the amendment it will be submitting of Regulation (EEC) No 1600/92 concerning specific measures for the Azores and Madeira relating to certain agricultural products;
  - the amendments to the general distillation rules concerning the proportional relation between infringements and penalties will be submitted as soon as possible.
- 9.7 The vineyard register

Without prejudging the outcome of the discussions under way in the Council on the reform of the common organization of the market in wine, the future management arrangements for the COM will probably involve a register permitting the area planted with vines to be known.

Given the state of the work for the establishment of vineyard registers in the Member States concerned and in the light of experience, the Commission proposes to extend the deadline for the completion of the simplified vineyard register (basic reference charts) to 31 December 1998 instead of 31 December 1996 as was decided at the time of the adoption of the price package last year.

## **10. Fruit and Vegetables**

### Basic and buying-in prices

Pursuant to Article 16 of Council Regulation (EEC) No 1035/72 on the common organization of the market in fruit and vegetables, each year the Commission proposes a basic price and a buying-in price for each of the products listed in Annex II to that Regulation, i.e. cauliflowers, apricots, nectarines, peaches, lemons, tomatoes, aubergines, pears, table grapes, apples, satsumas, mandarins, clementines and oranges.

Pending a decision from the Council on the reform of the common organizations of the markets in fresh and in processed fruit and vegetables, the Commission proposes to maintain the basic prices and buying-in prices at their current levels. It will draw conclusions from any overruns of the intervention thresholds when the total withdrawals during the 1995/96 marketing year are known.

## **11. Milk and milk products**

- 11.1. The current situation on the market for milk products seems fairly balanced and does not, therefore, require corrective action this year on prices or quota levels. It should, however, be underlined that market stability is still fragile and cloaks a structural surplus which consistently requires large-scale intervention in the form of subsidized end-uses. Furthermore, the progressive application of GATT obligations will put increasing pressure on the sector.
- 11.2. Since 1992, as part of the CAP reform and linked with the reduction in cereals prices, the Council fixed the target price and the intervention prices for periods which run from 1 July to 30 June. It seems appropriate to continue this practice and, for the sake of consistency, the Commission also proposes to bring the start of the marketing year in line with the period for which prices are fixed.
- 11.3. In the framework of the Uruguay Round negotiations, certain bilateral agreements were concluded which foresee arrangements under which the Union would have a more active role in the management of concessions granted by third countries. With regard to measures to ensure that maximum advantage can be taken of such arrangements, experience has shown that the Commission lacks an adequate legal basis to enable it to undertake simply and efficiently the management of these concessions. The Commission, therefore, proposes to insert an ad hoc provision in the basic Regulation to remedy this difficulty.

## 12. Beef and veal

### 12.1 Prices

As regards the intervention price, it is proposed to maintain the level of 347,5 Ecu/100 kg deadweight for male carcasses of quality R3.

No other prices are required to be fixed since the obligation to fix yearly a guide price was removed by the Council (Uruguay Round Agreement).

Concerning the period covered by the marketing year, it is proposed to amend the normal dates so that it would commence on 1 July from 1996 onwards; the next marketing year would therefore begin on 1.7.1996 and end on 30.6.1997 instead of 1.4.1996 and 30.3.1997 according to the existing rules (Article 4 of Council Regulation 805/68).

### 12.2 Premia (related measures)

Following the reform of the Common Agricultural Policy (CAP) in the beef sector, the Commission undertook to examine the functioning of certain measures introduced by the new beef premium regime. In Annex II to this Explanatory Memorandum is attached a document entitled "Report on the Beef and Sheep Sectors" which studies the following questions :

- the distribution of the regional ceilings for the Special Male Bovine Premium in the Member States in the light of the evolution in structures of production following the reform,
- the effects of the deseasonalisation premium,
- the application, in the territories of the new German Länder, of the provisions applicable in the rest of the Community, and
- the beef market situation in the light of the evolution of the sector and the application of the GATT agreement.

As a consequence of this examination it is proposed :

- a) to delete the second age bracket premium for non-castrated male bovines whilst increasing by 14% the amount of the single premium which results for this type of animal. This percentage increase in the single premium arises from the savings made by the deletion of the second age bracket premium payment and thus has a neutral budgetary effect;
- b) to maintain the deseasonalisation premium with seasonal slaughtering coefficient slightly lower than at present, but calculating this coefficient considering the total number of steers slaughtered in the Republic of Ireland and in Northern Ireland (the two principal beneficiaries of this measure). Also, a possibility of providing an alternative incentive to orderly marketing, financed by a deduction from the second tranche of the steer premium is

proposed, for application when the criterion for the application of the deseasonalisation premium is no longer fulfilled;

- c) Finally, not to accept requests made by Germany in respect of the New Länder : -
- (1) For the prolongation of certain derogations from the rules on the application of the suckler cow premium;
  - (2) For the waiving of the 90 head limit on the male animal premium.

### **13. Sheepmeat and goatmeat**

#### **13.1 Prices**

The institutional prices for the 1996 marketing year were fixed in the 1995/96 prices package.

For 1997 the Commission proposes that the basic price remains at the level already decided for 1996. The Commission also proposes that the seasonalisation of the basic price remains unchanged.

#### **13.2 Related measures : Speeding up the opening of the private storage procedure**

At present in this sector, the amount of aid granted for private storage may be fixed for a certain quotation zone (by Management Committee procedure) either by tendering procedure or by fixing in advance the amount of aid at a flat rate. However, if the market price (in the Community or in the quotation zone in question) falls below 70% of the basic price, which tends to become the rule, the procedure of fixing the amount of aid for private storage by way of tender becomes the only procedure authorised.

In the course of the 1995 marketing year, the Commission has been faced with particular requests for private storage intended to relieve rapidly the market during certain periods of the year which had become undeniably difficult (e.g. in Ireland, Sweden and Finland). Subsequently, with the procedure of tendering being the only authorised method, a relatively effective intervention in the market is allowed but it takes place with a considerable delay: firstly, with a Management Committee to call for offers; secondly, with a Management Committee to fix the minimum level of aid. With the aim of making the private storage procedure more effective, in the event that a swift intervention is required (sudden market price fall in a certain quotation zone or agreement from the Commission for a defined but limited operation), the Commission proposes to modify the basic regulation by establishing the possibility to foresee at any market price level the need for private storage by means of the procedure which fixes in advance the amount of the aid (the procedure by tender remaining, however, the rule to follow in the majority of cases). Under these conditions, a single Management Committee could, if necessary, vote without unnecessary delay on the amount of aid judged to be adequate and on the maximum, acceptable quantity to be put into storage within a certain deadline.

- 13.3 As concluded in the report attached as Annex II, an extension of the derogation granted to the new German Länder as regards the application of the limit of the ewe premia is proposed.

#### 14. Pigmear

- 14.1 The basic Regulation for pigmeat provides for the fixing of a basic price. Its level is primarily meant to indicate the level of prices at which the market will be in balance, i.e. which contributes towards stabilizing market prices without, however, leading to structural surpluses. The only operational purpose of the basic price is to provide a trigger for possible private storage aid. Such a scheme may be initiated when the average market price in the Community falls below 103 % of the basic price. The basic price is in force from 1 July to 30 June.
- 14.2 For the period July 1995 to June 1996 the basic price for pig carcasses of standard quality was fixed at 1509.39 ECU/t.
- 14.3 After two consecutive reductions in 1994/1995 and 1995/1996, the basic price stands now at a level which represents a reasonable estimate of the point of equilibrium between supply and demand. Therefore, it is proposed to keep the basic price unchanged and to fix it at 1509.39 ECU/t
- 14.4 The standard quality, to which the basic price refers, was changed in 1995/1996, from class U to class E. Class E represents the quality of the majority of pigs slaughtered in the Community and should be kept unchanged.

The definition of standard quality should be fixed as follows :

- (a) carcasses weighing 60 kg to less than 120 kg : grade E;
- (b) carcasses weighing 120 kg to 180 kg : grade R.

#### 15. Tobacco

- 15.1 The Common Market Organization as reformed in 1992 is now well established.
- 15.2 With respect to the fixing of the guarantee thresholds, the Council requested the Commission to present its proposals at an early stage, prior to the price package, so as to allow tobacco producers to know their rights in advance of the planting season. Accordingly, the proposal regarding the 1996 and 1997 harvests is now before the Council, and the decision is expected before the end of February. This proposal is essentially a roll-forward of the 1995 situation.

- 15.3 With regard to the premia, the experience of the 3 last campaigns shows that their present level should be maintained also for 1996/97. In fact, production has been close to the guarantee thresholds, with minor exceptions due to the market situation, and in particular to the reduced demand for some varieties.
- 15.4 It should be noted that the Commission will also present before 1.4.96 a set of proposals regarding the future of the tobacco regime. These proposals concern only the 1998 harvests and beyond. Therefore it seems logical that its discussion be separated from the price fixing.

## ANNEX I

### Report on the examination of the protein plant and non-fibre flax sectors

In its conclusions of 22 June 1995 on the 1995/96 price package, the Council asked for an examination to be made of whether the application of Article 15(2) of Regulation (EEC) No 1765/92 (oilseed arrangements) in the protein plant and non-fibre flax sectors would preserve the balance between arable crops.

#### 1. Protein plants (peas, field beans and sweet lupins)

##### *1.1 Community production*

The largest area sown before the reform was 1 327 000 ha in 1987. With the introduction of a maximum guaranteed quantity in 1988, the area stabilized at between 1.2 and 1.3 million hectares. A new high was recorded in 1993, the first year of the reform of the CAP, when 1 373 000 ha were sown. In 1995, the area for the Community of Twelve fell to 1 142 000 ha.

In the three main "traditional" producer countries, France, the United Kingdom and Denmark, areas developed in parallel. Areas increased in Germany, particularly in the new Länder, and in Spain. The area in Italy has been falling since 1986 and was down to 39 000 ha in 1995.

Yields increased satisfactorily until the beginning of the 1990s as a result of genetic improvements and improved cultivation techniques, but also of a gradual move from field beans to peas and a concentration of sowing in France, where yields are highest. In 1994 and 1995, yields tended to fall as a consequence of the reduction of areas in the "traditional" producer Member States and an increase in Spain, where yields are only around 1t/ha.

The result of these developments was that Community production tended to increase up until 1993 and then began to fall in 1994 and 1995. In other words, after a period of intensification, specialization and concentration in the most productive regions between 1988 and 1993, production has begun to move to the less productive regions.

Table 1 gives the details of the development of Community production.

Protein crops

PEAS, FIELD BEANS AND SWEET LUPINS : AREA SOWN (000 ha)											
	D11	D16	DK	FRA	UK	ESP	ITA	other	EUR-12	EUR-12+	EUR-15
1986/87	63		142	313	152	69	173	59	971		
1987/88	102		201	474	211	65	164	110	1327		
1988/89	89		147	548	261	50	119	80	1294		
1989/90	68		123	656	214	52	119	57	1289		
1990/91	46	64	115	715	216	42	113	26	1291	1309	
1991/92	36	48	99	667	203	34	114	22	1187	1199	
1992/93	30	47	118	715	208	30	103	37		1257	1329
1993/94		89	121	753	244	30	93	43		1373	1436
1994/95		76	106	679	229	114	80	21		1304	1360
1995/96(e)		120	76	581	191	116	39	19		1142	1183
PEAS, FIELD BEANS AND SWEET LUPINS : YIELDS (t/ha)											
	D11	D16	DK	FRA	UK	ESP	ITA	other	EUR-12	EUR-12+	EUR-15
1986/87	3,60		3,62	3,82	3,82	0,84	1,31	3,22	3,08		
1987/88	3,26		2,62	4,06	2,70	0,98	1,38	2,31	2,94		
1988/89	3,60		3,45	4,76	3,67	1,18	1,26	2,74	3,73		
1989/90	3,50		3,86	4,47	3,40	1,15	1,25	2,70	3,67		
1990/91	3,59	3,34	4,79	5,15	3,76	1,21	1,32	2,73	4,28	4,26	
1991/92	3,69	3,40	4,21	4,79	3,43	1,41	1,83	1,59	4,02	4,00	
1992/93	3,63	2,94	2,58	4,61	3,39	1,27	1,78	2,23		3,78	
1993/94		3,26	3,77	5,06	3,87	1,00	1,57	2,61		4,22	
1994/95		3,20	3,60	5,06	3,17	0,95	1,64	3,71		3,91	
1995/96(e)		3,20	3,61	4,79	2,93	0,57	1,63	2,83		3,66	3,63
PEAS, FIELD BEANS AND SWEET LUPINS : PRODUCTION (000 t)											
	D11	D16	DK	FRA	UK	ESP	ITA	other	EUR-12	EUR-12+	EUR-15
1986/87	227		514	1196	580	58	228	190	2991		
1987/88	333		527	1925	570	64	227	254	3900		
1988/89	320		507	2608	959	59	150	219	4822		
1989/90	238		475	2931	727	60	149	154	4734		
1990/91	165	214	551	3681	812	51	149	71	5529	5578	
1991/92	133	163	417	3198	697	48	209	35	4767	4797	
1992/93	109	138	305	3293	706	38	183	83	4716	4746	
1993/94		290	456	3811	944	30	146	112		5789	
1994/95		242	380	3433	724	108	131	77		5095	
1995/96(e)		383	274	2784	560	66	64	53		4184	4301

### *1.2 Protein crops and the reform of the CAP*

The aid scheme for protein crops was introduced into the arrangements for arable crops in 1992. The aid per hectare for protein crops is ECU 78.49 per tonne multiplied by the reference regional cereal yield. This level of aid was introduced in the first year of application of the reform at the same time as the support prices were abolished.

It should be recalled that the intervention price for cereals has been reduced in three stages and that the aid has been adjusted accordingly from ECU 30.19 to ECU 42.26 to ECU 54.34 per tonne of historical yield.

As a result of the different transitional arrangements for protein crops and cereals, the first transitional year, 1993/94, was particularly favourable for protein crops which immediately benefited from their final level of aid. On the other hand, it was foreseen that, when the arrangements were fully in force, protein crops would lose some of their attractiveness compared with that first transitional year, the level of aid having been calculated to more or less equalize income from the two types of crop at the end of the transitional period.

This is confirmed by a comparison in two production zones (a department of France and East Anglia) of the profitability of protein crops and cereals:

- before the reform, protein crops were slightly more profitable than cereals;
- during 1993/94, total income decreased for cereals and increased for protein crops, increasing the profitability gap in favour of protein crops;
- in 1994/95, the situation changed and cereals became slightly more profitable than protein crops, the market price for the latter falling more than that for the former;
- in 1995/96, income from the two crops has increased because of their high market price, although protein crops remain less profitable. The income differential has increased in 1995/96, in a way that could not be foreseen at the time of sowing, as a consequence of the firmness of cereal prices. This is a temporary phenomenon arising from market conditions in 1995/96.

Furthermore, as can be seen in the following table, the Community area sown in 1995/96 is higher than that normally sown, which can be defined as the average area sown before the reform (1 265 000 ha for 1988-91) less the set-aside.

	Set-aside (%)	Threshold (ha)	Area sown	Gap (%)
1993/94	15	1 075 000	1 373 000	+28
1994/95	15	1 075 000	1 304 000	+21
1995/96	12	1 113 000	1 142 000	+2.6

### *1.3 Conclusion*

When account is taken of the normal effects of set-aside and a certain degree of extensification, the recent reduction in the Community area sown with protein crops is no cause for alarm. The reduction is certainly aggravated by certain cyclical factors, the high price for cereals being the most important. The Commission is convinced that a satisfactory balance can be maintained between arable crops in the context of market prices for feed-grain closer to the intervention price. It therefore takes the view that the existing arrangements for protein crops should not be amended. The Commission will, however, continue to monitor the future development of the area sown to protein crops and will make appropriate proposals if this appears to be warranted.

## 2. Non-fibre flax

### *2.1 Community production*

In the mid-1970s, the Community area sown with non-fibre flax totalled 30 000 ha. It then fell to 5 000 ha to rise at the end of the 1980s and the beginning of the 1990s to 265 000 ha. The area (EUR-12) for the 1995/96 marketing year is estimated at 120 693 ha.

The average yield is 1.7 t/ha, but this can fluctuate widely from year to year and region to region.

The world price for seed flax is unstable: ECU 380/t in 1984, ECU 130/t in 1992 and ECU 200-210/t in 1994 and 1995.

## *2.2 Non-fibre flax and the reform of the CAP*

Community rules on non-fibre flax initially provided for aid equal to the difference between the target price set by the Council and the average world market price recorded by the Commission. In 1993, a maximum guaranteed area of 266 000 ha was introduced.

From 1994/95, non-fibre flax was fully integrated into the arrangements for arable crops. The compensatory aid per hectare is ECU 105.1/t multiplied by the cereal yield referred to in the regionalization plan. The base area for arable crops has been increased by 63 000 ha (average area sown with non-fibre flax during 1989, 1990 and 1991). In addition, where it fulfils the conditions, the crop can benefit from the "seed" aid, set at ECU 224.6/t.

## *2.3 Conclusion*

An examination of the profitability of non-fibre flax shows that there are no profitability problems compared with other arable crops, in particular rape. The Commission therefore takes the view that it is not necessary to amend the current arrangements for non-fibre flax.

## ANNEX II

### REPORTS ON CERTAIN ASPECTS OF THE BEEF AND SHEEPMEAT SECTORS

#### INTRODUCTION

#### I. EVOLUTION OF THE BEEF MARKET

##### A. Three years since the implementation of the Reform

##### B. Short- and medium-term evolution

- a. Production
- b. Imports
- c. Exports
- d. Consumption
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#### II. SPECIFIC ITEMS FOR WHICH A REPORT WAS REQUESTED

##### A. Special Male Bovine Premium.

- a. Regional Ceilings
- b. The Second Age Bracket Premium for Bulls

##### B. Deseasonalisation Premium

##### C. The Beef and Sheep Quota Regimes in the Neue Bundesländer (NBL) in Germany

- a. The Beef Quota Regime
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#### III. ANNEXES

- I. EU Market Prices- bulls and steers (1991-1995)
- II. Comparison of Beef R3 over Pig carcasses Grade U
- III. Suckler Cow Premiums in the Member States of the EU (1992-1994)
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- VI. Supply balance sheet and short/mid-term forecasts -Beef
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REPORTS ON CERTAIN ASPECTS OF THE BEEF AND SHEEPMEAT SECTORS

INTRODUCTION

At the adoption of the 1992 Beef and Sheep Reform, Council laid down in the base Regulation (EEC) No 805/68 for the beef sector the following requests for reports to be produced a couple of years after the reform had been implemented:

-a report on the effects of the deseasonalisation premium in the beef sector, together with appropriate proposals (Article 4c of the basic regulation).

-a report, accompanied by proposals on the application in the new German Länder of the quota rules for beef and sheep which apply in the rest of the Union [Article 4k of regulation (EEC) No 805/68, and Article 5c of the basic regulation in the sheep sector (EEC) No 3013/89].

Furthermore, at the 1994/1995 price fixing Council requested that the Commission examine and make, if necessary, appropriate proposals before 31 December 1994 on the regional ceiling of the Special Male Bovine Premium between Member States. The Commission made no proposals by that date, in particular because it had not received data on the 1993 payments and it had no other information demonstrating that a proposal was necessary.

Finally, in the Council meeting of September 1995 the Commission declared itself to be ready to carry out a review of the premium schemes, bearing in mind developments in the beef sector and the application of the GATT agreements and to propose adjustments where appropriate.

Besides those requested reports, the Commission takes the opportunity to address some other items, such as price evolution, the effects of the increased premiums, the effect of the second premium for non-castrated animals and the measures taken to place a control on production.

## I. EVOLUTION OF THE BEEF MARKET

### A. Three years since the implementation of the Reform

1. In November 1993 the Commission presented to Council a report on the prospects for the beef and veal markets and the intervention system [COM(93)601 final] in which the market evolution until autumn 1993 was commented as follows:

After the important increase in production in 1990 and 1991, which reached 8.7 million tonnes, the production decreased in 1992 to 8.4 million tonnes and decreased further to 8 million tonnes in 1993. As main factors behind this decrease in production were mentioned:

- the cyclical nature of beef production which, having peaked in 1991, is following a downward trend in 1993;
- the 1992 year being the reference year for the premium quotas attracted a retention by producers in order to increase their quota;
- the limiting of imports of calves to 425.000 heads per year;
- the increased exports of live cattle ready for slaughter.

However, production subsequently decreased further than was expected in the report of November 1993 and came down to 7.7 and 7.4 million tonnes in 1993 and 1994 respectively. Besides the abovementioned reasons, the fall in the total number of cows present in the Union from 33.4 million heads in 1991 to 31.8 million heads in 1993 had also contributed strongly to that extra decrease in beef production.

2. This important decrease in production had the following effects on the market:

- Stable prices, slightly under the 80% of the intervention price in 1992, were experienced until July 1993; then, in absolute terms, prices decreased somewhat but, due to the three planned 5% decreases in the intervention price (as foreseen in the 1992 Reform and compensated by the increase of the premiums), prices stayed well above 80% of the intervention price until May 1995 (see graph in Annex I).

- This price evolution made it possible for the Commission to reduce gradually the buying-in prices for intervention, making intervention less attractive to the abattoirs. The introduction by the Commission in 1992 of a weight limit for carcasses presented to intervention, made in order to discourage the selling of large carcasses of low market demand into intervention, had a further effect, albeit slight, on this evolution because the quantities offered to intervention had already begun to reduce steadily. Subsequently, with the firm market prices recorded, no more bids for intervention have been presented since autumn 1993.

- The 1992 Reform included reductions in beef intervention prices with compensation aimed primarily at extensive production, in part in order to reflect the reduction of the costs of intensive producers arising from the reduction of cereals prices and in part in order to maintain the competitiveness of beef by comparison with pigmeat. Pigmeat prices did indeed fall following the implementation of the Reform, as production expanded in anticipation of lower feed prices. As explained above, beef prices fell less than the reduction in the beef intervention prices. This led to a price ratio of over 200% between beef and pigmeat in 1994 which helps explain a reduction in beef consumption of around 2.5% that year. During 1995, however, beef prices fell in the early months of the year before recovering during the autumn. Meanwhile, pigmeat prices have recovered significantly. This makes it possible to hope that the decline in beef consumption can now be arrested (see graph in Annex II).

- Intervention stocks were at a level of 1.1 to 1.2 million tonnes in 1991 and 1992. Due to the fact that the buying-in phased out in the course of 1993, these stocks could be reduced gradually to 718.000 t in 1993, to 163.000 t in 1994 and to a quantity of around 15.000 t in autumn 1995. The sale of these stocks were mainly directed to third countries and exported in the pre-Uruguay Round years. These remaining quantities will be used for social aid schemes in the Union.

3. In 1995 there will be an increase of production of about 3% mainly due to the usual, cyclical increase of production but also stimulated by the relatively high prices in 1993 and 1994. Together with a certain decrease of consumption and other disturbing elements on the market, in particular exchange rate developments, the effect was a rather abrupt decrease in prices this year from 85% of the intervention price in February 1995 to 78% in June 1995. This sharp and sudden price reduction created problems for producers and consequently the Commission took measures both to help producers by increasing the advance on the special male bovine premium and to stimulate exports. Mainly as a result of the resumed export activities, from mid-August prices started to increase again and by mid-October were at 84% of the existing intervention price, which had by then been decreased again by 5% .

Altogether, it can be said that, during the first three years following the 1992 Reform, the market price evolution has been for the most part somewhat higher than was set out in the Reform, with 1993 and 1994 recording rather high prices and, after the sudden decrease in prices occurring in the spring of 1995, a similarly sharp recovery being recorded in the autumn.

#### B. Short-and medium-term evolution of the market

Given that the evolution of the market has been, in general, positive since the introduction of the 1992 Reform, the question arises as to whether it can be expected to continue. A possible answer can only be given after examination of the various elements behind the evolution of the market.

#### a. Production

For 1995 it is expected that the production will have increased by around 3% while for 1996 production is expected to increase by 1 or 2%. This is part of the usual upward trend in the production cycle in the beef sector after the important decrease in production between 1992 and 1994. However, it should be noticed that the reproductive herd (total number of cows present in the Union) did not increase during recent years. It remained stable from 1993 to 1995. The total number of dairy cows continued to decrease by 200-300.000 heads per year, but the suckler cow population increased by nearly the same number. As offspring from suckler cows generally produce heavier carcasses, this change in the breeding cow herd could explain a part of the anticipated increase in production in 1995/1996.

With respect to the future evolution, a further gradual decrease in the dairy cow herd by 1 or perhaps 2% per year may be expected, but it is obvious that this development of the sector may be to some degree offset by the increases expected in the suckler cow herd in coming years.

According to Eurostat figures, in December 1994 there were 10.4 million suckler cows in the Union (EU-12). In the same year, premium was granted for 9.4 million suckler cows (see Annex III). However, potential premium rights (the sum of all the individual premium quota rights held by producers) are available for 10.8 million suckler cows. Since in 1992 it had been decided as part of the Reform that the year 1992 could be the reference year for the individual suckler cow quota, many producers may have stocked up their number of suckler cows and now find themselves with a number of animals above the "density clause" (2.5 LU/ha in 1995). Thus, these producers cannot claim premium for all their suckler cows. Nevertheless, as time passes, transfers of quota will take place with the result that premium claims will increase. This process could thus lead to a further rise in suckler cows numbers, offsetting partly or totally for the coming years the decrease in the number of dairy cows.

Other important factors determining future evolution of beef production are:

- The reduction in the density clause, introduced by the 1992 Reform as a measure to orientate the sector to an extensive form of production, within the general context of control of production, and to avoid rural depopulation ("desertification"), will continue to exert its influence in stabilising production in 1996 when the maximum permitted stocking rate passes from 2.5 LU/ha to 2.0 LU/ha.
- Since around 6 million calves are destined for veal production each year, it is important for the market equilibrium that this production be maintained at its present level. Given that the veal sector does not receive any specific assistance under the common market organisation for beef and veal, market balance is determined by supply and demand. Should demand for calves for veal production fall, the calves will be reared to heavier carcass weights and this could have a significant effect on the balance of beef production as a whole.

- The restriction on calf and young cattle imports to 425.000 head, introduced in 1991, had a very positive effect on the control of production. However, according to the PECOS association agreements this restriction has now been increased to 500.000 head, which means that an equivalent extra quantity of beef will be present on the Union's market.

b. Imports (see Annex IV)

Most of the imports of young animals and beef take place in the form of quotas or import arrangements in association agreements. Total imports for all types of products in the beef sector are set at 525.000 t carcass equivalent and there is not much evolution in these quantities. It is important to note, however, that due to the fact that the Union's self-sufficiency lies over the 100%, for each tonne of beef that the Union imports, unless there is an increase in consumption, an equivalent quantity of production has to be cut.

c. Exports (see Annex V)

Total exports of beef and beef products were at a level of 1.3 million tonnes carcass equivalent in 1991 and 1992 and decreased to 1.2 million tonnes in 1993 and 1994. It should be noted that, in each of those years, these quantities include some 500.000 t of exported intervention beef. According to the Uruguay Round rules, for the UR year running from the 1 July 1995 until 30 June 1996, the Union has to limit the delivery of export certificates to 1.118.700 t, although that figure is subject to revision in the light of the current negotiations of Article 24 (6) of the GATT Agreement. Due to the fact that the small quantity of intervention stocks remaining (15.000 t) is not available for export, this export ceiling should not, in itself, have created too many problems in its first year of application. However, as the ceiling operates on the level of delivery of certificates, some problems have emerged due to competition between exporters for that limited volume of certificates.

However, distributing the limited volume of export certificates which we are entitled to grant has not proven easy. World market prices have been firm and there has therefore been keen competition between exporters to take advantage of the opportunities it has offered. Establishing the correct level of refund and the most appropriate terms for granting the certificates (i.e. duration and level of deposits) has been difficult and controversial.

Indeed, exporters and the Commission are in the process of adapting to a situation where export licences are no longer available in unlimited quantities. In the framework of the Management Committee, this process of adaptation has been addressed. However, it should be recalled that in the year 2000 this export ceiling has been established at 817.000 t, which represents 300.000 to 400.000 t less than in the early 1990s.

#### d. Consumption

Over the past few years, the annual net balance for beef and veal consumption has been between 21 and 22 kg per person (see Annex VI). In 1993 and 1994 this figure decreased somewhat. The decline is partially explicable in terms of relative price but health and, in the case of veal, animal welfare issues also played a part. The recent revival of public concerns over B.S.E., in particular in the United Kingdom, is bound to have an adverse effect on consumption but, at present, it is not possible to foresee whether this effect will be long lasting or transitory. Our current forecasts, therefore, do not take account of this and show a stable trend in consumption in the Union as a whole.

#### e. General evolution

At the present moment and based on the latest forecasts available, the Commission expects that after the rather small increase in production in 1995, a further small increase is likely to occur in 1996. Under these circumstances, it is clear that no measure whatsoever should be taken which would have the effect of encouraging an increase of production. On the contrary, if there are measures which could lead to a decrease in production and which can be regarded as small adaptations of the Reform, they should be seriously examined. The only measures that the Commission could contemplate taking at this stage are, therefore, adaptations which would tend to decrease, rather than increase, production. On the other hand, there is nothing in the evolution of the market which has so far been experienced, or foreseen, which suggests that the 1992 Reform should be changed fundamentally.

## II. SPECIFIC ITEMS FOR WHICH A REPORT WAS REQUESTED

### A. Special Male Bovine Premium.

#### a. Regional Ceilings

The main objectives of this premium scheme are to give a certain compensation for the decreased intervention price mainly to the small and medium-sized producers and to stimulate more extensive methods of production and the scheme can be said to have had a positive effect as an income support for the farmer for a limited production and to have worked in the right direction as far as the need to control production.

In terms of the distribution of regional ceilings, it will be recalled that in the 1992 Reform, the possibility for the Member states to choose the year 1992 as reference year was established. In 1994, Council concluded that taking 1992 as the reference year had given rise to a certain lack of balance between the distribution of the regional ceiling in the various regions of the Union. Through Regulation (EC) No 1884/94, Council revised that distribution and reduced the Union's global ceiling from 11.517.000 to 10.281.000 heads. In Annex VII, data are given concerning the granting of the Special Beef Premium and in Annex VIII information is presented on the relation between the number of male bovines for which the premium was granted and the number of animals slaughtered throughout the Union.

It is not to be expected that there will be a single relationship between the size of the regional ceilings and the number of animals slaughtered in each Member State. In the first place, animals may attract a premium in one Member State but be slaughtered in another. The regular trade in store animals between France and Italy is a well-known example of this phenomenon. In the second, other restrictions in the granting of the premia (the 90-head limit and the density clause) affect the number of animals eligible to different degrees depending on the different structure of the beef industry in different parts of the Union. It is, therefore, not surprising to note that those Member States where the size of the ceiling is low by comparison to the number of animals slaughtered have not in fact had to scale down premium payments as a result of the ceilings.

Therefore, due to the successful rôle played by the current form of the Special Male Bovine Premium Scheme in the general balance of the 1992 Reform, the Commission does not intend to propose changes in the regional ceilings.

### b. The Second Age Bracket Premium for Bulls

With regard to the second age bracket premium, the table in Annex VII shows that in 1994 this premium was claimed for 870.800 bulls. Information from farmers indicates that many producers try to keep bulls until 23 months of age in order to obtain the second age bracket premium and that the increased value of the premium in 1995 will encourage more fatteners to do so in future. According to trade and slaughterhouse sources, those 23-month old bulls do not really represent the required quality and tend to be, in general, overfat and overweight. It may be concluded that the second age bracket premium for bulls stimulates a product not required by the market and furthermore increases beef production artificially. For that reason the Commission proposes to delete that second age bracket premium for bulls and to increase the corresponding first age bracket premium from the actual level of 108,7 ECU to 123,9 ECU per animal (+ 14%), which would thus be in the form of a single premium payment paid once in the lifetime of the animal. On the assumption that the change does not lead to additional production of steers and lower production of bulls, this is a financially neutral measure since, based on 1994 figures, the expenditures for the second age bracket premium may be used to offset the increase cost of the increased first age bracket premium.

The deletion of the second age bracket premium will also remove an unintended consequence of the change in the premium regime which was made in 1992 as regards bulls used for bullfighting. In applying the 1992 Reform in 1993, Spain, quite legitimately, changed the system of payment of the premium from payment at slaughter to payment on the farms. This meant that the producers were able to claim the second premium on bulls which had been selected as fighting animals as well as bulls destined for slaughter at abattoirs. This aid has been criticised as it has been seen as an aid for the production of fighting bulls. Such an aid is legitimate in the sense that the existing regime accidentally fails to exclude it but did not form part of the Commission's intention in proposing the 1992 Reform. Should Council decide not to adopt the proposal to delete the second premium on bulls then the Commission reserves the right to make a second proposal to remove this anomaly.

### B. Deseasonalisation premium

This premium, established as part of the 1992 Reform, is intended to encourage producers to extend the marketing of their steers throughout the whole year instead of delivering the bulk of the production in the autumn peak period. To this effect, the actual regulation [Article 4c of Council Regulation (EEC) No 805/68] foresees that:

"Where, in a Member State, the number of male bovine animals slaughtered during the period 1 September to 30 November of the year exceeds 40% of annual slaughterings of male bovine animals producers may qualify, as from the 1993 calendar year, on application, for an additional premium to the special premium granted under Article 4b (deseasonalisation premium)"

The 40% clause was meant to limit this premium to regions where producers bring to the market a major part of their production in the autumn peak period and to encourage those producers to change the periodicity of their traditional marketing.

It can be said that the deseasonalisation premium in Ireland has had a major effect in the way steers are marketed in the September-November period since autumn marketings have decreased from 50% in 1990-92 to 41% in 1993-94 and marketings in the spring have increased from around 24% in 1990-92 to 35% in 1994.

The abrupt ending of the deseasonalisation premium at the end of each April, as foreseen originally in the 1992 Reform, tended to concentrate slaughtering in that month. This problem was addressed by a modification to Article 4c (2) of Regulation (EEC) No 805/68 which provided for a gradual scaling down of the amount of the premium. However, there remain some factors which should be mentioned and which played a role in the functioning of the deseasonalisation premium:

- a. The annual increase of 18 ECU of the premium for male animals between 1992 and 1995 had the effect of stimulating producers to market their animals in the following spring instead of in the previous autumn. As the final annual increase was made in 1995, this extra stimulating effect will no longer exist in the future.
- b. The fact that in 1995 (and this will also be the case in 1996) the deseasonalisation premium was applicable in the Irish Republic but not in Northern Ireland created some tensions. This situation concerned not only similar production methods in the same type of landscape in comparable geographical regions, but it also provided financial incentives to producers and traders to send animals from Northern Ireland to the Republic of Ireland for the sole purpose of claiming premium. However, since this cross-border trade is, for veterinary reasons, not permitted, the premium rules created incentives which were manifestly contradictory to the animal health measures.
- c. The number of animals exported live to third countries increased from 6.6% of total Irish beef exports in 1992 to 20.2% in 1994. These exports are based upon a specific request by certain third countries and continue the whole year around, even in those periods with traditionally low to very low supply of the market. In the autumn peak period those exports do not increase substantially.

In Annex IX, detailed information about the application of the deseasonalisation premium is presented. Forecasts currently available show that in 1995 the 40% trigger will not be met for the Republic of Ireland. Consequently, according to Article 4c (1) of the basic regulation, the deseasonalisation premium would not be applicable in 1997. This abrupt ending of the premium, together with the end of the stimulating effect of the yearly increase of the premium in 1996, may lead to a situation in which producers go back to their former pattern of marketing the bulk of their production in the autumn. In that case, the market organisation could come under pressure to apply measures which are "undesirable" for the Union's beef market as a whole.

Therefore, in order to keep producers to the pattern of marketing which they are currently practising and to avoid certain inconveniences of the scheme as applied in the past, the Commission proposes to modify the existing dispositions of Article 4c (1) of the basic regulation in the following sense:

a. In order to avoid the situation where the deseasonalisation premium is applicable in the Republic of Ireland but not in Northern Ireland, the calculation of the percentage of steers slaughtered will be made on the basis of the total number of steers slaughtered in Republic of Ireland and in Northern Ireland. Furthermore, in order to take into account that the seasonal effect is generally less pronounced in Northern Ireland, the trigger is reduced to 38%.

b. In Member States or regions where steer production accounts for more than 60% of the total male bovine animal production and where Article 4c (1) has been applied in the past, a Member State may grant a deseasonalisation premium of 43.47 ECU (that is, 60% of the current premium of 72.45 ECU), scaled down at the end of the period in the same manner as at present. In this case, where this premium is applied in the Republic of Ireland, it shall also apply in Northern Ireland, and vice versa. The expenditure for this deseasonalisation premium shall be covered by an appropriate reduction of the second age bracket premium for steers. That reduction, calculated for each region separately, will be established by the Commission according to the Management Committee procedure before the final payment of the second age bracket premium.

### C. The Beef and Sheep Quota Regimes in the Neue Bundesländer (NBL) in Germany

#### a. The Beef Quota Regimes

Under Article 4k of Regulation (EEC) No 805/68, a derogation for the new Bundesländer (NBL) meant that:

a) Germany has:

- a special regional ceiling of 660.323 male bovine and 180.000 suckler cow premiums.
- an option to switch up to 15% of premium rights between the two special ceilings.
- permission to decide the conditions for distributing the special ceilings.
- a special derogation to the suckler cow definition from 1993 to the end of 1995.

b. The Commission:

- may adopt special rules for implementing this article which option was not taken.
- shall submit, before the end of 1995, a report to Council, with proposals on the application in the NBL territory of the rules which apply in the rest of the Union. This is the subject of the present part of this report. The Council shall decide on these proposals before the end of 1996.

Broadly speaking, the bovine sector in the NBL has evolved from a position, just before reunification, of comprising almost 2 million dairy cows but hardly any suckler cows. Some 45% of the dairy herd was slaughtered in 1990-91. In 1995 claims for suckler cow premiums reached a level of 179.300 heads, thus meeting the regional ceiling. The bull herd in the former DDR numbered 1.27 million heads while claims for bull premium in 1995 are estimated at 400.000 head and stayed below the regional ceiling. In Annex X, the evolution of the beef herds and the premiums granted in the Alte and Neue Bundesländer of Germany are presented.

Within the framework of the Suckler Cow Regime Germany has requested:

- a. to apply the 15% switch between the male bovine regional quota and the suckler cow regional quota. As this possibility is foreseen in the basic regulation, the Commission has no objection to that transfer.
- b. to apply another 15% switch in the same direction in future. This procedure, however, is not foreseen in the basic regulation. As such a switch is obviously in contradiction with the need to control production, the Commission cannot propose to amend the basic regulation in that sense.
- c. to continue the regional quota for suckler cows until the year 2000. On this point the Commission's position is that, after a 5-year transition period, the individual limits should be introduced now to make producers aware that there is a problem in controlling beef production. Rights, which have not been allocated to producers at the moment of the switch to the system of individual rights, should be cancelled, except an allocation, calculated as 3% of the total number of individual rights allocated to producers, which may be made to the national reserve. However, the sum of the total number of individual rights allocated plus the rights allocated to the national reserve, shall not exceed the sum of the original special regional ceilings.
- d. continue the derogation of the suckler cow definition for two more years. It should be noted that this derogation ends on 31 December 1995. As similar requests from two other Member States did not receive a positive response from the Commission, it is not in a position to accede to the present request.

In general terms, suckler cow production was taken up rather well in the NBL and the regional ceiling was reached in 1995. As Germany wishes to apply the 15% switch foreseen in the basis regulation, there is some room for further evolution of that type of production. However, there are no major reasons to continue the regional ceiling for suckler cows and therefore suckler cow producers in the NBL should work from 1997 onwards under same conditions of the individual producer quota as their colleagues in the rest of the Union do.

On the Special Male Bovine Premium, the German authorities wish to waive the 90-head limit or at least to obtain a temporary derogation on that limit for the NBL until the year 2000. On this point it should be mentioned that the German authorities interpreted the provision which enables them to establish rules for the distribution of the special ceilings as permitting them to derogate from the 90-head limit rule.

As emphasised earlier in this report, the Commission cannot accept any change in the beef regime which might lead to an increased production. Thus, it is not in the position to propose the general deletion of the 90-head limit for the Special Male Bovine Premium. Moreover, it should be noted that the total numbers available under the regional quota in the Alte and the Neue Bundesländer is rather large, leaving sufficient margin for the eventual development of bull production in the New Länder under the same conditions as in the rest of the Union. It should also be noted that the NBL is not the only region of the Community with large bull production enterprises. The existence of such enterprises is not, therefore, a sufficient reason for a derogation for the NBL.

b. The Sheep Quota Regime

Under Article 5c of the basic regulation (EC) No 3013/89, a derogation for the sheep sector in the NBL, similar to that in beef, meant that:

a) Germany has:

- a special regional ceiling of 1 million ewe premiums
- permission to decide the conditions for distributing the special ceiling.

b) The Commission:

- may adopt special rules for implementing this article (option not taken)
- shall submit, before the end of 1995, a report to Council, with proposals on the application in the NBL territory of the rules which apply in the rest of the Union. This is the subject of this part of the report. Council must also decide on these proposals by the end of 1996.

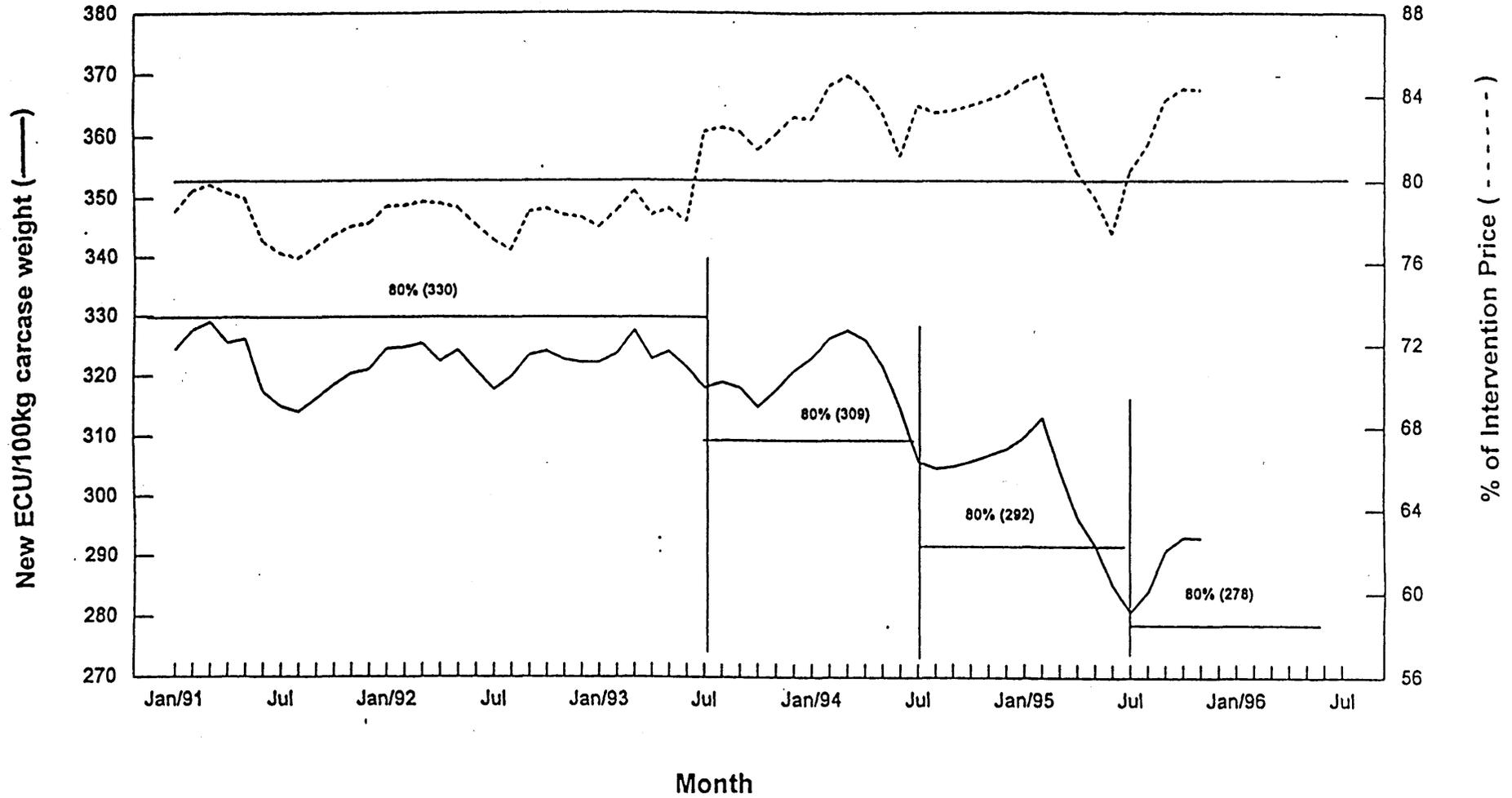
In the former DDR the sheep flock of 2.6 million head was mainly directed to wool production. After unification the 1 million head ewe flock decreased to 500.000 ewes, but has now stabilised, giving a premium claim total of 550.000 ewes in 1995 (Annex XI).

The German authorities request a simple continuation of the existing derogation until the year 2000, arguing that the restructuring is not yet completed and that the introduction of individual producer limits would now create administrative difficulties in the NBL.

The Commission does not accept the argument of administrative difficulties for not introducing the individual producer limits. It can, however, agree with the argument that the restructuring process is not yet completed since the regional quota is far from having been met, in contrast to the situation which prevails with regard to suckler cows. Consequently, the Commission can agree to postponing the introduction of the individual limits until the year 2000. Also, Germany may decide to introduce individual limits in the whole of the NBL before the year 2000. Rights, which have not been allocated to producers at the moment of switch to the system of individual rights, should be cancelled, except an allocation, calculated as 3% of the total number of individual rights allocated to producers, which may be made to the national reserve. However, the sum of the total number of individual rights allocated plus the rights allocated to the national reserve, shall not exceed the original special regional ceiling.

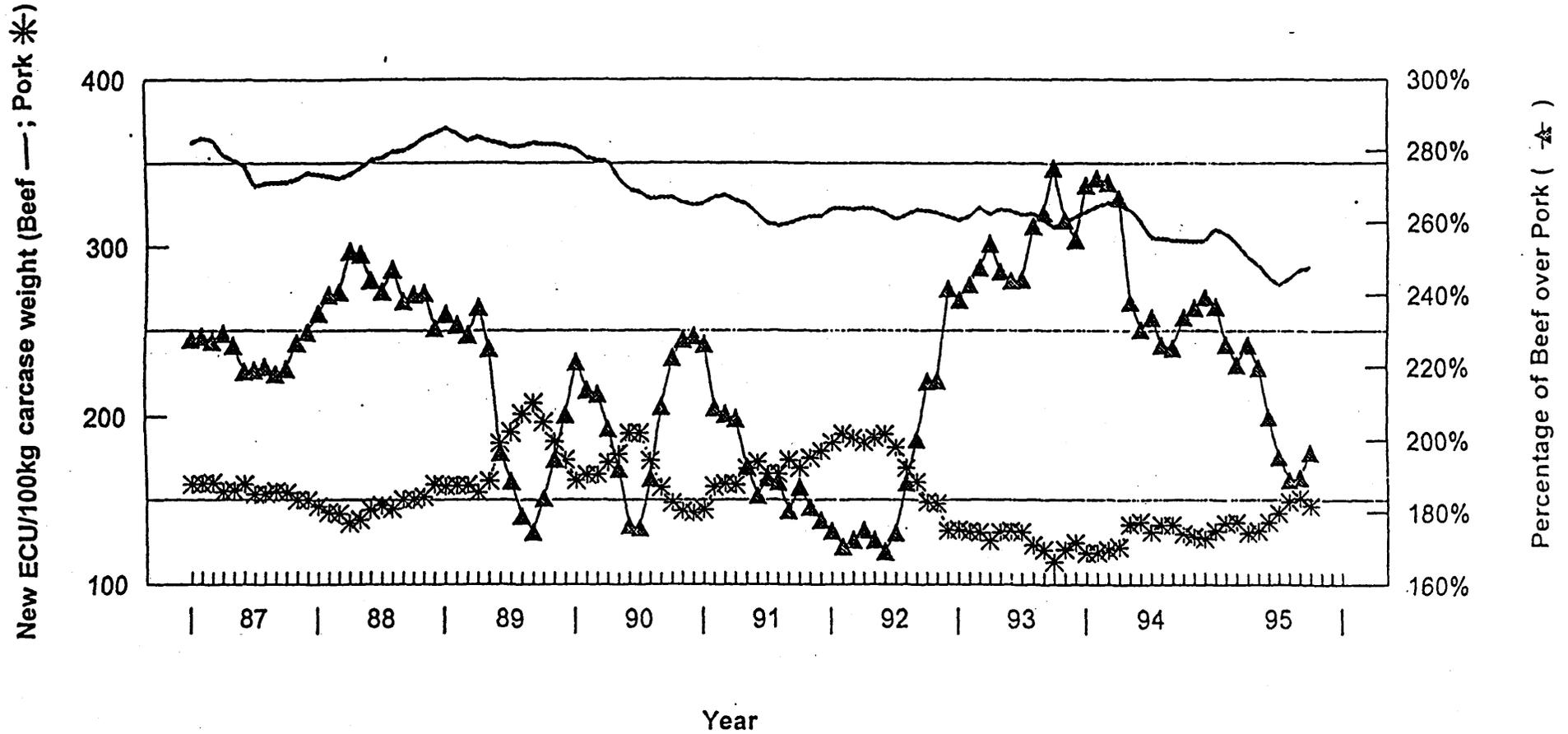
ANNEX I

EU MARKET PRICE - BULLS AND STEERS (1991-95)  
 UE PRIX DE MARCHÉ - JEUNES BOVINS ET BOEUF (1991-95)  
 EU MARKTPREIS - JUNGRINDER UND OCHSEN (1991-95)



ANNEX II

COMPARISON OF BEEF AND PIG CARCASS PRICES - (1987-95)  
COMPARAISON DES PRIX DE CARCASSES DE BOEUF ET PORC - (1987-95)  
VERGLEICH DES KARKASSENPREISES VON RINDERN UND SCHWEINEN - (1987-95)



## ANNEX III

**EU SUCKLER COW PREMIUM (1991-94)**  
**UE PRIME AUX VACHES ALLAITANTES (1991-94)**  
**EU MUTTERKÜHPRÄMIE (1991-94)**

Number of cows having received the premium (R. (EEC) No. 1357/80 and 805/68)

Nombre de vaches ayant bénéficié de la prime (R. (CEE) N° 1357/80 et 805/68)

Anzahl der Kühe, für welche die Prämie gewährt wurde (R. Nr. (EWG) 1357/80 und 805/68)

Member State (reference year)	1991/92	1992	1993*	(of which mixed herd)	1994* (a)	(of which mixed herd)	Potential rights (b)	Suckler cow herd (12/94)(c)
Belgique/België	267.504	403.029	435.098	70.000 §§	423.728,0	70.000,0 §§	443.166	475.000
Danmark	84.110	121.661	101.947	700	104.420,0	590,0	135.937	105.000
Deutschland §	205.746	446.628	413.237	54.641	505.685,0	67.117,0	651.122	594.700
Ellas ('90)	131.471	132.006	125.823	2.005	120.874,0	2.145,0	149.778	87.800
España	1.307.916	1.363.337	1.215.115	85.058	1.133.150,7	90.000,0 §§	1.462.527	1.396.000
France	3.260.759	3.616.219	3.603.923	343.790	3.492.260,0	311.700,0	3.886.366	3.968.000
Ireland	783.636	1.024.757	883.757	51.377	910.091,0	51.680,0	1.106.528	956.700
Italia	700.943	704.000	673.673	137.901	807.938,0	97.786,0	787.762	722.000
Luxembourg	8.880	11.648	13.179	2.700	13.235,7	2.135,7	14.826	29.400
Nederland	41.483	67.444	50.209	5.000 §§	57.521,0	902,0	98.006	72.000
Portugal	204.752	240.099	240.000	20.000 §§	236.348,4	4.671,1	286.554	230.000
United Kingdom	1.488.043	1.669.538	1.558.206	12.844	1.552.408,0	13.368,0	1.805.323	1.783.000
Österreich							325.000	90.000
Suomi/Finland							55.000	33.600
Sverige							155.000	165.000
<b>TOTAL 12</b>	<b>8.485.243</b>	<b>9.800.366</b>	<b>9.314.167</b>	<b>786.016 §§</b>	<b>9.357.659,8</b>	<b>712.094,8 §§</b>	<b>10.827.895</b>	<b>10.419.600</b>
<b>TOTAL 15</b>							<b>11.362.895</b>	<b>10.708.200</b>

Legend:

\* Provisional figures

§ Including New Länder (90=67.880, 91=27.860, 92=91697, 93=114.430, 94=153.327)

§§ Estimated figures

(a) In the case of DK and NL the figures refer to claims

(b) Not consolidated. Estimated figures excluding additional rights foreseen for extensive producers.

(c) EUROSTAT (for Sweden figures refer to 6/94)

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## ANNEX IV

EU BEEF TRADE - IMPORTS FROM THIRD COUNTRIES (1981-94)  
 UE COMMERCE DE VIANDE BOVINE - IMPORTATIONS EN PROVENANCE DES PAYS TIERS  
 EU RINDFLEISCHSEKTOR - IMPORTE AUS DRITTLÄNDERN

Year	LIVE ANIMALS				=	MEATS					TOTAL (e+f+g+h+i)
	Number of head			TOTAL (a+b+c)		Tonnes Meat equivalent e	Tonnes carcass weight				
	Calves a	Adults b	Pure-bred replacements c				Fresh f	Frozen g	Salted, dried & smoked h	Processed (cooked & uncooked) i	
1981	61.948	195.333	53.223	310.504	50.055	54.519	120.666	306	138.363	364.009	
1982	186.581	243.803	57.764	488.148	66.010	72.011	163.441	236	138.483	440.181	
1983	216.295	247.652	40.724	504.671	63.654	86.545	152.564	364	144.453	447.580	
1984	175.469	218.538	33.820	427.825	54.273	84.535	128.418	609	146.783	414.618	
1985	145.830	298.434	45.654	489.918	71.097	126.510	139.722	274	151.431	489.034	
1986	179.613	268.860	31.403	479.876	63.357	129.525	115.849	269	156.325	465.325	
1987	272.018	350.365	44.251	666.634	85.702	138.495	120.698	277	151.205	496.377	
1988	184.187	348.946	37.077	570.210	87.364	131.450	110.126	295	178.515	507.750	
1989	473.918	372.480	60.383	906.781	101.739	122.147	109.398	290	172.312	505.886	
1990	853.367	343.518	46.504	1.243.389	101.854	124.659	108.650	304	165.179	500.646	
1991	339.345	376.510	44.164	760.019	87.308	151.719	109.823	345	185.323	534.518	
1992	247.545	384.657	83.808	716.010	92.533	163.796	101.959	339	213.794	572.421	
1993	395.399	88.900	114.187	598.486	80.110	144.725	93.138	371	180.829	499.173	
1994	477.640	90.796	103.041	671.477	76.799	143.189	128.697	687	182.901	532.273	

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## ANNEX V

EU BEEF TRADE - EXPORTS TO THIRD COUNTRIES (1981-94)  
 UE COMMERCE DE VIANDE BOVINE - EXPORTATIONS A DESTINATION DES PAYS TIERS  
 EU RINDFLEISCHSEKTOR - EXPORTE AUS DRITTLÄNDERN

Year	LIVE ANIMALS				MEATS						
	Number of head				Tonnes			Tonnes carcase weight			
	Calves	Adults	Pure-bred replacements	TOTAL (a+b+c)	Meat equivalent	Fresh	Frozen	Salted, dried & smoked	Processed (cooked & uncooked)	TOTAL (e+f+g+h+i)	
a	b	c	d	=	e	f	g	h	i	j	
1981	7.591	360.696	32.972	401.259		100.282	183.364	340.052	763	37.725	662.186
1982	5.848	299.780	36.113	341.741		88.379	117.638	235.539	839	37.873	480.268
1983	4.039	339.611	53.854	397.504		102.984	144.620	316.004	828	38.326	602.762
1984	4.121	295.707	66.920	366.748		96.058	185.979	463.154	1.064	44.171	790.426
1985	4.613	145.362	124.789	274.764		72.030	157.967	532.799	1.013	40.841	804.650
1986	4.098	115.731	67.209	187.038		49.479	169.179	903.845	1.388	42.662	1.166.553
1987	3.309	77.527	87.119	167.955		43.498	133.927	694.189	1.142	36.341	909.097
1988	4.018	70.437	50.347	124.802		30.314	80.232	643.172	1.375	30.352	785.445
1989	3.162	58.864	52.790	114.816		30.596	81.337	880.608	1.833	29.236	1.023.610
1990	3.216	73.744	49.843	126.803		34.106	90.888	656.997	4.645	29.383	816.019
1991	3.194	157.395	166.629	327.218		80.942	143.827	1.029.712	1.442	68.943	1.324.866
1992	3.244	207.472	115.791	326.507		84.724	105.062	1.013.700	1.818	118.090	1.323.394
1993	3.143	400.385	78.910	482.438		143.237	104.248	887.175	1.965	91.858	1.228.483
1994	4.824	440.088	87.987	532.899		147.906	110.885	848.456	1.093	111.914	1.220.254

## ANNEX VI

EU BEEF SECTOR: SUPPLY BALANCE SHEET AND SHORT/MID-TERM FORECASTS  
 U.E. VIANDE BOVINE : BILANS D'APPROVISIONNEMENT ET PREVISIONS A COURT-MOYEN TERME  
 EU RINDFLEISCH: VERSORGUNGSBILANZ UND KURZ- UND LANDFRISTIGE VORAUSSCHÄTZUNGEN

in thousand head/metric tonnes

	EU 12										EU 15			
	1991		1992		1993		1994		1995 (estimated)		1995 (forecast)		1996 (projected)	
		± %		± %		± %		± %		± %		± %		± %
Bovine population (1000 head)	84.675	-1,4	81.435	- 3,8	79.320	- 2,6	78.540	- 1,0	78.980	+ 0,6	84.320		84.000	- 0,4
Cow herd (1000 head)	33.385	- 1,5	32.165	- 3,7	31.825	- 1,1	31.830	+ 0,0	31.770	- 0,2	33.790		33.650	- 0,4
Net Production <sup>1</sup> (Tm)	8.723	+ 5,1	8.396	- 3,7	7.710	- 8,2	7.380	- 4,3	7.625	+ 3,3	8.100	+ 3,3	8.200	+ 1,2
Meat Imports (Tm)	447		480		419		455				460		470	
Meat Exports (Tm)	1.244		1.239		1.085		1.072				900		850	
Variation in stocks (Tm)	+ 373		+ 155		- 448		- 555		- 160		- 160		0	
a) Public	1.011		1.166		718		163		0		3		0	
b) Privés	0		0		0		0		0		0		0	
Available for consumption (Tm)	7.553	+ 2,0	7.482	- 0,9	7.492	+ 0,1	7.318	- 2,3	7.400	+ 1,1	7.820		7.820	+ 0,0
in kg/capita	21,8		21,6		21,5		21,0		21,1		21,0		20,9	
Gross Internal Production <sup>2</sup> (Tm)	8.705		8.378	- 3,8	7.824	- 6,6	7.445	- 4,8	7.650	+ 2,8	8.120		8.200	+ 1,0
% Self Sufficiency	115,3		112,0		104,4		101,7				103,8		104,9	
Public Intervention (Tm)														
a) Purchases	1.027		890		165		0				0		0	
b) Sales	766				780		393				160		0	

<sup>1</sup> Net Production = Total Slaughterings

<sup>2</sup> Gross Internal production = Net Production - Live Animal Balance

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## ANNEX VII

**EU SPECIAL PREMIUM MALE BOVINE ANIMALS**  
**UE PRIME SPECIALE BOVINS MALES**  
**EU SONDERPRÄMIE MÄNNLICHER RINDER**

Number of bovine animals having received the premium (R. (EEC) No. 468/87 and 805/68)

Nombre de bovins ayant bénéficié de la prime (R. (CEE) N° 468/87 et 805/68)

Anzahl der Rinder, für welche die Prämie gewährt wurde (R. (EWG) Nr. 468/87 und 805/68)

Member State (reference year)	1992	1993		of which bulls	1st age	1994 (a)		Ceiling 1993-94(b)	Ceiling 1995 (c)
		1st age	2nd age			2nd age	of which bulls		
Belgique/België	331.487	223.842	48.376	np	236.202	49.799	48.311	331.487	293.211
Danmark	335.493	295.489	7.998	np	287.058	10.568	8.682	335.493	324.652
Deutschland ('90)	2.582.833 *	884.277 **	393.634 **	369.839	1.784.041 **	438.723 **	421.127 **	3.653.183	3.092.667
Ellas	143.337	122.606	6.330	np	137.092 §§	6.500 §§	6.000 §§	143.337	140.130
España	536.584 *	460.151 **	32.466 **	np	520.220 **	27.840 **	27.720 **	561.584	551.552
France	2.262.064	1.580.917	633.393	np	1.726.033	479.723	272.769	2.262.064	1.908.922
Ireland	1.547.651	544.286	1.137.958	np	959.138	816.301	3.279	1.547.651	1.286.521
Italia ('91)	794.000 §	533.033 §	25.326 §	np	629.191	24.771	24.771	834.848	824.885
Luxembourg	21.593	16.813	3.875	np	19.999	4.803	2.031	21.593	19.300
Nederland ('91)	281.797 §	223.789	8.809	00	166.244	13.023	13.023	264.000	264.000
Portugal	141.930	140.000	16.565	np	154.897	19.568	19.568	141.930	154.897
United Kingdom ('91)	1.381.234	1.404.041	683.272	13.652	1.380.183	745.131	23.515	1.419.811	1.419.811
Österreich									423.400
Suomi/Finland									250.000
Sverige									250.000
<b>TOTAL ('92)</b>	<b>10.360.003</b>	<b>6.429.244</b>	<b>2.998.002</b>		<b>8.000.298</b>	<b>2.636.750</b>	<b>870.796</b>	<b>11.516.981</b>	<b>10.280.548</b>
<b>TOTAL ('95)</b>									<b>11.203.948</b>

Legend:

§ Provisional figures - §§ = Estimated figures - np= not provided

\* Does not include new Länder (NBL) or Canarias - \*\* = Including NBL or Canarias

Underlining Proportional reduction applies due to regional ceiling being exceeded (e.g. 1993 UK claims for first age bracket = 1.857.372 head)

(a) Provisional figures. In the case of DK and NL the figures refer to applications.

(b) Provisional ceiling for 1993-94, including rights of NBL (780.000) for DE and Canarias (25.000) for ES

(c) Ceiling as amended by Reg. No. 1884/94.

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## ANNEX VIII

**EU SPECIAL PREMIUM MALE BOVINES: PREMIUMS AND PRODUCTION**  
**UE PRIME SPECIALE BOVINE: PRIMES ET PRODUCTION**  
**EU RINDERSONDERPRÄMIE: PRÄMIEN UND ERZEUGUNG**

Member State	Year	Number of head (x1000)				Percentage (c)
		Production (a)	Premiums (b)	Ceilings		
				1993-94	1995	
België/Belgique	92	310,8	331,5			106,7
	93	320,7	223,8			69,8
	94	315,9	236,2	331,5	293,2	74,8
Danmark	92	433,2	335,5			77,4
	93	400,0	295,5			73,9
	94	355,7	287,1	335,5	324,7	80,7
Deutschland	92	2.774,3	2.582,8			93,1
	93	2.328,1	884,3			38,0
	94	2.082,0	1.784,0	3.653,2	3.092,7	85,7
Ellas	92	201,2	143,3			71,2
	93	186,5	122,1			65,5
	94	183,6	137,1	143,3	140,1	74,7
España	92	1.144,9	536,6			46,9
	93	1.023,5	460,2			45,0
	94	876,0	520,2	561,6	551,6	59,4
France	92	1.673,1	2.262,1			135,2
	93	1.482,9	1.580,9			106,6
	94	1.397,7	1.726,0	2.262,1	1.908,9	123,5
Ireland	92	939,1	1.547,7			164,8
	93	828,2	544,3			65,7
	94	650,0	959,1	1.547,7	1.286,5	147,6
Italia	92	2.330,6	794,0			34,1
	93	2.194,3	533,0			24,3
	94	2.124,4	629,2	834,8	824,9	29,6
Luxembourg	92	8,5	21,6			254,1
	93	9,0	16,8			186,7
	94	8,8	20,0	21,6	19,3	227,3
Nederland	92	488,7	281,8			57,7
	93	434,0	223,8			51,6
	94	437,9	166,2	264,0	264,0	38,0
Portugal	92	247,2	141,9			57,4
	93	245,5	140,0			57,0
	94	211,9	154,9	141,9	154,9	73,1
United Kingdom	92	1.675,3	1.381,2			82,4
	93	1.486,9	1.404,0			94,4
	94	1.539,8	1.380,2	1.419,8	1.419,8	89,6
EU TOTAL	92	12.216,0	10.360,0			84,8
	93	10.939,7	6.429,2			58,8
	94	10.183,7	8.000,3	11.517,0	10.280,5	78,6
<b>Legend:</b>	(a)	Eurostat = Net Production (slaughterings) of bullocks+bulls.				
	(b)	Animals receiving first age bracket premium (provisional).				
	(c)	$(a/b \times 100) = \% \text{ of animals receiving premium, in relation to animals slaughtered}$				

ANNEX IX

BEEF DESEASONALIZATION PREMIUM  
 PRIME BOVINE A LA DESEASONNALISATION  
 SAISONNEUTZERRUNGSPRÄMIE IN RINDFLEISCHSEKTOR

Member State	Year	Number of Bullocks slaughtered	% of bullocks slaughtered		Number of animals receiving premium
			Sep-Nov	Jan-Apr	
Ireland	1991	923.200	48,0	24,9	
	1992	926.600	49,6	23,2	
	1993	813.200	40,8	32,7	239.456
	1994	631.300	41,2	35,7	195.331
Northern Ireland (UK) **	1991	235.000	44,0	27,4	
	1992	250.000	40,2	30,6	
	1993	206.000	28,7	42,0	90.617
	1994	219.000	28,9	40,7	86.835
Deutschland	1991	46.200	78,0	8,5	
	1992	47.000	74,4	10,9	
	1993	39.900	62,5	20,6	9.533
	1994	41.000	55,7	29,0	13.384
Danmark	1991	4.500	90,0	-	
	1992	4.800	72,9	12,5	
	1993	4.600	65,0	19,6	692
	1994	5.200	46,0	44,2	1.886
EU TOTAL	1993				340.298
	1994				297.436
Legend:					
	(*)	Eurostat = Net Production (slaughterings) of bullocks (figures rounded).			
	(**)	UK information			

## ANNEX X

**BEEF PREMIUMS IN GERMANY (1989-95)**  
**PRIMES BOVINES EN ALLEMAGNE (1989-95)**  
**RINDERPRÄMIEN IN DEUTSCHLAND (1989-95)**

Type of animal (x1000/head)	Neue Bundesländer					Alte Bundesländer			
	1989	1992	1993	1994	1995(d)	1989	1992	1993	1994
Males - stocks > 6 months (a)	1271,6	475,5	420,2	407,0		2941,0	2665,0	2648,0	2508,7
- premiums - 1st age (b)	-	177,9	230,8	252,2		0,0	2582,8	630,5	1531,8
- 2nd age bracket	-	n.a	94,9	88,1	400,0	-	n.a	275,0	350,7
Cows - stocks dairy herd (a)	1958,0	1036,0	1058,3	1041,2		6886,0	4329,2	4242,7	4232,1
- stocks suckler herd (a)	16,6	98,7	119,2	166,2		281,0	408,4	433,6	457,0
(c) - suckler cow premiums	-	91,7	114,4	144,1	179,3	81,0	336,2	298,8	361,6
<b>Legend:</b>	NBL=Neue Bundesländer; ABL=Alte Bundesländer; D=Deutschland; n.a.= not applicable.								
(a)	December livestock census								
(b)	Male Regional ceilings (1995): NBL=660.323; ABL=432.344; D=3.092.667								
(c)	Suckler Cow ceilings: NBL=180.000; ABL=471.122; D=651.122								
(d)	Estimated applications for 1995								

## ANNEX XI

**EWE PREMIUM CLAIMS IN GERMANY (1989-95)**  
**DEMANDES A LA PRIME OVINE EN ALLEMAGNE (1989-95)**  
**MUTTERSCHAFPRÄMIENANTRÄGE IN DER BRD (1989-95)**

Neue Bundesländer							
Year	1989	1990	1991	1992	1993	1994	1995
Breeding ewes in census	1.040.849	799.584	533.342	471.234	473.388	486.211	-
Ewes for which premium claimed	-	611.852	638.919	550.573	521.703	528.135	553.805
Number of producers	-		5.639	4.329	3.630	3.768	3.806
Average claim per producer	-		113	127	144	140	146
Alte Bundesländer							
Year	1989	1990	1991	1992	1993	1994	1995
Ewes for which premium claimed	1.267.825	1.427.358	1.423.928	1.362.015	1.230.699	1.239.463	1.199.121
Number of producers	27.051	29.247	29.152	28.392	25.474	24.079	22.358
Average claim per producer	47	49	49	48	48	51	54
Deutsche Bundesrepublik							
Year	1989	1990	1991	1992	1993	1994	1995
Ewes for which premium claimed	1.267.825	2.039.210	2.062.847	1.912.588	1.752.402	1.767.598	1.752.926
Number of producers	27.051	29.247	34.791	32.721	29.104	27.847	26.164
Average claim per producer	47	70	59	58	60	63	67

No 1

Price proposals in ecus for individual products

Product and type of price or amount (Period of application)	1995/96 Decisions		Proposals 1996/97	
	Amounts in ECU/t	% change	Amounts in ECU/t	% change
1	2	3	4	5
<b>Cereals</b> 1.7.96-30.6.97				
- Intervention price	119.19	-7.4	119.19	0
- Compensatory payment (1)	54.34	+28.6	54.34	0
<b>Rice</b> 1.9.96-31.8.97				
- Intervention price - paddy rice	373.84	0	351	-6.11
<b>Sugar</b> 1.7.96-31.8.97				
- Basic price for sugar beet	47.67	0	47.67	0
- Intervention price for white sugar (2)	63.19	0	63.19	0
<b>Olive oil</b> 1.11.96-31.10.97				
- Producer target price	3,837.7	0	3,837.7	0
- Intervention price (3)	1,919.2	0	1,919.2	0
- Representative market price	2,295.0	0	2,295.0	0
- Production aid	1,422.0	0	1,422.0	0
- Consumption aid	120.7	0	120.7	0

(1) To be multiplied by the customary regional cereals yield to obtain the payment in ECU/ha.

(2) ECU/100 kg.

(3) After application of the adjustment due to the maximum guaranteed threshold being exceeded.

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No 2

Price proposals in ecus for individual products

Product and type of price or amount (Period of application)	1995/96 Decisions		Proposals 1996/97	
	Amounts in ECU/t	% change	Amounts in ECU/t	% change
1	2	3	4	5
Linseed - Fixed-rate aid (fibre) (per ha) 1.8.96-31.7.97	935.65	0	935.65	0
Hemp - Fixed-rate aid (per ha) 1.8.96-31.7.97	774.74	0	774.74	0
Silkworms - Aid per box of silk seed 1.4.96-31.3.97	133.26	-0.05	133.26	0
Cotton - Guide price 1.9.96-31.8.97	1,063.0	0	-	-
- Minimum price	1,009.0	0	-	-

Milk - Target price 1.7.96-30.6.97	309.8	0	309.8	0
Butter - Intervention price	3,282	0	3,282	0
Skimmed-milk powder - Intervention price	2,055.2	0	2,055.2	0

Beef/veal - Guide price for live adult bovine animals 1.7.96-30.6.97	2,383.9	0	-	-
- Intervention price R3 carcasses	3,475.0	-5.5	3,475.0	0
	1995		1996	
- Male bovine animal premium (calendar year) (1)	108.68	+20	108.68	0
- Suckler cow premium (calendar year) (1)	144.90	+26	144.90	0

Sheepmeat - Basic price (carcase weight) 2.1.96-1.1.97	5,040.7	0	5,040.7	0
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(1) In ECU/head. The required density changes from LU 3 to 2,5/ha. The other premiums (deseasonalization, calf conversion, extensification) are maintained at the level set in the May 1992 reform.

Price proposals in ecus for individual products

Product and type of price or amount (Period of application)	1995/96 Decisions		Proposals 1996/97	
	Amounts in ECU/t	% change	Amounts in ECU/t	% change
1	2	3	4	5
Pigmeat - Basic price (carcase weight) 1.7.96-30.6.97	1,509.39	-3.8	1,509.39	0

Fruit and vegetables - Basic price				
- Cauliflowers 1.5.96-30.4.97	-	0	-	0
- Tomatoes 11.6.96-30.11.96	-	0	-	0
- Peaches 1.6.96-30.9.96	-	0	-	0
- Lemons 1.6.96-31.5.97	-	0	-	0
- Pears 1.7.96-30.4.97	-	0	-	0
- Table grapes 1.8.96-20.11.96	-	0	-	0
- Apples 1.8.96-31.5.97	-	0	-	0
- Mandarins 16.11.96-28.2.97	-	0	-	0
- Sweet oranges 1.12.96-31.5.97	-	0	-	0
- Apricots 1.6.96-31.7.96	-	0	-	0
- Aubergines 1.7.96-31.10.96	-	0	-	0
- Clementines 1.12.96-15.2.97	-	0	-	0
- Satsumas 16.10.96-15.1.97	-	0	-	0
- Nectarines 1.6.96-30.8.96	-	0	-	0

Table wine (1) 1.9.96-31.8.97				
- Guide price Type R I	3,828	0	3,828	0
- Guide price Type R II	3,828	0	3,828	0
- Guide price Type R III	62,150	0	62,150	0
- Guide price Type A I	3,828	0	3,828	0
- Guide price Type A II	82,81	0	82,81	0
- Guide price Type A III	94,57	0	94,57	0

Tobacco (Premiums)				
I. Flue cured	2.709,65	0	2.709,65	0
II. Light air cured	2.167,48	0	2.167,48	0
III. Dark air cured	2.167,48	0	2.167,48	0
IV. Fire cured	2.383,62	0	2.383,62	0
V. Sun cured	2.167,48	0	2.167,48	0
VI. Basmas	3.754,15	0	3.754,15	0
VII. Katerini	3.185,41	0	3.185,41	0
VIII. Kaba Koulak	2.276,15	0	2.276,15	0

(1) R I, R II and A I expressed in ECU%/hl.  
R III, A II and A III expressed in ECU/hl.

**STABILIZERS AND PRODUCTION THRESHOLDS**

	1994/1995			1995/1996			1996/1997
	Quotas or MGQ applicable	Market situation	Overrun	Quota or quantity applicable/proposed	Market situation	Overrun	Quota or quantity applicable/proposed
SUGAR (WHITE SUGAR EQ.)	EUR-12 Quota A: 11 187 Mt Quota B: 2 488 Mt	EUR-12 production in Mt Quota A: 10 897 Quota B: 2 406 Sugar C: 2 225 Total: 15 528		EU-15 Quota A: 11 974 Mt Quota B: 2 609 Mt	EU-15 production in Mt (e) Quota A: 11 721 Quota B: 2 420 Sugar C: 2 030 Total: 16 180		EU-15 quotas unchanged
ISOGLUCOSE	EUR-12 Quota A: 240 743 t Quota B: 50 342 t	Production within quotas		EU-15 Quota A: 251 588 t Quota B: 51 427 t	EU-15 production (e) Quota A: 251,588 t Quota B: 51,427 t C: 0 t		EU-15 quotas unchanged
INULIN SYRUP				EU-15 Quota A: 261 562 t Quota B: 61 598 t	EU-15 production (e) Quota A: 127 000 t Quota B: 0 t Quota C: 0 t		EU-15 quotas unchanged
OLIVE OIL	EUR-12MGQ: 1 350 000 t	Estimated production: 1 408 023 t (Reg. 2540/95)	Final production 94/95 will be fixed in July 1996	Same MGQ as for 1994/95: 1 350 000 t	Production (e): 1 230 000 t	No overrun expected	EU-15 MGQ: 1 350 000 t
WINE	Compulsory distillation: Price based on the quantity covered by the compulsory-distillation schemes, as follows: 50% of the guide price for the equivalent of 10% of the volume used; 7.5% of that price for the remainder	Exceptionally short crop. Strong prices. No compulsory distillation announced so far. Question to be reviewed by the end of February 1995	No compulsory distillation	Compulsory distillation: Price based on the quantity covered by the compulsory-distillation schemes, as follows: 50% of the guide price for the equivalent of 10% of the volume used; 7.5% of that price for the remainder	Still short crop. Strong prices, especially in Italy. No compulsory distillation. Definitive decision by the end of February 1996	Probably no compulsory distillation will be decided	Reform under discussion. Probably no change for this year
TOBACCO	EUR-12quota: 350 000 t of leaf tobacco. Allocated by variety	Production within the quotas		EU-15 overall quota: 350 600 t allocated by variety and group of varieties.	Production within the quotas		No change scheduled

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table

	1994/1995			1995/1996			1996/1997
	Quotas or MGQ applicable	Market situation	Overrun	Quota or quantity applicable/proposed	Market situation	Overrun	Quota or quantity applicable/proposed
COTTON	MGQ: 701 000 t	EUR-12 production: 1 318 011	Reduction of aid: 23.843 ECU/100 kg in 1994/95	MGQ: 1 031 000 t Spain: 249 000 t Greece: 782 000 t	Estimated production: Greece: 1 250 000 t Spain: 97 500 t	Reduction of aid: Greece: 40% Spain: 0%	MGQ: 1 031 000 t Spain: 249 000 t Greece: 782 000 t
FRESH TOMATOES	EUR-12 intervention threshold: 600 800 t	Withdrawals: 50 220 t	No overrun	EU-15 intervention threshold: 607 200 t	Withdrawals (provisional): 20 000 t		Reform under discussion at the Council
CAULI-FLOWERS	EUR-12 intervention threshold: 64 300 t	Withdrawals: 194 319 t	Overrun: 5%	EU-15 intervention threshold: 63 800 t (3% of average quantity produced for consumption, not including products for processing, in the last five years)	Withdrawal: n.a.		Reform under discussion at the Council
NECTARINES	EUR-12 intervention threshold: 83 100 t	Withdrawals: 191 523 t	Overrun: 20%	EU-15 intervention threshold: 90 800 t (10% of average quantity produced, same basis as for cauliflowers)	Withdrawal: n.a.		Reform under discussion at the Council
PEACHES	EUR-12 intervention threshold: 303 600 t	Withdrawals: 799 262 t	Overrun: 20%	Intervention threshold: 304 600 t (12% of average quantity produced, same basis as for cauliflowers)	Withdrawal: n.a.		Reform under discussion at the Council
APPLES	Intervention threshold EUR-12: 257 800 t EU-15: 260 000 t	Withdrawals: 629 014 t	Overrun: 9%	Intervention threshold: 281 200 t (3% of average quantity produced, same basis as for cauliflowers)	Withdrawal: n.a.		Reform under discussion at the Council
ORANGES	EUR-12 intervention threshold: 1 179 900 t	Withdrawals: 220 659 t	Overrun: 9%	Intervention threshold: 1 202 000 t (10% of average quantity produced in the last five years plus 752 392 t)	Withdrawal: n.a.		Reform under discussion at the Council

	1994/1995			1995/1996			1996/1997
	Quotas or MGQ applicable	Market situation	Overrun	Quota or quantity applicable/proposed	Market situation	Overrun	Quota or quantity applicable/proposed
LEMONS	EUR-12 intervention threshold: 363 000 t	Withdrawals: 6 476 t	Overrun: 10%	Intervention threshold: 361 600 t (10% of average quantity produced in the last five years plus 250 993 t)	Withdrawal: n.a.		Reform under discussion at the Council
SATSUMAS	EUR-12 intervention threshold: 177 200 t	Withdrawals: 589 t	No overrun	Threshold: 176 800 t (10% of average quantity produced in the last five years plus 150 000 t)	Withdrawal: n.a.		Reform under discussion at the Council
CLEMENTINES	EUR-12 intervention threshold: 130 600 t	Withdrawals: 40 880 t	No overrun	Intervention threshold: 128 600 t (10% of average quantity produced in the last five years)	Withdrawal: n.a.		Reform under discussion at the Council
MANDARINES	EUR-12 intervention threshold: 36 300 t	Withdrawals: 4 497 t	Overrun: 2%	Intervention threshold: 36 300 t (10% of average quantity produced in the last five years)	Withdrawal: n.a.		Reform under discussion at the Council
PROCESSED TOMATOES	<u>Total quota:</u> <u>concentrate:</u> 4 317 339 t <u>peeled:</u> 1 543 228 t <u>others:</u> 736 220 t			<u>Total quota:</u> <u>concentrate:</u> 4 317 339 t <u>peeled:</u> 1 543 228 t <u>others:</u> 736 220 t	Withdrawal: n.a.		Reform under discussion at the Council
DRIED GRAPES	Maximum Guaranteed Area Currants, Sultanas and Moscatel: 53 000 ha		No overrun	Maximum Guaranteed Area Currants, Sultanas and Moscatel: 53 000 ha	Withdrawal: n.a.		Maximum Guaranteed Area Currants, Sultanas and Moscatel: 53 000 ha
WILLIAMS PEARS	EUR-12 guaranteed threshold: 102 805 t		Overrun: 3.25%	Same thresholds as in 1994/95 EU-15: 102 805 t	Withdrawal: n.a.	Overrun: 17.84%	Reform under discussion at the Council
PEACHES SYRUP	EUR-12 guaranteed threshold: 582 000 t		No overrun	Same thresholds as in 1994/95 EU-15: 582 000 t	Withdrawal: n.a.	No overrun	Reform under discussion at the Council

	1994/1995			1995/1996			1996/1997
	Quotas or MGQ applicable	Market situation	Overrun	Quota or quantity applicable/proposed	Market situation	Overrun	Quota or quantity applicable/proposed
MILK	EUR-12 quota Wholesales quota: 107 062 302 t Direct sales quota: 1 983 627 t		No EU overrun, but overrun in Belgium, Denmark, Greece, Ireland, Luxembourg, The Netherlands and United Kingdom:	EU-15 quota: Wholesales quota: 114 909 302 t Direct sales quota: 2 363 627 t ("SLOM" quantities for new Member States : 380 000 t)		No EU overrun expected but possible overrun on a few MS	EU-15 quota: Wholesales quota: 114 909 302 t Direct sales quota: 2 363 627 t ("SLOM" quantities for new Member States 380 000 t)

# TRENDS IN ECONOMIC INDICES FROM 1980 TO 1994 IN REAL TERMS

- EUR 12 -

Index based on 1989-90-91 = 100

YEARS	Expenditures EAGGF- Garantee (1) (5)	GDP total (2)	Final agricult. output (2)	Employment in agric. in AWU	Final agric. output per pers. empl. (2)	NVA agric. (1)	NVA per AWU (1)	Support prices (3)	Producer prices (4)	Prices of intermediate consumption (4)
1980	70.8	78.9	89.4	136.7	65.4	114.5	83.8	132.6	129.2	127.2
1981	62.9	78.9	88.0	130.1	67.6	110.2	84.7	134.4	130.3	131.1
1982	64.8	79.7	92.7	125.6	73.8	117.5	93.6	135.7	127.6	128.9
1983	78.0	81.0	93.4	123.6	75.6	111.5	90.2	132.1	124.6	129.0
1984	85.5	82.9	95.4	121.1	78.8	112.1	92.6	126.8	122.0	129.8
1985	88.1	84.9	95.6	118.5	80.7	105.9	89.4	123.6	116.7	124.1
1986	96.5	87.4	96.6	115.0	84.0	103.8	90.3	119.1	110.8	112.9
1987	97.8	89.9	97.6	112.1	87.1	98.9	88.2	111.5	105.4	106.2
1988	108.9	93.7	98.2	108.7	90.3	98.1	90.2	107.2	103.7	104.8
1989	95.4	97.2	99.3	103.6	95.8	104.5	100.9	104.4	105.1	104.2
1990	94.1	100.1	99.4	102.8	96.7	101.5	98.7	100.4	102.2	101.3
1991	110.5	102.7	100.6	97.2	103.5	98.5	101.3	95.2	97.8	98.7
1992	106.8	103.9	103.3	92.2	112.0	92.2	100.0	90.3	89.3	95.4
1993	118.0	103.5	100.7	87.4	115.2	87.8	100.5	94.0	84.8	94.6
1994	111.3	106.5	99.8	85.1	117.3	91.0	106.9	87.8	85.4	92.4

(1) in real terms (GDP deflator).

(2) in constant prices.

(3) Weighted average, for products with common prices, of support prices (intervention price or equivalent);  
in national currency real terms (GDP deflator). 1989-90-91 = 100.

(4) Weighted average of all products and intermediate consumption in ECU, EUR-10, deflated by the consumer index.

(5) Budget 1987 : from 1st january to 31st october 1987.

Budget 1988 : from 1st november 1987 to 15th october 1988.

from Budget 1989 : from 16th october year n to 15th october year n+1.

GDP : Gross Domestic Product at market prices.

NVA : Net Value Added at factor cost.

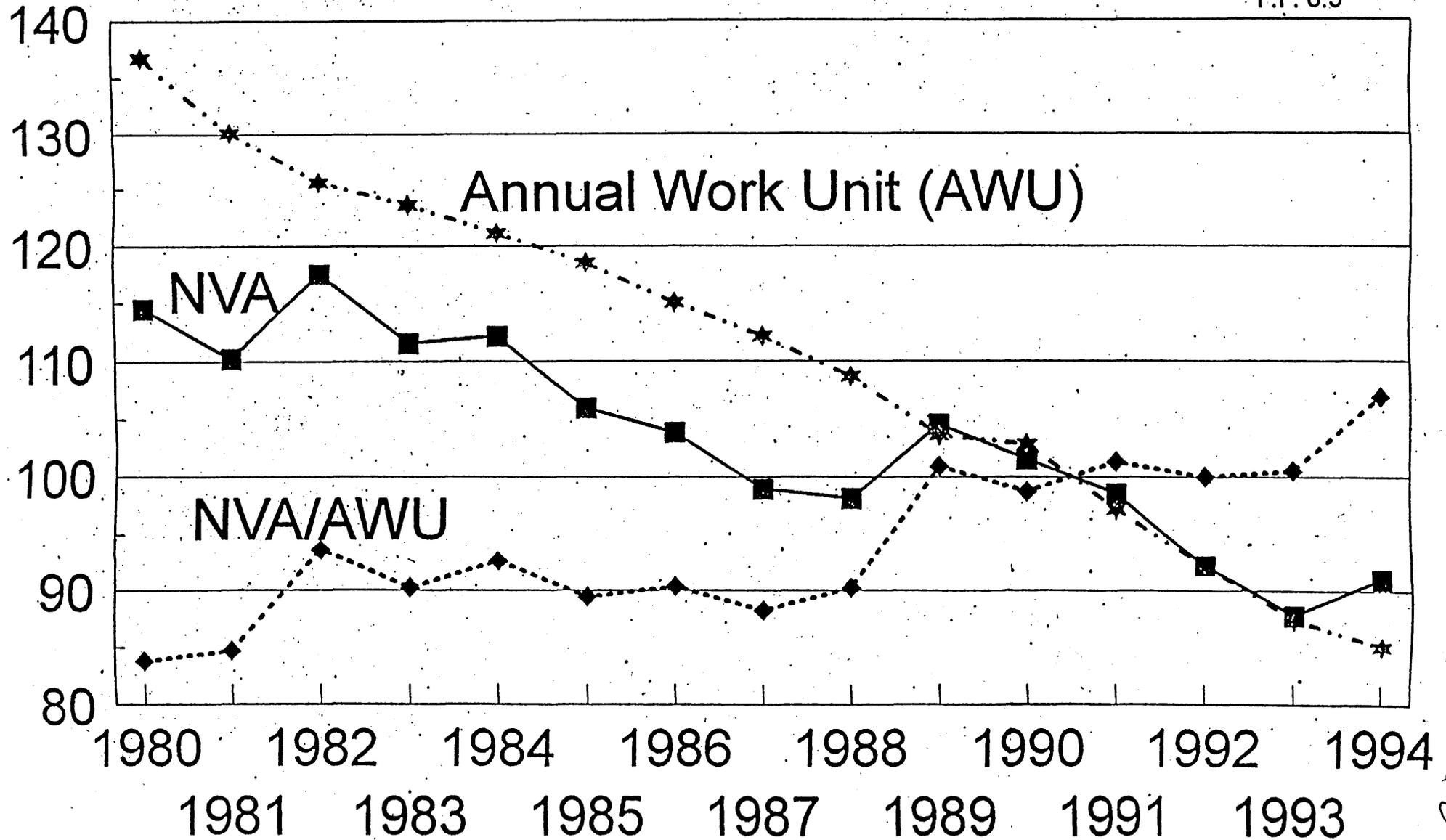
AWU : Annual Work Unit

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table 3

# Net Value Added and Employment

Agricultural indices in real terms (1989-90-91 = 100)

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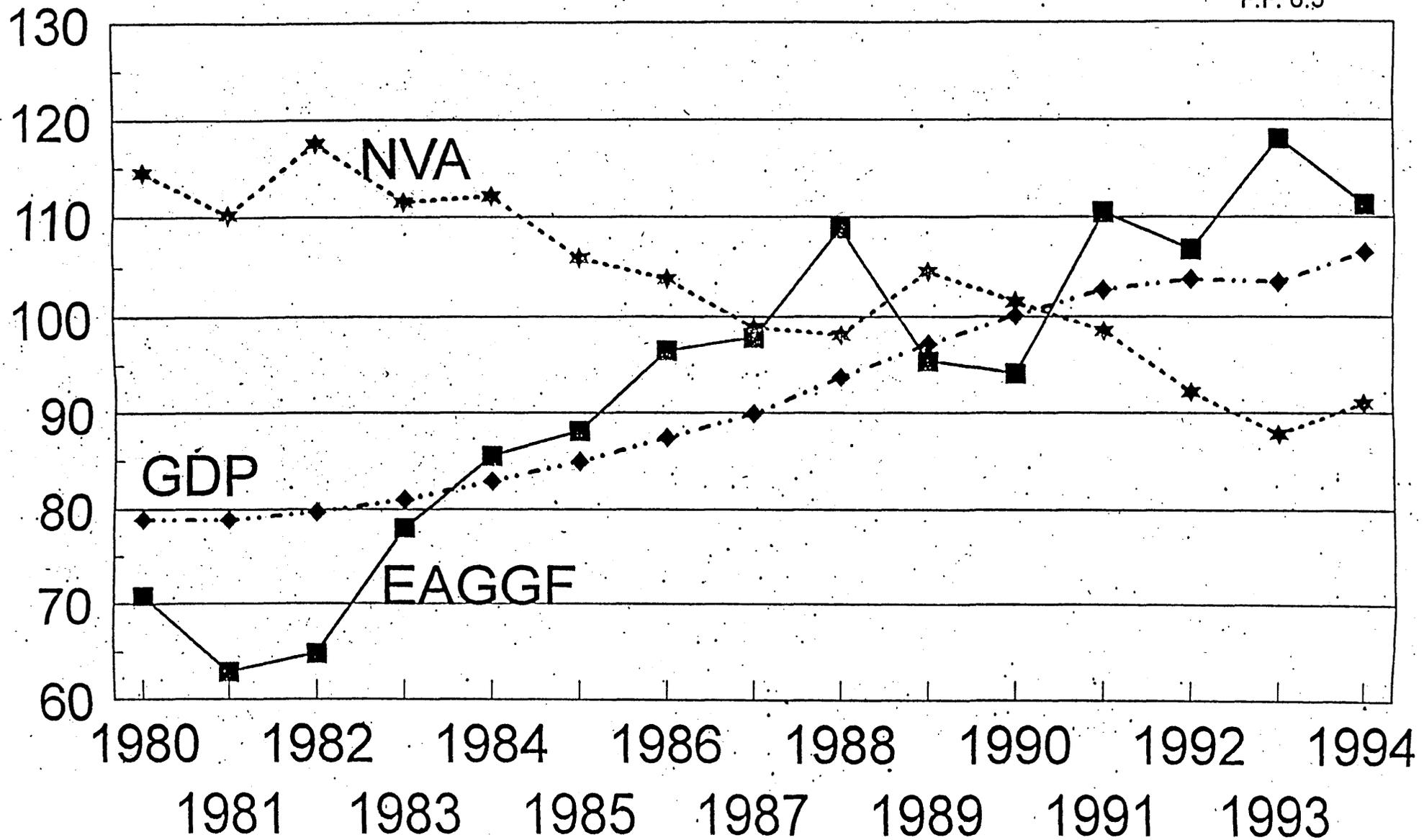


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# Trends in agricultural economic indices

in real terms (1989-90-91 = 100)

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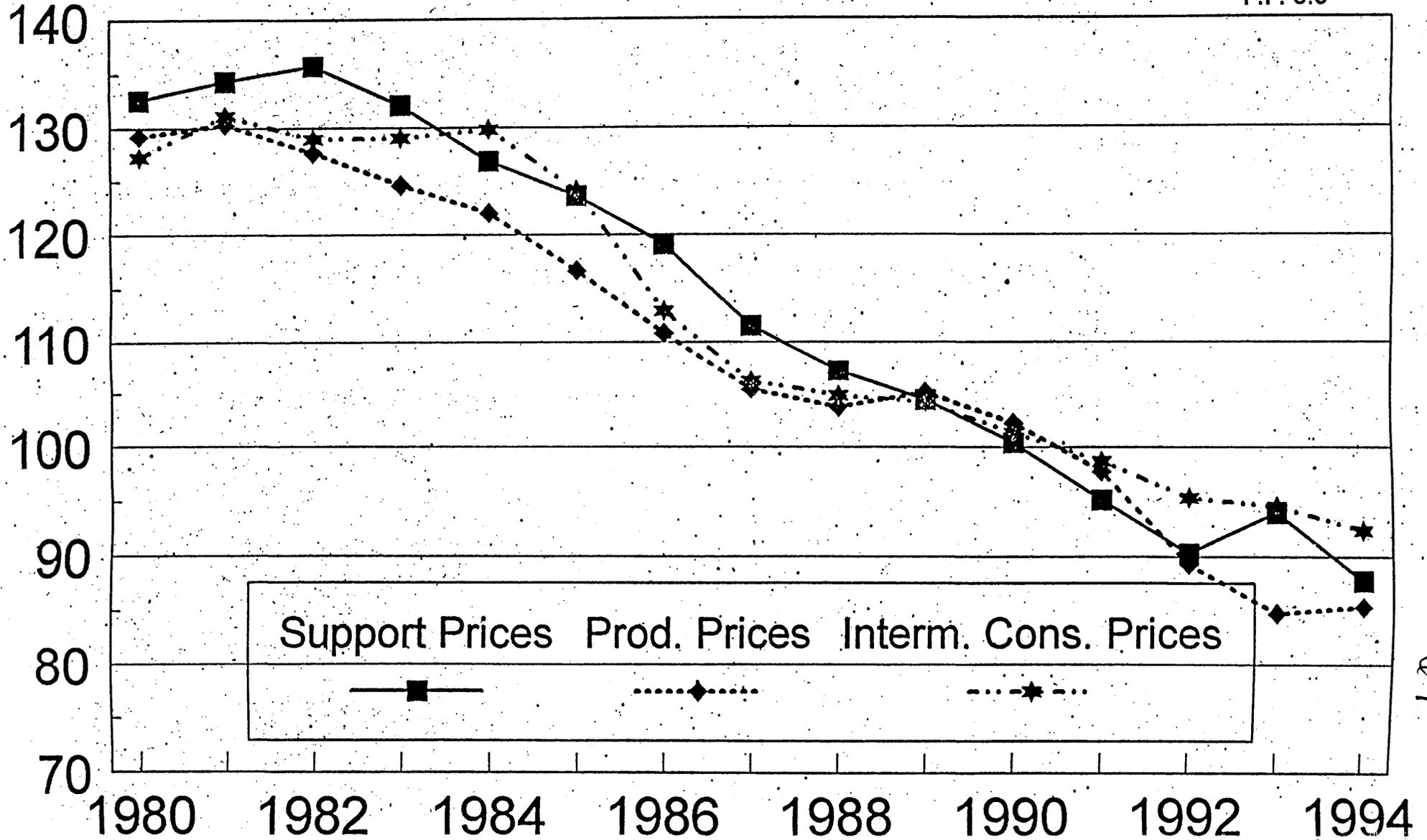


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# Agricultural price indices

in real terms (1989-90-91 = 100)

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