

# GENERAL AGREEMENT ON

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## TARIFFS AND TRADE

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#### PART I: INDUSTRY

With a view to improving transparency regarding the use of aid, the EEC notifies certain programmes in the industrial area. These comprise internal aids used for promotion of the objectives referred to in Article 11 of the Code on Subsidies and Countervailing Duties and, in the opinion of the Communities, they do not constitute subsidies in terms of Article XVI:1 of the General Agreement.

#### Aid to the steel industry (system in effect after 1985)

After the expiry of the Code of Aid in December 1985 the Commission considered it still necessary to make provision, under Article 95 of the ECSC Treaty, for limited possibilities of aid to the steel industry after 1985, and to that end adopted Decision No. 3484/85/ECSC (O.J. L 340 of 18 December 1985).

Under this new policy, aid in this sector is strictly limited. As from 1 January 1986 and until 31 December 1988, only the following aid is authorized: aid to research and development on condition that certain objectives are pursued (reduction of production costs, improvement of product quality, etc.); aid to environmental protection measures designed to facilitate adjustment to new legal standards for protection of the environment; and aid to closure.

In 1986 the Commission did not grant any public subsidization to the Community steel industry. In 1987 it authorized certain member States to grant aid schemes to the steel industry, comprising aid to research and development, aid to environmental protection, and very limited aid to closure.

With respect to Spain and Portugal, the provisions concerning the steel industry in the Acts of Accession (Protocols Nos. 10 and 20) establish a transitional period, of three and five years respectively, during which steel industries in those two new member States may receive operating aid, investment aid, closure aid and aid to research and development.

In pursuance of these transitional provisions, in May 1987 the Commission approved the grant of Pta 223,000 million for restructuring of the Spanish steel industry (operating and investment aid). Similarly, in July 1987 the Commission authorized the payment of closure premiums up to a maximum of Pta 15,000 per ton of dismantled capacity for hot-rolled products. This system of closure aid is in the context of the undertaking given by Spain under the Act of Accession to reduce capacity for hot-rolled products to a level below 18 million tons.

#### Aid to the coal industry

Under Commission Decision No. 2064/86/ECSC dated 30 June 1986 (O.J. L/177 of 1 July 1986), new Community regulations were established regarding State aid to the coal industry, to be applicable until the end of 1993.

While pursuing the objective of making the Community coal industry more competitive and facilitating its adjustment to new market conditions, which would tend to reduce aid to current production, the new policy should allow the necessary restructuring effort to be made in conditions satisfactory from the social and regional aspect.

All aid to the coal industry, whether specific or general, financed by member States or through State resources in any form whatsoever, may be considered Community aid and therefore compatible with the proper functioning of the Common Market only if it conforms to the objectives and criteria set out in the Decision.

Aid granted to the coal industry may be considered compatible with the proper functioning of the common market provided that it helps to achieve at least one of the following objectives:

- improvement of the competitiveness of the coal industry, which contributes to assure better security of supply;
- creating new capacities provided that they are economically viable,
- solving the social and regional problems related to developments in the coal industry.

The Decision defines the forms of State aid for which advance approval can be given by the Commission and the criteria corresponding to the aims of the Decision. Those forms of aid are:

- deficit grant aid;
- sales aid;
- investment aid;
- aid for underground staff;
- financing of social grants specific to this industry;
- inherited liabilities.

Aid granted by member States to the coal industry has been as follows:

	<u>Total aid</u> (ECU million)		<u>Aid per ton</u> (ECU)	
	<u>1985</u>	<u>1986</u> (proposal by member States)	<u>1985</u>	<u>1986</u> (proposal by member States)
Germany, Fed. Rep of	1,064.8	1,732.5	11.99	19.87
Belgium	231.2	309.3	37.29	55.23
France	567.8	523.1	37.60	36.32
United Kingdom	281.4	226.9	3.10	2.17
Total	<u>2,145.2</u>	<u>2,791.8</u>	<u>10.24</u>	<u>13.18</u>

#### Aid to shipbuilding (system in effect after 1986)

The fifth EEC directive on aid to shipbuilding expired at the end of 1986.

Notwithstanding progress made in the structural adaptation of the Community's shipbuilding industry since the adoption of the fifth directive, the world crisis in shipbuilding continues to deepen together with the imbalance between shipbuilding capacity and demand, causing prices to fall to a level which is often below the fixed cost of Community shipyards.

With a view to remedying this situation, the EEC has decided on a tighter and more selective aid policy, designed to orient Community shipbuilding towards market areas in which the EEC remains most

competitive, so as to foster restructuring, ensure the necessary transparency of aid and reactivate competition within the Community.

These new rules are defined in the sixth EEC directive on aid to shipbuilding which entered into force on 1 January 1987 and is to be applicable until December 1990 (O.J. L 69 of 12 March 1987).

The principal elements of this new directive are the following:

- all production aid, including any granted to third parties for shipbuilding, is subject to a common maximum ceiling expressed as a percentage of the contract value before aid in respect of contract-related aid, and as a percentage of turnover in the merchant shipbuilding sector for other operating aid;
- this ceiling, initially set at 28 per cent, is to be reviewed annually;
- in addition, aid may be granted to shipbuilding or ship-repair yards to finance genuine restructuring measures (investment aid, closure aid and aid for research and development);
- a transitional system, subject to certain well-defined conditions, is established for Spain and Portugal;
- full transparency of aid is being ensured through provisions on notification and monitoring.

The Commission draws up an annual overall report on implementation of the new directive. This report states inter alia the level of contract-related aid and other operating aid granted in each member State during the period in question, and both the total volume of restructuring aid awarded and the progress made towards attainment of the restructuring objectives in each member State during the same period.

#### Textiles and clothing

Currently, there are no Community programmes of aids specifically directed at the textiles and clothing sectors as several aid schemes previously approved by the Commission lapsed in 1985 at the latest.

#### Synthetic fibres

In April 1987, the Commission extended the synthetic fibres and yarn aid code for a further period of two years, ending in July 1989. Under this discipline, the Commission will continue to express an unfavourable a priori opinion with regard to aid proposals by member States, be they sectoral, general or regional, which have the effect of increasing the net production capacity of EC industries in this sector (which covers polyamide, polyester, acrylic and polypropylene fibre and yarn and the texturization of these yarns).

Sympathetic consideration can only be given to proposal to grant aid for the purpose of solving serious social or regional problems by speeding up or facilitating the process of conversion away from synthetics or restructuring leading to reductions in capacity.

PART II - AGRICULTURE

A. GENERAL REMARKS

1. The measures notified concern only products which are the subject of a Common Agricultural Policy, namely, the following sectors:

- Cereals;
- rice;
- bovine meat;
- pigmeat;
- sheepmeat;
- eggs;
- poultry;
- oils and fats;
- sugar and isoglucose;
- dairy products;
- fishery products;
- fruit and vegetables and products processed from fruit and vegetables;
- tobacco;
- wine;
- fibre flax and hemp;
- hops;
- seeds;
- silkworms;
- peas, broad beans and field beans used in animal feed;
- dehydrated fodder;
- soyabeans;
- products of the agri-foodstuffs industries (products "not in Annex II").

2. The measures notified include all the price support measures introduced by the common market organizations that can involve participation either by the Community's financing organization or by the government of a member State, to the extent that such measures derive from the Community regulations.

3. With respect to the total amount of aid for each sector, it should be noted that the data relate to payments made by the European Agricultural Guidance and Guarantee Fund (EAGGF) in the course of the years or periods during which the exports were effected.

B. MEASURES

I. EXPORT REFUNDS

For certain of the sectors governed by a market organization, the Common Agricultural Policy provides for the possibility of granting export refunds.

The purpose of export refunds is to cover, as far as possible and in order to enable exports to be effected at international trade prices, the difference between those prices and Community prices.

The refund is the same for the whole of the Community; a differential may be applied according to destination or time (months of delivery). The amount of the refund is fixed periodically by the Commission. The periodicity of the fixing is different for each sector because of the special characteristics of each sector. In order to facilitate export operations, in the case of the majority of products a system has been introduced whereby refunds can be fixed in advance. The refund is paid to the exporter.

The total amount of export refunds financed by the EAGGF during the past few years, and for each sector, is as follows:



(ECU million)

Products	Refunds 1984	Refunds 1985	Refunds 1986
Cereals	918.3	1,076.7	1,711.7
Rice <sup>1</sup>	26.9	36.6	91.9
Sugar <sup>1</sup>			
Olive oil	8.1	19.2	29.4
Oils and fats	0.4	3.4	2.3
High-protein products	-	-	-
Flax and hemp	-	-	-
Cotton	-	-	-
Silkworms	-	-	-
Fruit and vegetables	58.6	74.5	77.0
Wine	18.6	18.9	11.2
Tobacco	36.5	32.0	32.1
Seeds	-	-	-
Hops	-	-	-
Apiculture	-	-	-
Dairy products	1,943.4	2,028.2	2,154.9
Bovine meat	1,392.7	1,338.6	1,214.3
Sheepmeat and goatmeat	-	-	-
Pigmeat	157.0	102.9	75.3
Eggs and poultry	69.8	63.2	97.8
Products of the agri-foodstuffs industries <sup>2</sup>	382.4	440.8	502.9
Fishery products	0.9	- 0.1	-
Total expenditure	5,013.6	5,234.9	6,000.8

<sup>1</sup> Starting with the 1981/1982 marketing year, the export refunds on domestic sugar have been entirely financed out of producer contributions by producers of sugar and isoglucose and sugar beet and sugar cane producers of the Community.

<sup>2</sup> Products "not in Annex II".

## II. MEASURES ON THE INTERNAL MARKET

1. In order to stabilize markets and assure the agricultural population of an equitable standard of living, the Common Agricultural Policy provides, in the market organization regulations for the different products, intervention and aid measures which vary according to the nature of the product and the special characteristics of the market.

2. The cost of these intervention and aid measures is, as a general rule, financed by the EAGGF. During the past few years, by product sector, they have amounted to:

(ECU million)			
Products	Refunds 1984	Refunds 1985	Refunds 1986
Cereals	731.7	1,233.5	1,679.5
Rice <sup>1</sup>	20.9	13.5	1.8
Sugar <sup>1</sup>	11.7	11.6	16.4
Olive oil	1,088.3	673.0	574.9
Oils and fats	655.2	1,107.2	2,025.2
High-protein products	215.5	372.5	460.0
Flax and hemp	19.2	27.2	32.3
Cotton	88.2	212.7	532.2
Silkworms	0.6	0.7	0.5
Fruit and vegetables	1,396.0	1,156.2	909.0
Wine	1,204.0	902.5	619.6
Tobacco	739.9	830.9	750.1
Seeds	42.4	46.4	46.5
Hops	8.4	8.2	8.6
Apiculture	0.7	-	-
Dairy products	3,498.3	3,905.0	3,250.9
Bovine meat	1,154.1	1,407.2	2,267.4
Sheepmeat and goatmeat	433.5	502.4	616.9
Pigmeat	38.9	62.5	76.5
Eggs and poultry	-	-	-
Products of the agri-foodstuffs industries <sup>2</sup>	-	-	-
Fishery products	14.7	16.2	18.0
Other measures	-	-	1.2
<b>Total expenditure</b>	<b>11,362.2</b>	<b>12,489.4</b>	<b>13,887.5</b>

<sup>1</sup> Storage costs are not included because this refund is financed out of contributions by manufacturers.

<sup>2</sup> Products "not in Annex II"

ANALYSIS BY SECTORS"CEREALS SECTOR(a) Intervention measure:

(i) Each year, an intervention price is fixed for common wheat, rye, barley and maize, as well as for durum wheat, for which the intervention buying-in price is a derived price. The intervention agencies are obliged to buy in products harvested in the Community and offered to them provided the offers are made during the open period and comply with certain conditions, in particular as regards quality and quantity.

The intervention buying-in price is fixed for a given standard quality for each of these cereals. If the quality of the cereal differs from the standard quality, the price is adjusted in accordance with price increases or reductions. The price applies in all Community intervention centres fixed at the beginning of the marketing year for each cereal.

Intervention buying-in prices are fixed at the beginning of the marketing year (1 July) and are increased monthly to take account of warehousing and interest costs for stocking cereals in the Community as well as of the need for stock disposal in accordance with market requirements.

Product	(ECU/t.)		
	1985/86 <sup>1,2</sup>	1986/87 <sup>2</sup>	1987/88 <sup>2,3</sup>
Common wheat	179.44	179.44	168.67
Durum wheat	312.08	299.60	274.09
Rye	181.23	170.47	160.24
Barley	179.44	170.47	160.24
Maize	179.44	179.44	168.67

Spanish prices are to be aligned with Community prices over the seven years following accession.

<sup>1</sup> Price applicable for 1985/86 marketing year under Commission Regulation (EEC) No. 2124/85 establishing interim protective measures in the cereals sector.

<sup>2</sup> Prices applicable in the Community of Ten

<sup>3</sup> Intervention buying-in prices

The Portuguese Republic is progressively adapting the EPAC monopoly so as to liberalize imports and marketing of cereals in Portugal.

(ii) In order to deal with special situations which may arise in certain regions of the Community, special intervention measures may be taken by intervention agencies on a decision of the Commission, after consulting the Management Committee.

Such measures may be decided when, in any region of the Community, prices fall substantially in relation to the intervention buying-in price.

(b) Aid is granted for the production of durum wheat having certain qualitative and technical characteristics (suitability for making semolina and macaroni-type foods or for bread-making). The aid is granted on a per hectare basis and its amount varies depending on the region concerned, or is limited to certain regions.

Aids to production since the 1985/86 marketing year amounted to:

Product	(ECU/ha.)		
	1985/86	1986/87	1987/88
Durum wheat	101.31 <sup>1</sup>	113.79 <sup>1</sup>	121.80 <sup>1</sup>
	101.31	16.26 <sup>2</sup>	33.85 <sup>2</sup>
	101.31		

(c) Compensatory allowance

A compensatory allowance may be granted for any common wheat, durum wheat, rye and barley remaining in stock at the end of the marketing year. Its purpose is to bridge part or all of any difference between a higher price at the end of the marketing year, resulting from monthly increases, and the generally lower price at the beginning of the new marketing year, to facilitate the transition from one marketing year to the next, and to ensure satisfactory supplies for the processing industry.

(d) Production refund

A production refund is granted:

- for maize and common wheat used by the starch-making industry for the manufacture of starch;

<sup>1</sup> For Central and South Italy, Marseilles, Toulouse, Ardèche, Drôme

<sup>2</sup> For Spain

- for maize and common wheat used for the manufacture of quellmehl intended for bread-making;
- for potato starch;
- for maize groats and meal (grits) used in making glucose by the direct hydrolysis process;
- for maize groats and meal (grits) used in making beer.

The refund is granted in order to enable the industries manufacturing these products to remain competitive vis-à-vis the prices of such products manufactured outside the Community and the prices of substitute products.

The production refunds are as follows:

Product	(ECU/t.)		
	1986/87	1987/88	1988/89
Maize	15.00	10.00	5.00
Wheat	20.00	14.00	7.00
Potato starch	24.00	16.00	8.00

Since 1 July 1986 a second production refund is paid to users of maize starch, wheat starch or potato starch for the production of certain chemicals, paper and textiles. This refund is variable and is calculated as the difference between the world price (c.i.f. Rotterdam) and the intervention price for maize. In 1986/87, the refund was reduced by 50 per cent. As from 1 July 1987 it is being paid in full. The calculation takes into consideration the amounts mentioned above which are being paid to starch producers during a transitional period ending on 30 June 1989.

"RICE" SECTOR

(a) Intervention measures

Each year an intervention price for paddy rice is fixed from which the intervention buying-in price is derived. The intervention agencies are obliged to buy in any rice harvested in the Community and offered to them, provided offers are made during the open period and comply with certain conditions, in particular in respect of quality and quantity.

The intervention buying-in price is fixed for a given standard quality. If the quality offered differs from the standard quality, the price is adjusted by the application of price increases or reductions. It is applicable in all the Community intervention centres fixed at the beginning of the marketing year.

The intervention buying-in price is fixed at the beginning of the marketing year (1 September) and increased each month to take account of warehousing and interest costs for stocking of cereals in the Community as well as of the need for stock disposal in accordance with market needs.

The intervention prices fixed at the beginning of marketing years were as follows:

Product	(ECU/t.)		
	1985/86	1986/87	1987/88
Vercelli	314.19	314.19	314.19

Spanish prices are to be aligned with Community prices over the seven years following accession.

The Portuguese Republic has abolished the EPAC monopoly in the rice sector so as to liberalize imports and marketing of rice in Portugal.

In order to deal with special situations which may arise in certain regions of the Community, special intervention measures may be taken by intervention agencies on a decision of the Commission, after consulting the Management Committee.

Such measures may be decided when, in any region of the Community, prices fall substantially in relation to the intervention buying-in price.

(b) Compensatory allowance

In addition, a compensatory allowance may be granted for paddy rice and the husked rice obtained therefrom remaining in stock at the end of the marketing year. The purpose of this allowance is to give maximum compensation for the difference between the prices in force at the end of one and the beginning of the next marketing year.

(c) Production refund

A production refund is granted in respect of brokens used by the starch-making industry for manufacture of starch and brokens used by breweries in making beer.

For the three most recent marketing years and until 1988/89, the production refunds have been fixed as follows:

(ECUS/t.)

1986/87: 18.00

1987/88: 12.00

1988/89: 6.00

Since 1 July 1986 a production refund is paid to users of rice starch or derivatives thereof for the production of certain chemicals, paper and textiles. This refund is variable and is calculated as the difference between the world price (c.i.f. Rotterdam) and the intervention price for maize. In 1986/87, the refund has been further reduced by 50 per cent. The calculation takes into consideration the amounts mentioned above which are paid to starch producers.

As from 1 July 1987, the refund corresponds to 100 per cent of the difference mentioned above.

"DAIRY PRODUCTS" SECTOR(a) Intervention measures

Each year an intervention price is fixed for butter, skimmed milk powder and Grana Padano and Parmigiano-Reggiano cheeses and the national intervention agencies buy in at this price any such products of Community origin offered to them which comply with certain quality and packaging conditions.

The intervention prices fixed for the last few marketing years were as follows:

(ECU/100 kg.)

Intervention price valid for	Milk marketing year		
	1985/86	1986/87	1987/88
1. Butter	319.70	313.20	313.20
2. Skimmed milk powder	165.88	174.04	174.04
3. Cheese:			
- Grana Padano			
- 30-60 days	381.75	388.93	388.93
- at least 6 months	472.75	480.33	480.33
- Parmigiano-Reggiano	521.61	529.19	529.19

(b) Aid to private storage

In order to reduce any quantities offered for intervention buying-in or to deal with a certain market imbalance, a system of aid for private storage is operated for:

- butter bearing an official inspection mark, and prime-quality cream;
- cheese:
  - . Grana Padano aged at least 9 months
  - . Parmigiano-Reggiano aged at least 15 months
  - . Provolone

provided they have been produced in the Community and comply with certain conditions.



(c) Aids for intervention skimmed milk and butter for animal feed

Aids are granted for intervention skimmed milk, skimmed milk powder and butter manufactured in the Community and intended for animal feed.

The milk, powder or butter must be either directly denatured or incorporated in some compound feedingstuff intended for livestock.

(d) Aid for skimmed milk processed into casein

Aid is granted for skimmed milk produced in the Community and processed into casein, provided both the milk and the casein produced from it comply with certain conditions.

(e) Other measures

- Measures may be taken, in years in which they are found necessary, to support the market for long-keeping cheeses, if such cheeses comply with certain conditions. These measures are taken, in particular, in the form of aid for private storage.
- When surpluses of dairy products develop, or threaten to develop, measures other than the above may be taken to facilitate their disposal or to prevent the development of new surpluses. A number of measures are currently in force to facilitate butter disposal on the Community market; inter alia, aid is granted for use in the form of concentrated butter for cooking, incorporation in certain foodstuffs and for direct consumption by certain categories of persons or institutions.
- In order to encourage consumption by young people, aid is granted to member States which operate an aid programme for milk distributed in schools so that pupils can obtain milk at a reduced rate.

(f) Co-responsibility levy

The milk producer pays a compulsory levy as a percentage of the target price for milk; the proceeds are designed to encourage and increase disposal of dairy products.

(g) Additional levy payable by producers or purchasers of cow's milk

An additional levy has been introduced on quantities of milk exceeding those delivered in 1981 plus 1 per cent. The Community has fixed the corresponding quantities for each member State. In this connection, the Council adopted Regulation (EEC) No. 856/84 (O.J. No. L 90 of 1 April 1984) and Regulation (EEC) No. 857/84 (same O.J.).

The total quantity of "deliveries" envisaged for the Community (including Spain and a Community reserve) was 104,382 million tons for 1986/87. In parallel, the Council fixed a total quantity for direct sales to consumers in the amount of 4.0 million tons. Within the total quantity for deliveries, the member State determines reference quantities (quotas) either for individual producers (formula A), or for dairies (formula B). On any quantities exceeding those quotas, a levy is applied during the first three years of operation of the system, equivalent to 75 per cent of the target price for milk for formula A and 100 per cent for formula B.

The total quantities were reduced by 2 per cent as from 1 April 1987 and will be reduced by a further 1 per cent on 1 April 1988. In order to facilitate the decline in deliveries and direct sales resulting from the reduction of total quantities, a Community system has been set up to finance definitive cessation of production (Regulation (EEC) No. 1336/86 - O.J. No. L 119 of 8 May 1986, page 19) providing for the grant of an allowance to producers who so request, in return for an undertaking on their part to cease milk production definitively and the cancellation of their reference quantities.

In December 1986 the Council reached agreement on a series of additional measures designed to adjust production to market needs. They include a temporary suspension of 4 per cent of the reference quantities in 1987/88 and 5.5 per cent (an additional 1.5 per cent) in 1988/89, with payment of an indemnity to the producers concerned, together with an increase of levy at the producer level (the levy rate for formula A has been raised to 100 per cent, while for formula B the modalities for sharing out the levy paid by the dairy have been adjusted), so as to reduce deliveries by a further 1 per cent.

"OILS AND FATS" SECTORA. Olive oil

The market organization system for olive oil is made up as follows:

1. Each year an intervention price is fixed for olive oil, and the intervention agencies are obliged to buy in at this price any olive oil of Community origin which may be offered to them.

The intervention price is fixed for a given standard quality.

If the quality of olive oil offered differs from the standard quality, the price is adjusted in accordance with a scale of price increases or reductions. The intervention price is fixed before the beginning of the marketing year (1 November).

2. Aid to producers is granted in respect of olive oil produced in the Community from olives harvested in the Community. It is designed to contribute to establishing a fair income for producers.
3. A representative market price is fixed at a level permitting disposal of olive oil production, taking into account prices of competing oils.
4. Consumption aid is granted, equal to the difference between the production target price, less the production aid, and the representative market price. This aid is designed to facilitate the marketing of Community olive oil.

The various elements mentioned above were fixed at the following levels:

	(ECU/100 kg.)				
	1984/85		1985/86		1986/87
	up to 15.3.85	since 16.3.85	up to 20.5.86	since 21.5.86	
Intervention price	227.62	227.62	227.62	227.62	227.62
Production aid	69.56	69.56	70.95	70.95	70.95
Representative market price	196.87	200.43	198.59	194.06	
Consumption aid	49.80	37.87	53.02	66.50	

5. Production refund for olive oil used in the manufacture of preserves

The purpose of this refund is to enable beneficiaries to buy on the Community market, at prices close to world market prices, the quality of oil which they use most frequently for their manufacturing.

(ECU/100 kg.)

	1984/85	1985/86	1986/87
- Olive oil produced in the Community and used in member States other than Spain and Portugal	102.04	109.31	113.00
- Olive oil other than referred to above, used in member States other than Spain and Portugal	61.43	57.49	28.06
- Olive oil used in Spain	-	12.63*	30.93
- Olive oil used in Portugal	-	83.83*	98.58

\* As from 1 March 1986

B. Oilseeds

1. Colza, rape and sunflower seed

(a) Intervention measures

An intervention price is fixed each year and the intervention agencies are obliged to buy-in at this price any products of Community origin offered to them.

During the 1982/83 marketing year and for the first time, a single intervention price was fixed for all intervention centres in the Community and this system continues to be applied.

The intervention price is fixed for a given standard quality. If the quality of the products offered to the intervention agency differs from the standard quality, the price is adjusted in accordance with a scale of price increases and reductions. The intervention price is fixed at the beginning of the marketing year and is increased each month to take account of average storage and interest costs in the Community. As from the 1987/88 marketing year, intervention action is limited to the period 1 October-31 May, and buying-in is at 94 per cent of the intervention price.

For colza and rapeseed, the opening date of the marketing year is 1 July; for sunflower seed it is 1 August. The opening intervention prices were fixed as follows:

	(ECU/100 kg.)		
	1985/86	1986/87	1987/88
Colza and rapeseed			
- EEC-10	42.15 <sup>1</sup>	42.15	40.76
- Spain	-	36.63	36.00
- Portugal	-	42.15	40.76
Sunflower seed			
- EEC-10	52.47	53.47 <sup>2</sup>	53.47
- Spain	-	37.95	39.67
- Portugal	-	53.47	53.47

(b) New system of guaranteed maximum quantities

In order, *inter alia*, to avoid any excessive increase in production, the Community introduced a guarantee threshold system, with effect from the 1982/83 marketing year for colza seed and from the 1984/85 marketing year for sunflower seed. When actual production exceeded the guarantee thresholds, a reduction was applied to the target price and intervention price for the next marketing year.

In order to strengthen the dissuasive character of the provisions in force, in April 1986 the Council decided to replace the "guarantee threshold" system by a new system limiting the amount guaranteed to producers. Under this system, which resembles that applied in the cotton sector, the Council fixes guaranteed maximum quantities each year for which grant of the total amounts of aid is guaranteed. For the 1987/88 marketing year these guaranteed maximum quantities have been set, as in the preceding marketing year, at respectively 3.5 million tons for colza and rapeseed (plus 10,000 tons for Spain) and 1.7 million tons for sunflower seed (1.2 million tons for Spain). When production estimated before the beginning of the marketing year exceeds the guaranteed maximum quantity, the unit amount of aid is reduced proportionally, as from the beginning of

<sup>1</sup> Decision by the Commission as a precautionary measure

<sup>2</sup> Given the higher oil content of the standard quality, this price represents no change.

the marketing year, subject to a maximum of 10 per cent of the target price. For the 1986/87 marketing year, this maximum was 5 per cent. If actual production is different from production estimated at the beginning of the marketing year, the guaranteed maximum quantity for the next marketing year is adjusted to take account of that difference. For 1987/88 this implies a 5 per cent reduction of the maximum quantity for colza seed, set at 3.5 million tons.

(c) Aid

Aid is granted for seeds harvested and processed in the Community when the target price is higher than the world market price.

The amount of aid granted is, in principle, equal to the difference between these two prices. It varies directly with the world market price as determined periodically on the basis of the most favourable genuine purchasing opportunities.

(d) "Double zero" colza and rapeseed

In order to encourage by differential prices the "double zero" colza varieties having a low glucosinolate content, which yield oilcake better suited for animal feed than that obtained from the traditional varieties, the Council has decided to grant a bonus additional to the target price for these varieties. For the 1987/88 marketing year, this bonus is set at ECU 2.5/100 kg.

2. Soyabeans

Aid

Under the system, the Community fixes each year a guide price and a minimum selling price at levels that are fair to producers. When the guide price is higher than the world market price for soyabeans, aid equal to the difference between these two is granted for soyabeans of Community origin.

The aid is granted to the purchaser who concludes a contract with the producer providing for payment of a price not lower than the minimum price. The guide price and the minimum price have been fixed at the following levels:

(ECU/100 kg.)

	1985/86	1986/87	1987/88
Guide price			
- EEC-10	57.58	57.58	55.85
- Spain	-	42.34	42.71
- Portugal	-	57.58	55.85
Minimum price			
- EEC-10	50.67	50.67	48.94
- Spain	-	35.43	35.80
- Portugal	-	50.67	48.94

A system of guaranteed maximum quantities similar to that in effect for colza seed and sunflower seed has been introduced for soyabeans as from the 1987/88 marketing year. The maximum quantity for that marketing year is 1.1 million tons.

### 3. Flax-seed

#### Production aid

In order to develop the production of flax-seed within the Community and, in particular, with a view to affording better support in favour of the cultivation of oil-bearing flax-seed, a system of aid for production has been introduced in respect of all flax-seed produced within the Community. Under this system, a guide price is fixed each year at a level deemed fair to producers. When the guide price for a marketing year is higher than the average world market price, aid equal to the difference between these two prices is granted to Community producers. Aid is granted for a volume of production calculated from a target yield for the area harvested. The guide price and the amount of aid have been as follows:

(ECU/100 kg.)

	Guide price	Aid
1985/86	55.410	29.471
1986/87	55.410 <sup>1</sup>	41.216
1987/88	55.410 <sup>1</sup>	

<sup>1</sup>Spain: 47.77

"SUGAR" SECTOR

1. Each year, an intervention price for white sugar is fixed for the non-deficit areas of the Community; the intervention agencies are required to buy in the sugar concerned at that price throughout the marketing year.

Intervention prices derived from that price are also fixed for each of the deficit areas.

The intervention price is fixed for a standard quality; if the quality of sugar is different, the price is adjusted in accordance with a scale of increases or reductions.

In addition, an intervention price derived from the intervention price for white sugar is fixed for raw sugar of a standard quality after allowing for a uniform refining margin and notional yield.

Intervention Price

	(ECU/100 kg.)		
	1985/86	1986/87	1987/88
White sugar	54.18*	54.18	54.18
Raw sugar	44.85*	44.92	44.92

\* 44.92 as from 1 April 1986

2. For beet, a basic price is fixed each year valid for a specified delivery stage and a specified standard quality. This price is fixed taking account of the intervention price for white sugar and of notional values representing in particular the processing margin, yield, and undertakings' receipts from sales of molasses. In addition a minimum price is fixed for A beet<sup>1</sup> equal to 98 per cent of the basic price and a minimum price for B beet<sup>2</sup> equal to 68 per cent or 60.5 per cent of the basic price.

These percentages are in direct relation with the production levies charged on A sugar and B sugar. Manufacturers are required to pay at least these prices.

In addition, in areas for which a derived intervention price of white sugar has been fixed, these minimum prices are increased by an amount representing the effects of regionalization of prices.

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<sup>1</sup>A beet is beet intended for processing into A sugar, i.e. into sugar included in production quota A.

<sup>2</sup>B beet is beet intended for processing into B sugar, i.e. into sugar included in production quota B.



3. Denaturing premiums

Taking account of all sugar surpluses and of the economic aspects of the operation envisaged, provision may be made for premiums to be granted by intervention agencies for sugar rendered unfit for human consumption.

For several marketing years past, no use has been made of this sugar disposal possibility.

4. Reimbursement of storage costs

Provision has been made for lump-sum reimbursement of storage costs in respect of sugar produced under quotas A and B.

This reimbursement is aimed at equalizing storage costs in the Community. It is a measure designed to ensure regular disposal of sugar in the market throughout the marketing year, to prevent the sale of excessive tonnages during the manufacturing period and in particular to avoid the offering of sugar to intervention agencies solely in order to avoid storage costs. This reimbursement is financed out of a levy on manufacturers, based on the principle of equality, at the Community level, between the total sum reimbursed and the total sum levied.

5. Production levies

As from 1 July 1981, the principle in force is that producers should bear the full amount of any financial losses resulting from disposal of surplus production of Community sugar in relation to consumption in the Community. Practical implementation of this principle is ensured through a levy which may be charged at a rate of up to 2 per cent of the intervention price on all production under quotas A and B (whereas hitherto only B sugar was subject to a levy).

If this first levy does not suffice to cover the financial losses in question then a second levy, which may not exceed 30 per cent of the intervention price, is charged but only on B quota production (i.e. a total of 2 per cent + 30 per cent = 32 per cent). Any remaining losses not covered by these levies are automatically carried forward to the next marketing year. Moreover, if there is such an outstanding balance an increase in the B sugar levy, not exceeding 7.5 per cent (i.e. a total levy of 39.5 per cent) may be decided; this was done for the 1984/85, 1986/87 and 1987/88 marketing years.

In 1986, it was decided to extend this quota system for five additional marketing years (1986/87 to 1990/91) and to make producers pay for the losses accumulated over the five preceding marketing years (1981/82 to 1985/86) in five equal instalments through an absorption levy.

Since a loss (not covered by the production levies for which there is a ceiling) emerged for the first marketing year (1986/87), a special absorption levy was introduced for that marketing year.

A proposal is currently before the Council for establishing the legal conditions that would allow an additional levy to be charged for any of the remaining marketing years in which a negative balance is recorded.

"BOVINE MEAT" SECTOR

1. Each year a guide price is fixed for adult bovine animals. This is the price to be aimed at in a normal marketing year, through the operation of the Community regulations, for all categories of adult bovine animals marketed in representative markets of the Community.

In recent years the guide prices have been as follows:

Adult bovine animals (ECU/100 kg. live weight)

as from 27.5.1985	205.02
as from 12.5.1986	205.02
as from 6.7.1987	205.02

2. For the 1987/88 marketing year the intervention price for the reference quality of carcasses of category R3 male adult bovine animals, defined on the basis of the Community scale for classification, was set at ECU 344/100 kg. carcass weight.

Intervention buying-in is on the basis of the Community scale for classification of adult bovine animals in the form of forequarters (summer period) or hindquarters (winter period) of male adult bovine animals eligible for intervention.

In addition to public intervention, aid to private storage may be granted. The amount of such aid is:

- either established in the context of a tendering procedure;
- or fixed in advance on a lump-sum basis.

3. For the period from 6 April 1987 until 31 December 1988:

(a) the Community is applying the following system of premiums:

- variable slaughter premiums for certain adult bovine animals (clean cattle), granted only in the United Kingdom;
- calving premiums in Italy, Ireland and Northern Ireland;
- special temporary premium of ECU 25/head for male adult bovine animals, subject to a ceiling of 50 head of cattle per farm and per year, paid in all member States except Ireland where the amount is only ECU 18/head;
- Community premium for maintenance of suckler-cow herd, increased from ECU 15 to 25 per head and supplementary premium for Ireland, Northern Ireland and Greece; this suckler-cow premium represents an income supplement for producers specializing in quality meat. It is paid per head, once annually.

(b) In the context of adjustment of the support system in the bovine meat market, public intervention comes into operation when:

(i) the average price in the Community market for the quality or quality group eligible for intervention is less than 91 per cent of the corresponding intervention price;

(ii) the average price at national or regional level for the quality or quality group concerned is less than 87 per cent of the corresponding intervention price.

In addition, the buying-in price for qualities eligible for intervention is calculated on the basis of the weighted average of market prices in the member States or regions where intervention buying-in takes place, increased by 2.5 per cent of the intervention price; however, the buying-in price may not be less than the highest average market price in the member States or regions where intervention comes into operation.

"FIGMEAT" SECTOR

1. Each year a basic price is fixed for meat of domestic swine, presented in carcasses or half-carcasses of a standard quality. The basic prices for recent years have been as follows:

as from 1.11.1984	203,330 ECU/100 kg.
as from 1.11.1985	203,330 ECU/100 kg.
as from 1.08.1986	203,330 ECU/100 kg.

2. Intervention measures may be taken when, on the representative markets of the Community, the average price for pig carcasses is less than 103 per cent of the basic price.

Where intervention measures are to be taken the products for which private-storage aid is to be granted and, where appropriate, the products of a defined quality which are to be bought in are determined, and likewise the prices at which the intervention agencies are to buy-in products and the amount of private-storage aid are fixed.

The buying-in price for pig carcasses of standard quality may not be more than 92 per cent nor less than 78 per cent of the basic price.

For products other than pig carcasses of standard quality, the buying-in prices are derived taking into account differences in product value.

3. Because of cyclical and seasonal variations in pigmeat prices, as well as veterinary restrictions on trade, private-storage aids have been granted in respect of several products in the sector, as indicated in the following summary:

Year	Period	Number of weeks	Contracts concluded for		Region of application
			Frozen meat (tons)	Dried hams	
1985	04.03 - 30.03.85	4	20	-	Italy
	18.03 - 26.04.85	4	1,992	-	Belgium
	27.03 - 12.04.85	4	21,360	-	Belgium
	18.04 - 20.09.85	23	9,774	-	Belgium
1986	06.05 - 29.07.85	12	35,553	-	EC
	27.01 - 06.04.86	11	4,158	5,641	Italy
	01.04 - 18.07.86	16	95,440	-	EC
1987	29.09 - 31.12.86	14	8,986	-	Italy
	19.01 - 29.06.87	25	167,577	-	EC

"SHEEPMEAT" SECTOR

1. As from 20 October 1980, the Community made effective basic regulations on the common organization of the market in sheepmeat and goatmeat. With a view to attaining a single market based on a common price system, this common organization, like the others, comprises common prices and a price, premium and intervention system.

The first system, which provides for a common basic price and regional reference prices (harmonized progressively over a four-year period), provides for:

- the grant of premiums for the benefit of producers, payable per ewe and covering the difference between the common basic price and the market price for each region;
- the application of support measures tied to the situation of the market price in relation to the basic price, in the form of either variable slaughter premiums or market intervention measures (private-storage aid and, where appropriate, public buying-in).

2. For the six most recent marketing years, the basic prices set have been the following:

(ECU/100 kg. carcass weight)

1984/85	marketing year (as from 2.4.1984):	428.04
1985	marketing year (as from 27.5.1985):	428.04
1986	marketing year (as from 6.1.1986):	432.32
1987	marketing year (as from 5.1.1987):	432.32
1988	marketing year (as from 4.1.1988):	432.32

No intervention buying-in has yet taken place.

Private-storage measures have been decided in three instances: 1 in France (100 t.), 2 in Spain (1,100 t.).

Having regard to the particular situation of their respective markets, premiums for the benefit of producers have been paid only in Ireland and the United Kingdom; similarly, variable slaughter premiums have been granted only in this latter State. During the four ensuing marketing years, premiums for the benefit of producers were paid in all member States.

In addition, and as from the 1986 marketing year, goat producers situated in mountain regions in terms of Article 3:3 of Directive (EEC) 268/75 have also been made eligible to receive the premium payable to ewe producers. This premium to goat producers is payable for the entire territory of Greece and Portugal, Southern Italy, Corsica, Spain (except certain northern areas).

"FRUIT AND VEGETABLES" SECTOR

(a) Measures to promote the formation of producers' organizations

In order to encourage the formation of producers' organizations and facilitate their operation, aids can be granted to such organizations established on the initiative of producers in order to promote the concentration of supply and the regularization of prices at the producer stage and to make suitable technical means available for presenting and marketing products.

The following may be granted:

- An initial aid during the five years following the date of recognition of the organization. The amount of this aid for the first, second, third, fourth and fifth year is, respectively, 5, 5, 4, 3 and 2 per cent of the value of production marketed, provided that the resulting amounts do not exceed the actual costs of establishing and administering the organization; however, for organizations recognized before 1 July 1988, the amount of this aid for the first, second and third year can be, respectively, 3, 2 and 1 per cent of the value of production marketed.
- An aid in the form of loans on special terms to cover part of the foreseeable cost of withdrawal measures, such aid being granted only during the five years following the date of establishment of the organization.

(b) Intervention measures

For certain fruit and vegetables<sup>1</sup>, two measures are provided in order to avert a price slump in the Community market, i.e.:

- withdrawal by producers' organizations;
- buying-in by bodies or natural or legal persons appointed by the member States for this purpose.

Producers' organizations taking withdrawal measures in accordance with the provisions of the regulations, in particular as regards the level of withdrawal prices and the compensation of associated producers and likewise as regards the utilization of products withdrawn, obtain financial compensation equivalent to the compensation paid by them to associated producers, after deduction of the net receipts derived from the products withdrawn from the market.

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<sup>1</sup> Cauliflowers, tomatoes, sweet oranges, mandarines, lemons, table grapes, apples (other than cider apples), pears (other than perry pears) and peaches (not including nectarines), and also, starting with the 1982/83 marketing season, aubergines and apricots

Buying-in by bodies or natural or legal persons appointed by the member States for this purpose takes place only where a serious crisis is found to exist for the product concerned or where the rules regarding withdrawal applied by a representative producers' organization in an economic district are extended to producers in the district who are not members of the organization.

(c) Special measures for citrus fruit: measures for the marketing of fresh citrus fruit

In order to promote and ensure availabilities of Community-produced oranges and mandarines on Community import markets, financial compensation can be granted to sellers of producing member States who have established a reconversion plan. The grant of this compensation is limited in time, however - up to the 1992/93 marketing year.



"PROCESSED FRUIT AND VEGETABLES" SECTOR

Production aid

(a) A system of production aid has been established for pineapple preserves, Community production of which is located in the French overseas departments.

The system is designed to compensate the difference between the Community price and prices prevailing in third countries.

The grant of this aid is conditional on payment of a minimum price to pineapple producers.

(b) Since the 1978/79 marketing year, a Community system of production aid has been in effect for prunes prepared from dried Ente plums, processed tomato products and peaches in syrup.

This system was extended to William pears in syrup with effect from the 1979/80 marketing year, and to cherries in syrup with effect from the 1980/81 marketing year.

Lastly, Community aid in respect of dried grapes and dried figs was granted for the first time for the 1981/82 marketing year.

Grant of this aid is conditional on payment of a minimum price to agricultural producers.

The amount of the aid is set so as to compensate the difference between the price level of Community products resulting from the minimum producer price and that of third-country products.

(c) In 1984, a system of guarantee thresholds was introduced for processed tomato products and for dried grapes.

The guarantee threshold for tomato products is fixed at a quantity of processed tomato products corresponding to a volume of fresh tomatoes of 4,700,000 tons.

This volume is broken down as follows:

- 2,987,850 tons for tomato concentrates;
- 1,367,150 tons for whole peeled tomatoes;
- 405,000 tons for other tomato products.

In May 1985, the Council instituted measures, to be in effect for a period limited to three marketing years, under which aid for tomato products is granted solely in respect of the quantities fixed as thresholds.

For Spain and Portugal, under the instrument of accession the quantities eligible for Community processing aid are limited as follows for the first four years:

<u>Tomato products</u>	<u>Spain</u>	<u>Portugal</u>
Concentrates	370,000 t.	685,000 t.
Peeled	209,000 t.	9,600 t.
Other products	88,000 t.	137 t.

The guarantee threshold for dried grapes is fixed at a quantity of processed dried grapes corresponding respectively to a volume of non-processed dried grapes of:

- 70,000 tons of currants;
- 93,000 tons of sultanas.

(d) Aid for cherries and William pears in syrup is granted only on the basis of quotas. In terms of net weight, the quotas for the Community of 12 are accordingly:

- William pears in syrup: 102,305 tons
- cherries in syrup:
  - morello cherries: 51,282 tons
  - white-hearted and other sweet cherries: 28,272 tons

In addition, in the case of Spain, aid for peaches in syrup is limited to 80,000 tons, in terms of net weight.

(e) The amounts of aid were fixed as follows:

Product	ECU 100 kg. net weight							
	86/87				87/88			
	EEC-9	Greece	Spain	Portugal	EEC-10	Spain	Portugal	Portugal
Tomato concentrate	28,258	25,981	15,731	18,428	29,727	17,270	19,441	
S. Marzano whole peeled tomatoes								
- preserved	11,746	8,773	3,917	-	11,584	3,566	-	
- frozen	8,817	6,555	3,917	-	8,270	3,566	-	
Roma whole peeled tomatoes								
- preserved	8,642	6,808	4,119	2,361	8,227	3,262	1,848	
- frozen	6,487	5,110	4,119	2,361	5,873	3,262	1,848	
Non-whole tomatoes, peeled and frozen	3,892	3,066	2,471	1,417	3,700	2,461	1,168	
Tomato juice (7-8%)	6,300	5,793	4,068	4,766	6,593	4,466	5,028	
(CCT Heading 20.02)	7,560	6,951	4,882	5,719	7,911	5,360	6,033	
(8-10%)	9,240	8,496	5,967	6,990	9,670	6,551	7,374	
(10-12%)								
Tomato juice (3.5-5%)	3,276	3,276	2,116	2,478	3,428	2,323	2,614	
(CCT Heading 20.07)	5,040	5,040	3,255	3,813	5,724	3,573	4,022	
Tomato flakes	81,064	74,532	52,346	61,321	84,829	57,467	64,692	
Peaches in syrup	14,625	9,482	10,553	14,625	14,363	11,242	14,363	
Prunes	51,938	51,938	21,940	-	57,501	33,753	-	
William pears in syrup	18,520	18,520	3,549	2,872	18,531	6,631	6,093	
Cherries: White-hearted	(	(	(	(	(	(	(	
(1)	( 16,585	( 16,585	( 1,987	( 16,585	( 0	( 0	( 0	
Morello	(	(	(	(	(	(	(	
Other	(	(	(	(	(	(	(	
Sultanas	51,972	51,972	-	-	52,224	-	-	
Dried figs - C quality	32,505	32,505	32,505	32,505	36,247	36,247	36,247	
Pineapple					89,884	89,884	89,884	
		62,505						

(1) Stoned

It should be noted that after examining the objective elements taken into account for calculating the level of aid for cherries in syrup, for 1987/88, the Commission decided to fix the aid level at zero.

"WINE" SECTOR

1. Each year, before 1 August, a guide price is fixed for each type of table wine representative of Community production. A threshold price activating the intervention mechanism, termed the "activating price" is applicable during each wine year for each type of wine for which a guide price is fixed. This price is applicable at the same stage as the guide price and corresponds to 92 per cent of the latter.

Guide prices for the 1987/88 wine year have been set as follows:

Type of wine	EC-10	Spain
R I (ECU/degree/hl)	3.35	2.28
R II (ECU/degree/hl)	3.35	2.28
R III (ECU/hl)	52.23	35.55
A I (ECU/degree/hl)	3.11	2.11
A II (ECU/hl)	69.60	47.32
A III (ECU/hl)	79.49	54.05

The prices fixed for the EC of 10 have been reduced by 2 per cent from the level for the preceding wine year, while Spanish prices have been adjusted closer to the EC-10 level as provided for in the treaty of accession.

2. Aid for private storage of table wines

Provision is made for the possibility of concluding long-term contracts in respect of defined table wines when the forward estimates for a wine year show that the quantity of table wine available at the beginning of the wine year exceeds total requirements for that year by more than four months' consumption. These contracts are concluded between 16 December and 15 February for a nine-month period.

3. Aid for private storage of concentrated grape must and rectified concentrated grape must

Provision may be made for the possibility of concluding long-term contracts for grape must, concentrated grape must and rectified concentrated grape must when it has been decided to provide for the possibility of concluding private long-term storage contracts for table wines.

4. Re-storage aid

In cases where the foreseeable level of end-of-season stocks held by producers and prospects for the next harvest indicate a risk of storage difficulties for that harvest, a decision may be taken to grant re-storage aid in respect of table wines covered by long-term contracts.

5. Aid to concentrated grape must and rectified concentrated grape must used in wine-making

Aid is granted in respect of concentrated grape must and rectified concentrated grape must used to increase the alcoholic strength of wines. The amount of the aid is fixed in the light of the difference between the cost of enrichment by means of grape must and sucrose, respectively.

For the 1987/88 wine year, the aid is fixed, per degree of potential alcoholic strength by volume per hectolitre of concentrated grape must and rectified concentrated grape must used, in the same amounts as in the preceding wine year, i.e.:

- ECU 1.52 in the EC of 10 and ECU 0.66 in Spain for concentrated grape must prepared from grapes originating in the vine-growing zones C III and C III(b);
- ECU 1.32 in the EC of 10 and ECU 0.46 in Spain for concentrated grape must other than that referred to in the first indent;
- ECU 1.69 in the EC of 10 and ECU 0.83 in Spain for rectified concentrated grape must prepared from grapes originating in the vine-growing zones C III and C III(b) or produced outside the said zones in facilities which began production prior to 30 June 1982, and prior to 1 January 1986 in Spain, regardless of the origin of the grapes;
- ECU 1.49 in the EC of 10 and ECU 0.63 in Spain for rectified concentrated grape must other than that referred to in the third indent.

6. Aid to grapes, grape must and concentrated grape must used for purposes other than wine-making

In order to encourage the use of vine products of Community origin for purposes other than wine-making, a system of aid has been established.

(a) For grapes, grape must and concentrated grape must intended for the preparation of grape juice, the amount of the aid for the wine year 1987/88 has been fixed as follows:

- ECU 6.4 per quintal of grapes;

- ECU 8.0 per hectolitre of grape must;
- ECU 28.0 per hectolitre of concentrated grape must.

Only 65 per cent of the aid is paid to the processor, the remainder being withheld to finance campaigns to promote grape juice consumption.

- (b) For concentrated grape must intended for traditional preparation in the United Kingdom and Ireland of certain products falling within TDC heading 22.07 ("British and Irish wines"), the amount of the aid for the wine year 1987/88 has been increased so as to align it with the level of aid mentioned under (c), i.e. ECU 0.26/kg. of concentrated grape must used. The latter must be obtained entirely from grapes produced in vine-growing zones C III(a) and C III(b) of the Community.
- (c) For concentrated grape must used as the principal element in a group of products marketed in the United Kingdom and in Ireland with visible instructions for preparing a beverage imitating wine ("home-made wine"), the amount of aid has been set at the same level as in preceding wine years, i.e. ECU 0.26/kg. of concentrated grape must used.

## 7. Distillation

### (a) Preventive distillation

Where necessary, taking into account harvest forecasts or in order to improve the quality of wines marketed, the Commission may open the possibility, in each marketing year, of preventive distillation of table wines at 65 per cent of the guide price from 1 September until a date to be determined. The quantity of table wines delivered for preventive distillation by each producer is taken into account for discharge of obligations deriving from any compulsory distillation subsequently decided on.

### (b) Compulsory distillation

The Commission orders compulsory distillation:

- when stocks exceed four months' normal requirements;
- or when market prices remain below 82 per cent of the guide price during a representative period;
- or when production exceeds normal requirements by more than 9 per cent.

The Commission determines for each region the quantities to be delivered for compulsory distillation in order to eliminate surpluses and restore a normal market situation. This volume is allocated:

- as between the regions of the Community, grouped by member States, pro rata to the production volumes in excess of a specific level for each of them, equal to a uniform percentage of their average harvest calculated on the basis of the 1981/1982, 1982/1983, and 1983/1984 wine years;
- in each region, among producers on the basis of yield per hectare according to a scale fixed by the Commission and taking account of past yields.

Up until the 1987/88 wine year, the buying-in price for wine paid for compulsory distillation is set at 50 per cent of the guide price provided that the total quantity of wine for distillation does not exceed 12.5 million hectolitres. If this quantity is exceeded, the price is equal to the weighted average between the price at 50 per cent for the 12.5 million hectolitres and the price at 40 per cent for the quantity in excess of that volume.

(c) Distillation at guaranteed minimum price, termed support distillation

Whenever compulsory distillation is decided on, the Commission at the same time makes provision for distillation at a price, equivalent to 82 per cent of the guide price for each type of table wine.

Even in the course of wine years during which no compulsory distillation is decided on, the Commission may, if the market situation for table wine so requires, make provision for distillation at the buying-in price of 82 per cent. Distillation measures may be limited to certain table wines determined having regard to the type concerned, or to one or more wine-producing zones. The quantity of table wine covered by distillation measures decided on by the Commission at the buying-in price equivalent to 82 per cent of the guide price may not exceed 6.2 million hectolitres in any given wine year. If the market situation so requires, however, the Council may decide to increase the quantity of table wine eligible for such distillation.

Access to distillation at the guaranteed minimum price and to the other intervention measures designed to support prices, is limited to producers who have discharged their obligations in regard to compulsory distillation and complied with the measures mentioned below under (e) and where applicable, (f). Such access is conditional on producers showing that they have discharged their compulsory distillation obligation in the most recent wine year during which distillation was decided on.



(d) Performance guarantee distillation

Where the other market support measures are inadequate and where the representative price of a type of table wine remains lower than the activating price for three consecutive weeks, additional measures applicable to holders of long-term storage contracts for the type of table wine in question are taken, to maintain prices at a level higher than the activating price.

These additional measures can consist in particular of:

- storing the wine concerned for a specified period in the conditions prescribed for long-term storage;
- distillation of these wines or of a corresponding quality.

In the event of distillation, the quantity of table wine covered by a storage contract and which may be distilled may not exceed 18 per cent of the total quantity of table wine produced by the long-term storage contract holder concerned for the marketing year in which the long-term contract was concluded. For wine produced during 1986/87 this percentage is set at 10 per cent. The buying-in price of wine to be distilled in this way is equal to the following percentage of the guide prices in effect when the long-term storage contracts were concluded:

- 90 per cent for all white table wines;
- 91.5 per cent for all red table wines.

(e) Compulsory distillation under system of wine deliveries

The aim is to avoid overpressing of grapes and to ensure that wine-making by-products are not re-used for the manufacture of poor-quality wines.

The minimum buying-in price for the products concerned has been set, for the 1987/88 wine year, at respectively ECU 1.03 and 0.70/degree/hl of alcohol in the product obtained from grapes harvested in the EC of 10 and in Spain.

(f) Compulsory distillation of wines made from grapes normally intended for uses other than in table wine

This measure, already established since 1976 for wines made from table grapes, has been extended to all other cases of production surpluses likely to overburden the market for table wines (case of Charentes products in France, of grapes intended for drying in Greece). The buying-in price of the wines concerned is equivalent to 50 per cent of the lowest guide price (A I white wine).

8. Other support measures

(a) To the extent necessary to support the market for table wines, intervention measures may be taken in respect of products covered by the wine regulations other than table wine.

(b) If prices are found to have increased in the wine market of the Community so as to be substantially above the guide price fixed for a particular type of wine, that the situation is likely to continue and that as a result the market is being disrupted, the necessary measures may be taken.

(c) The Council may adopt derogation measures that may be necessary to remedy any exceptional situation resulting from natural disasters.

"TOBACCO" SECTOR

A price system has been established, comprising on the one hand derived intervention prices applicable where leaf tobacco or packaged tobacco is offered for intervention, and on the other hand, a system of premiums granted to the purchaser of leaf tobacco.

The Council fixes each year and for each harvest:

- intervention prices for each variety of leaf tobacco and derived intervention prices for certain varieties, as well as in both cases the reference qualities to which they refer;
- the amount of the premium according to variety.

The intervention prices for leaf tobacco, derived intervention prices for packaged tobacco and the amount of the premiums for the 1987 harvest are reproduced below.

In order to prevent the accumulation of intervention stocks, the system makes provision for measures to regulate the market: acting on a proposal by the Commission, the Council may adopt specific measures, in particular, a quantitative reduction of the amounts offered for intervention and/or a reduction of the intervention price for varieties difficult to dispose of. In addition, when the amounts of packaged tobacco offered for intervention exceed a certain percentage, the derived intervention price is reduced.

In order to hold down tobacco output, the Council has defined the production zones in the EEC, with effect from 1986 harvest.

Target Prices, Intervention Prices and Premiums  
for Leaf Tobacco from the 1987 Harvest

Derived Intervention Prices for Packaged  
Tobacco from the 1987 Harvest

No.	Variety	Target price	Inter-vention price	Amount of premium	Derived inter-vention price
1	Badischer Geudertheimer and its hybrids	3,643	3,097	2,534	4,644
2	Badischer Burley E and its hybrids	4,512	3,835	2,932	5,426
3	Virgin D	4,626	3,932	2,870	5,179
4	(a) Paraguay and its hybrids ) (b) Dragon vert and its hybrids, Philippin, ) Petit Grammont (Flobecq), Semois, ) Appelterre )	3,400	2,890	2,352	-
5	Nijkerk	3,357	2,853	2,132	-
6	(a) Misioncro and its hybrids ) (b) Rio Grande and its hybrids )	3,128	2,659	2,159	-
7	Bright	4,070	3,459	2,413	4,764
8	Burley I	2,848	2,421	1,637	3,565
9	Maryland	3,313	2,816	1,856	4,014
10	(a) Kentucky and its hybrids ) (b) Moro di Cori ) (c) Salento )	2,796	2,376	1,765	3,347
11	(a) Forchheimer Havanna II c ) (b) Nostrano del Brenta ) (c) Resistente 142 ) (d) Gojano )	2,942	2,501	2,075	3,858
12	(a) Beneventano ) (b) Brasile Selvaggio and similar varieties )	1,589	1,350	1,171	2,134
13	Xanti-Yaka	3,465	2,945	2,552	4,725
14	(a) Perustitza ) (b) Samsun )	3,280	2,788	2,429 2,364	4,116 4,140
15	Erzegovina and similar varieties	2,947	2,505	2,188	3,712
16	(a) Round Tip ) (b) Scafati ) (c) Sumatra I )	15,908	13,522	9,608	20,782

No.	Variety	Target price	Inter-vention price	Amount of premium	Derived inter-vention price
17	Basmas	6,090	5,177	3,012	6,914
18	Katerini and similar varieties	5,073	4,312	2,680	6,196
19	(a) Kaba Koulak, classical ) (b) Ellassona )	4,279	3,637	2,211	5,170
20	(a) Kaba Koulak non-classical ) (b) Myrodata Smyrne, Trapezous and Phi J )	3,223	2,740	1,514	4,163
21	Myrodata Agrinion	4,253	3,615	2,233	5,080
22	Zichnomyrodata	4,419	3,756	2,355	5,303
23	Tsebelia	3,473	2,952	2,819	4,401
24	Mavra	3,391	2,882	2,304	4,323
25	Burley EL	2,251	1,688 <sup>1</sup>	1,207 <sup>1</sup>	2,748 <sup>1</sup>
26	Virginia EL	3,806	3,235	3,083	4,465
27	Santa Fé	1,383	1,176	0,301	2,034
28	Burley, fermented	2,240	1,904	0,922	2,923
29	Havana E	2,878	2,447	1,952	3,634
30	Round Scafati	8,669	7,369	5,911	12,615
31	Virginia E	4,531	3,851	2,308	5,305
32	Burley E	2,965	2,520	1,384	3,789
33	Virginia P	4,263	3,624	2,308	4,953
34	Burley P	3,072	2,611	1,384	3,896

<sup>1</sup>Taking account of application of Article 13 of Regulation (EEC) no.733/70

"FISHERY PRODUCTS" SECTOR

1. Financial compensation to producers' organizations

In order to stabilize prices, producers' organizations can apply a withdrawal price below which they do not sell the products brought in by their members. These prices are fixed at Community level for herring, sardines, dogfish, spotted dogfish, ling, redfish, cod, saithe, haddock, whiting, mackerel, anchovies, plaice, hake, megrim, pomfret, anglerfish and shrimps of the genus Crangon sp.p. In such cases, the producers' organizations grant an indemnity to associated producers in respect of the quantities withdrawn from the market.

For the financing of these withdrawal measures, the producers' organizations establish intervention funds made up of contributions based on the quantities offered for sale, or use an equalization system.

To support the action by producers' organizations, financial compensation is granted to them provided that the producers' organizations observe the Community withdrawal price and that the products withdrawn from the market are used for purposes other than human consumption or in such conditions that they do not hinder normal disposal of the products concerned. As from 1 January 1983, this financial compensation is calculated on the basis of the quantities withdrawn from the market in relation to the annual quantities of the product concerned offered for sale, and can vary between 85 per cent and 40 per cent of the withdrawal price according to the quantities withdrawn. The amount of financial compensation is reduced by the value, fixed on a flat-rate basis, of the product intended for uses other than human consumption or by the net earnings resulting from disposal of the products in the conditions described above. No compensation is granted, however, in respect of quantities exceeding 20 per cent of the annual quantities offered for sale.

2. Carry-forward premiums

The common market organization system provides for the grant of carry-forward premiums to producers' organizations which process, in certain conditions, certain products withdrawn from the market with a view to their being offered for sale (at a later stage). This premium is granted only in respect of quantities not exceeding 20 per cent of the annual quantities of the product concerned offered for sale. The premium may not exceed the amount of the actual costs of processing and of storage for a limited period, nor 50 per cent of the Community withdrawal price for the fresh product.

3. Storage aid

(a) A storage premium is granted to producers' organizations for Norway lobsters and crabs, fresh, chilled or cooked in water, which have not found a purchaser at the selling price fixed at Community level and have been either processed for freezing and stored, or preserved in specified conditions. The premium is granted only in respect of quantities not exceeding 15 per cent of the annual quotas of the product offered for sale.

The amount of this premium may not exceed the amount of the technical and financial costs involved in the relevant operations for a specified period.

(b) Provision is made for storage aid in respect of certain frozen products (sardines, sea-bream, squid, cuttlefish, octopus) when prices in one of the representative markets or ports remain below 85 per cent of the guide price for the product concerned during a period significant of a trend toward market disruption. The amount of this aid may not exceed actual storage costs and interest charges for a specified period.

4. Compensatory allowance to producers of tunny, salmon and lobsters

A compensatory allowance can be granted, if necessary, to producers in respect of tunny intended for the canning industry, salmon and lobsters. In the case of tunny, this allowance is granted in specified conditions regarding price trends on the Community market and the import price.

5. Export refund

In order to allow exports of fishery products to the world market, provision is made in the Community regulations for the possible grant of an export refund, the aim being to cover any difference between prices of these products on the Community market and world market prices.

6. Initial aid to producers' organizations

Aid, partly financed by the Community, can be granted to producers' organizations in order to facilitate their establishment and operation. The amount of this aid, which is granted for a period of three years, may not exceed, for the first, second and third years respectively, 3 per cent, 2 per cent and 1 per cent of turnover nor 60 per cent, 40 per cent and 20 per cent respectively of the overheads of the producers' organization concerned.

"TEXTILE FIBRES" SECTOR1. "COTTON"

Under Protocol No. 4 to the Act of Accession of Greece, as from the 1981/1982 marketing year the system of aid to cottonseed has been replaced by a system of aid to production of unginned cotton, granted via cotton-ginning undertakings. Under this system, a guide price is fixed each year at a level deemed fair to producers. The difference between the guide price and the world market price is offset by an aid, limited to a certain production quantity fixed each year. A minimum price is fixed each year for unginned cotton, to be paid by cotton-ginning undertakings to cotton producers, failing which they lose entitlement to the aid. The guide price and minimum price have been as follows:

(ECU/100 kg.)

	1985/86	1986/87	1987/88
Guide price	96.02	96.02	96.02
Minimum price	91.23	91.23	91.23

The quantity of unginned cotton in respect of which the aid is granted in full was fixed at 430,000 tons for 1981/1982, 450,000 tons for 1982/1983 and 1983/84, 500,000 tons for 1984/85 and 567,000 tons for 1985/86. For 1986/87, this quantity was raised to 752,000 tons to take account of Spanish production, and this quantity was maintained for 1987/88.

The amount of the aid has been as follows:

(ECU/100 kg.)

Month	Aid
1984/85:	
1 September 1984	32,563
1 December 1984	33,719
1 March 1985	27,914
1 June 1985	40,034
1985/86:	
1 September 1985	55,833
1 December 1985	66,648
1 March 1986	66,397
1 June 1986	74,723
1986/87:	
1 September 1986	77,979
1 December 1986	68,993
1 March 1987	67,552
1 June 1987	59,145



2. "FIBRE FLAX AND HEMP" SECTOR

The Community regulations provide for the following measures:

1. Production aid

In order to ensure a fair income for the producers concerned, a system of aid has been established for fibre flax and hemp grown in the Community. The amount of this aid is fixed each year, per hectare of area sown and harvested.

For hemp, the aid is granted to the producer. For fibre flax, half of the aid is granted to the flax producer and the other half to the person who purchases the raw flax for processing into fibre. If the producer processes his own raw flax or arranges for it to be processed, he receives the entire amount of the aid. The areas sown and the amount of aid per hectare have been as follows:

Amount of aid

	ECU/ha	Area (ha)
<u>Fibre flax</u>		
Marketing year 1985/86	355.09	75,500
Marketing year 1986/87	355.09	60,000
Marketing year 1987/88	355.09 <sup>1</sup>	67,000
<u>Hemp</u>		
Marketing year 1985/86	322.48	6,400
Marketing year 1986/87	322.48 <sup>2</sup>	6,900
Marketing year 1987/88	322.48 <sup>2</sup>	6,000

2. Aid to private storage of flax and hemp tow

In order to avoid or alleviate a slump in prices, holders of tow can conclude storage contracts in the event of temporary market imbalance. This situation arose in 1986 in respect of long flax fibre bundles and hemp fibre bundles, and use was made of this possibility then.

<sup>1</sup> Spain, Portugal: ECU 101.46

<sup>2</sup> Spain, Portugal: ECU 92.14

3. Aids to encourage use of flax fibre bundles

In 1980/81 and 1981/82, Community measures were taken to encourage the use of flax in the Community. The estimated cost was ECU 600,000 for 1980/81 and ECU 1,200,000 for 1981/82. These measures were largely financed from that part of aid per hectare that is not paid to the beneficiaries but is earmarked for financing these measures. These measures were likewise taken for the marketing years from 1982/83 to 1986/87 but financed entirely out of an amount withheld from the production aid. The estimated cost for 1982/83 and 1983/84 was ECU 2,300,000 for each of those two marketing years, and approximately ECU 5,000,000 for the ensuing three marketing years.

With effect from the 1987/88 marketing year it has been decided to extend these measures and their mode of financing for an indefinite period. For the 1987/88 marketing year an amount of ECU 35.51 per hectare has been earmarked for financing these measures.

3. "SILKWORMS" SECTOR

Provision is made for the following measures under the Community regulations:

1. Production aid

In order to contribute to ensuring a fair income for silkworm rearers, an aid has been established for silkworms reared in the Community. The amount of the aid is fixed each year per box of silkworm eggs used. The aid is granted to the rearer responsible for rearing the worms.

The number of boxes used and the amount of the aid have been as follows:

	Number of boxes	Amount of aid (ECU/box)
Rearing year 1985/86	6,600	108.67
Rearing year 1986/87		108.67
Rearing year 1987/88		112.00 <sup>1</sup>

2. Aid to improve quality

Provision is made for Community measures to improve the quality of silkworms and silkworm eggs but none have yet been drawn up. The objectives pursued can be attained, at least to some extent, through horizontal measures designed to improve agricultural structures.

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<sup>1</sup>Spain, Portugal: ECU 31.60

"DRIED FODDER" SECTOR

As from marketing year 1974/75, an organization of the market was established in the dehydrated fodder sector in the context of a Community policy to encourage cultivation of high protein crops. It provided, inter alia, for the grant of aid in respect of the quantity of dehydrated fodder produced that meets certain criteria in respect of moisture content and protein content. Since the 1978/79 marketing year, the system has been changed: the new common organization of markets in the dried fodder sector covers the following products: dehydrated fodder, the principal leguminous vegetables, sun-dried and ground, protein concentrates obtained from alfalfa and grass juice, and dehydrated potatoes. The other main features of the new system are the fixing each year of a target price at a fair level for producers, the granting of fixed-rate aid to processing undertakings, together with additional aid if the world market price falls below the target price. The additional aid is fixed each month. With effect from 1987/88 the fixed-rate aid has been abolished and additional aid for fodder dried other than by dehydration is reduced by a fixed deduction from the amount of aid for dehydrated fodder.

The main features of the market organization system have developed as follows:

(ECU/t.)			
EEC-10	1985/86	1986/87	1987/88
Target Price	178.92	178.92	178.92
Fixed-rate aid	8.49	8.49	-
Additional aid (Percentage of the difference between the target price and the world market price.)			
- dehydrated fodder and protein concentrates	100%	100%	100%
- fodder dried otherwise	50%	50%	-43

For marketing year 1987/88, the following elements have been adopted for the two new member States: target price for Spain: ECU 156.86/ton; for Portugal: ECU 178.92/ton.

"PEAS, BROAD BEANS, FIELD BEANS AND SWEET LUPINS" SECTOR

A. Used as fodder

Taking into account in particular the low self-sufficiency ratio of the Community in regard to proteins for animal feed, special measures for peas, broad beans and field beans used as fodder were adopted by the Council on 22 May 1978 in order to encourage this production. These measures have been in operation since 1 July 1978. In 1984 they were extended to cover sweet lupins.

Since the products concerned are in direct competition with oilcake imported from third countries at zero duties, a system has been established under which aid is granted to fodder manufacturers who use peas, broad beans, field beans and sweet lupins produced in the Community, if the world market price of soyacake is less than the activating price for aid fixed for soyacake. This aid is granted only if the fodder manufacturer has paid to the producer a price not lower than the minimum price, fixed by the Council at an equitable level to the producer.

As from marketing year 1985/86, these prices have developed as follows:

(ECU/100 kg.)

EEC-10	1985/86	1986/87	1987/88
Activating price (peas, broad beans and field beans)	50.64	50.96	44.76
Activating price (sweet lupins)	48.25	48.50	43.05
Minimum price (peas, broad beans and field beans)	28.35 (peas) 27.35 (broad beans field beans)	28.63 27.62	25.77 24.86
Minimum price (sweet lupins)	31.79	32.11	28.90

As from marketing year 1986/87, prices in Spain and Portugal have been set at the Community levels, with certain exceptions for sweet lupins.

B. Used for human consumption

For marketing years as from 1982/83, the Council has amended the special measures in respect of peas, broad beans and field beans, and has established a system of aid for these products used for human consumption.

A guide price is fixed each year for these products. The Commission ascertains the world market price at the Community frontier. Aid is granted to users of peas, broad beans and field beans intended for human consumption, in an amount equal to the difference between the recorded world market price and the guide price provided they pay a minimum price to the producer. The minimum price is the same as that of peas, broad beans and field beans intended for use as fodder.

The guide price has been as follows:

(ECU/100 kg.)

ECC-12	1985/86	1986/87	1987/88
Guide Price	32.48	32.80	29.50

"SEEDS" SECTOR

Under the Community regulations in force since 1 May 1972 and applied as from 1 July 1972, a production aid is granted for certain types of seeds.

The amount of aid is fixed taking into account the market situation (balance between supply and demand) as well as the price for these products on third country markets.

The amount of the aid is fixed for two consecutive marketing years.

The amount of aid for marketing years 1987/88 to 1989/90 has been fixed as follows:

	(ECU/t.)		
	1987/88	1988/89	1989/90
I. Graminae	Between 146 and 669	Between 177 and 702	Between 177 and 702
II. Leguminosae	Between 0 and 541	Between 0 and 595	Between 0 and 595
III. Oilseeds	Between 156 and 216	Between 172 and 238	Between 172 and 238
IV. Cereals (rice spelt)	Between 110 and 146	Between 121 and 161	Between 121 and 161

For Spain and Portugal, the amount of aid has been fixed at respectively 1/5 and 1/4 of Community aid for the marketing years 1988/89 and 1989/90. The same Community aid is granted in respect of types of seed that were already eligible for aid, in Spain, prior to that country's accession.

"HOPS" SECTOR

In order to ensure a fair income for hop producers and to achieve sound management of the market, the Community regulations were amended substantially on 17 May 1977. As amended, the regulations provide for the institution of a system of aid per hectare and per group of hop varieties. This aid is granted in those regions of the Community in which recognized producer groups are able to ensure a fair income for their members and to achieve rational management of supply, the aid being granted to such producer groups alone. In the other regions, aid is granted to individual producers.

The amount of the aid is fixed each year for the preceding year's harvest, on the basis of proceeds from the harvest concerned. The aid has been granted since 1978 on the basis of the system established under the new basic regulation.

It was granted in respect of three groups of varieties:

- (i) aromatic
- (ii) bitter
- (iii) other

The amounts per hectare were as follows:

	(ECU/ha)		
	1984	1985	1986
Aromatic	300	275	310
Bitter	300	350	390
Other	300	350	390