E.E.C. ENLARGEMENT AND C.A.P.: IMPLICATIONS FOR THE PRODUCTION AND TRADE OF WINE AND OLIVE OIL

by

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1. INTRODUCTION **

On 1 January 1981 Greece became the tenth member-state of the European Common Market; in 1983[1] Spain and Portugal are expected to join the EEC[2]. Although the Treaty of Rome in its preamble clearly signifies the intention that other European countries who share the same democratic ideals should be able to accede to the Community and although political considerations (military safety, consolidation of the applicants' young democracies, reinforcement of the community's relations with South America via the cultural and trade links of Spain and Portugal with Latin-American countries) suggest the immediate access of the three countries, economic reasons restrain the further enlargement of the European Community.

The presence in the three countries of large-scale and growing disequilibria, high levels of inflation, unemployment and underemployment, the lack of infrastructures and a partially low share of public expenditure in GDP, the concentration of industries on sectors in crisis in the present Community and the fundamental role of agriculture in all the three countries are among the difficulties the Community will have to overcome.

Furthermore, the Twelve will have to absorb the considerable operational costs of enlargement, and they will need to improve the decision-making procedures,

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** Numbered notes are given at the end of this article.

to cope with the repercussions on the agreements with other mediterranean countries and the countries who have signed the Lomé agreements, to adapt the agricultural, regional, social and industrial policies to the new demands, etc. [3] Big problems will arise in the agricultural sector[4]; mediterranean products alone account for a large share of the total agricultural production of the three countries and they are among the countries main export items.[5]

Wine and olive oil are two of these products; the first is classified as a "predominant" mediterranean product : between 50% and 80 % of world production [6] is in fact yielded by mediterranean countries; the second must be considered a "typical" mediterranean produce (mediterranean countries produce more than 80 %). Both the products are relatively more important in the applicants than in the Community (in 1975 the percentage of wine production in comparison to the total agricultural output was 6.1 in Greece, 4.9 in Spain, 10.5 in Portugal and 4.6 in the EEC, while the respective percentages for olive oil are : 8.3,4.3, 5.6 and 1.4 [7]). This could mean that the Twelve will have excess supply of the two products on their market, having considered the big dimensions of the spanish agriculture and that the Nine's trade of wine and olive oil has been near to the balance or slightly deficitary in the last years. The Community will have to increase its financial"support to the two products; in the period 1973-1977 the expenditures of the guarantee section of E.A.G.G.F.[8] have been equal to 2.3 % for wine and 6.9 % for olive with respect to the total expenditures of the section [9]).

We will try now to give a general picture of the situation in the market of the two products in both the Community and the candidate countries, taking into consideration the problems which will arise after enlargement and the ways in which the Commission may face them.

2. LEGAL BACKGROUND

2.1. EEC Regulations on wine

The establishment of a set of regulations for the organization of the wine market involved elaborate discussions among the founder members of the Community [10]).

The basic regulation which laid down provisions for the common organization of the market in wine is the Council regulation of 28 April 1979, n. 816. The Common Market Organization (C.M.O.) did not provide for automatic, permanent and compulsory intervention conditions; it was quite elastic in its working, and single measures were adopted only in presence of specific situations (the principal aim being to avoid excess quantities). The protective measures of the C.M.O. regarding wine are : the fixing of a sluicegate price (it is reckoned to represent the cost of production in non-member countries; a levy is payable on importsabove this price and a supplementary levy on imports coming in below it[11]), an import licensing system, a common external tariff and the prohibition of the blending of imported with Community-produced wine. The internal market arrangements provided for the fixing of a guide price (to guarantee the producers an adequate income) and an intervention price (at which national intervention agencies are obliged to buy up the wine which is offered to them). Other measures cover alcoholic strength (ordinary table wines must be between 8.5 and 15 degrees of alcohol[12]), quality standards, acidifying, appellation, labelling' short or long-term storage contracts, distillation, export subsidies , etc.... The serious situation, which has been originated from the surplus of table wine and the static wine consumption, emphasized the unsuitability of this legal apparatus.

The intervention measures provided for were clearly insufficient to cope with long-term imbalances caused by successive particularly abundant harvests. The Community was therefore obliged to introduce a new intervention mechanism, with grubbing premiums, preventive distillation and temporary ban of new pb planting.

A major recasting was adopted in 1976 and various amendments were made in 1977. The recasting created the legal basis to improve the quantity of table wines and it increased and diversified the measures of intervention in the wine sector. In its communication to the Ccuncil of 8 Decevmber 1977[13] the Commission invited it to adopt, before the 1978-1979 marketing year, a "general plan for grape-growing" with a set of guidance measures in the sector of table wines. In March 1978 the Commission proposed to the Council that they adopt three type of transitional measures[14] : a european joint-trade table-wine organization, the introduction of certain market measures in the case of a serious crisis and the consolidation of producer groups.

The Council did not adopt all the proposals of the Co mmission but stressed[15] that there was an evident link between the improvement of structures in the wine sector and the need for a more efficient market system, with market rules regulating surplus production moore deeply and also providing special accelerated measures in the event of a serious crisis in the market. The Council requested the Commission to submit further proposals for structural measures by 1 August 1978. The Commission presented a six-year action programme (1979 - 1985)[16] concerning the progressive establishment of balance on the market in wine, which provides both Community and national measures. This medium - term programme is of capital importance for the future of the wine market; its fundamental features are :

a) The prohibiticn on any new planting for the production of table wine will remain in force until 1985;

b) Restructuring, abandonment and cessation premiums;

c) Specific features of market management, including aid for must and concentrated must for use in making grape juice, british and irish wines and home-made wines; the addition sucrose in aqueous solution in certain parts of Germany.

2.2. Agreements on wine between EEC and the candidate countries

The wine regulations in force in Greece, Spain and Portugal are quite similar to those of Community, but the rules about planting and replanting of vineyards are more severe in Spain and Portugal than those applied in the Community.[17]

When the three countries have become member-states, the Common Agricultural Policy (C.A.P.) will regulate their market in wine; until then, however, special agreements are in force between the applicants and the Community, which will be substituted by (it is hoped) the application of appropriate mechanisms to avoid excessive shocks during the transitional period.

A commercial agreement was signed in Luxembourg between Spain and the Community on 29 June 1970. This agreement provided a particular regulation for the trade of some quality Spanish wine. Beginning from 1 July 1977, with the extension to the three new members of the Community regulations regarding the imports of Spanish agricultural products, new tariff concessiohs and new import limits were established (see Table 1).

The Association Agreement between the European Economic Community and Greece, which has been in force since 1 November 1962 provided for the abolition of duties on almost all products from Greece to the Community. But one of the new exceptions was wine. The Protocol 14 of the agreement was declared to have lapsed in April 1977, and it was superseded by the adoption of an 85 % tariff concession and a reduced duty to 420.000 hectolitres annually.

The agreement of 1972 between EEC and Portugal provided for some agricultural concessions.

In particular, the additional Protocol of 1976 established an increase of 10.000 Rectolitres to the annual quantity of the quality wine under preferential tariff. The wines in question are :

Porto

Madera

Moscatel de Setubal (See Table 2).

TABLE 1

Tariff concessions	Xeres Bottled wine 60 %	Xeres Loose wine 50 %	Malaga Bottled wine 50 %	Jumilla-Priorato Rioja-Valde penas Bottled wine 30 %
annual import limits (in hectolitres)				
F. R. Germany	6.000	13.400	6.400	2.190
Belgium & Luxemburg	28.700	181.560	3.500	3.840
Denmark	8.600	19.500	200	840
France	300	170	400	450
Ireland	1.900	3.500	200	140
Italy	2.000	170	1.700	5.520
United Kingdom	23.000	209.200	600	1.820
Community reserves	5.500	20.000	2.000	3.700

SOURCE : Agri Mediterranee,
Les Accords Mediterraneens de la CEE, Janvier 1978.

TABLE 2

Wine			Annual Quant. Under Pref. Tar.	Tariff concession	Rate of C.C.T.	Residual right
Porto	Bottled - between	15 & 18 (compr)	35.000	60	13,5 ua x hl	5,4 ua x hl
	»	18 » 22 »			14,5 »	5,8 »
	Loose - »	15 » 18 »	280.000	50	11 »	5,5 »
	»	18 » 22 »			12 »	6 »
Madera	Bottled - »	15 » 18 »	1.500	60	13,5 »	5,4 »
	»	18 » 22 »			14,5 »	5,8 »
	Loose - »	15 » 18 »	14.500	50	11 »	5,5 »
	»	18 » 22 »			12 »	6 »
Moscatel de Setubal	Bottled - »	15 » 18 »	1.000	60	13,5 »	5,4 »
	»	18 » 22 »			14,5 »	5,8 »
	Loose - »	15 » 18 »	2.000	50	11 »	5,5 »
	»	18 » 22 »			12 »	6 »

SOURCE : Agri Mediterranee,
Les Accords Mediterraneens de la CEE, Janvier 1978

2.3. EEC Regulations on olive oil

The Council regulation n. 136 /66 CEE [18] establishes a common organization of the markets in the sectors of fats and edible oils. The Council regulation n. 1562 /78 /CEE [19] modified by the Council Regulation n. 590 /79 /CEE, organizes the market in olive oil basing it on the following lines of policy :

a) To maintain a certain level of consumption of olive oil inside the Community;

b) To keep a certain proportion between the consumer prices of olive oil and other vegetable oils;

c) To guarantee the producers of this product a reasonable revenue.

The common olive oil policy operates with the help of supporting measures and intervention measures. The first ones comprise a price system and a grant system. The price system provides for the annual fixing of the following prices:

A market price;

An intervention price;

A target price (which import prices must be kept as close as possible to);

A threshold price, which is the minimum import price at which non Community supplies of olive oil can be delivered at Community ports. The grant system allows the concession of grants for the production and for the consumption, export restitutions and special aids to the producers of oil used in preserving fish and vegetables. On 29 June 1978[20] the Council adopted amendments to bring the measures in this sector more into line with production and the state of the market; the new production aids provided for :

a) The restriction of aid to existing olive trees, to be granted at a fixed rate and based in particular on production potential;

b) Aid for consumption, to be granted in the distribution chain.

The intervention measures cover buying and selling the product by appropriate agencies.

2.4. Agrements on olive oil between EEC and the candidate countries.

There is a particular regulation [21] governing the trade of olive oil between Greece and the Community; it will be in force until 31 December 1980. A levy is imposed to the imports of olive oil from Greece within the jurisdiction of the sub-position 15.07 Al of the Common Custom Tariff [22]. This levy, which is fixed by the Commission, is equal to the difference between the threshold price and a «free-frontier» price; this difference is decreased by a contractual amount determined by taking into account the most favourable purchasing possibilities on the Greek market (for the Season 1978 - 1979 the amount decreased was 0.5 Unit of account for 100 kilogramme of imported oil). To the olive oil classified in the sub–position 15.07 A II of the C.C.Γ.[23] A levy is applied tc the quantity of the product traded. A preferential agreement [24], which has been in force since 1 October 1970, regulates the trade of olive oil between EEC and Spain. It is similar to that one between the Community and Greece, with the peculiarity that Spain has tc apply a special tax to exports.

There is no special agreement on olive oil between the Community and Portugal, therefore in this case the general rules of the egreement concluded the 22 July 1972 will apply (expansion and armonic development of the trade relations, applications of equitable conditions of competition to the trade of the goods).

3. PRESENT SITUATION IN THE MARKETS IN WINE AND OLIVE OIL

3.1. Areas of production

Most of the areas under wine production in the Community are located in Italy and France (see Table 3). In Italy winegrowing is spread over the whole country, and the regions with a greater number of hectares of vineyards are Puglia (over 200), Sicily, Toscany and Veneto.[25] The greater part of French vineyards are placed in Languedoc-Rousillon, Aquitaine-Midi Pyrenees, Charentes and Provance-Cote d'Azur. Germany is the third Community country where grape-growing has a certain importance, and almost all the vineyards (93 %) are concentrated in Baden-Wurttemberg and Rheinhessen. The regions of the applicants where there is the greater part cf the national totality of areas under wine production are : Centro, Levante, Nordeste and Andalucia (Spain); Douro, Vins Verdes and Dao (Portugal); Peloponnesos, Crete, Attika and Aegean Islands (Greece).

Almost all the Community areas under olive oil production are sited in Italy (more than 2 million hectares; See Table 4) and especially in Puglia, Calabria and Sicily[26]. Corsica and Var in France, Peloponnesos and Crete in Greece, Jaen, Cordoba, Sevilla and Badajoz in Spain and Portalegro and Beja in Portugal are the olive-groves in the single countries. After enlargment, the areas under wine and olive oil production will approximately double and Spain will probably become the Community richest member-state of vineyards and olive-groves.

3.2. Production

The wine production in the Community in the years 1970 - 1978 averages about 144 thousand hectolitres (See Table 5). Almost all (93.9 %) of the production is

TABLE 3

AREAS UNDER WINE PRODUCTION AND YIELDS IN GERMANY, FRANCE, ITALY. AND IN THE CANDIDATE COUNTRIES (1972 - 1978)

	AREA ('000 ha)			YIELD (hl/ha)		
Country	average 1972 - 1976	1977	1978	average 1972 - 1976	1977	1978
Germany	98	101	102	84	88	111
France	1315	1206	1189	53	61	44
Italy	1383	1397	1382	50	47	46
Greece	202	195	194	23	27	29
Spain	1590	1729	1719	20	13	17
Portugal	356	359	390	28	18	14

SOURCES : Area : O.I.V. (Office international de la vigne et du vin)
Yield : Our calculations are based on Table 5 for production and on O.I.V. figures for areas

TABLE 4

AREAS UNDER OLIVE OIL PRODUCTION AND YIELDS IN FRANCE, ITALY AND IN THE CANDIDATE COUNTRIES
(1967, 1975, 1976)

Year	AREA (ï000 ha) 1967	1975	1976	YIELD (mk /ha) 1967	1975	
Country						
France	34	36[1]	46	0.05[2]	0.06[2]	0.05
Italy	2.284	2.171	2.165	0.14[2]	0.20[2]	0.20
Greece	484	573	580	0.38	0.33	0.38
Spain	2.353	2.207	2.192	0.20	0.14	0.22
Portugal	950	335	1.114	0.04	0.14	0.04

1) Year considered: 1974 2) Rough figure

SOURCES : Area : C.O.I. (Conseil Oleicole International)
Yield : Our calculations are based on table 6 and C.O.I. for production, and on C.O.I. figures for area

TABLE 5

WINE PRODUCTION IN THE COMMUNITY AND IN THE CANDIDATE COUNTRIES
(1970 - 1978) ('000 hl)

Year / Country	1970	1971	1972	73	1974	1975	1976	1977	1978	Average 1970-1978
Germany	6.146	10.110	6.356	7.933	10.751	6.964	9.105	8.926	11.278	8.619
France	49.831	74.470	61.816	59.049	82.987	76.271	66.273	73.655	52.708	66.340
Italy	71.658	68.870	64.212	60.174	76.716	76.867	69.834	65.700	64.142	68.686
Netherlands	10	12	12	2	—	—	—	—	—	4
Belgium	10	10	10	5	5	4	4	4	4	6
Luxembourg	122	242	104	140	186	138	157	128	155	152
United Kingdom	—	—	1	1	1	1	2	3	1	1
Ireland	—	—	—	—	—	—	—	—	—	—
Denmark	—	—	—	—	—	—	—	—	—	—
Eur 9	127.777	153.714	132.511	127.304	170.646	160.245	145.375	148.416	128.288	143.808
Greece	4.532	4.410	4.820	4.610	4.900	4.450	4.520	5.183	5.605	4.781
Spain	25.274	24.325	26.560	39.999	36.190	32.465	24.321	21.820	29.031	28.888
Portugal	11.497	8.835	8.169	11.086	13.873	8.773	8.130	6.587	5.567	9.169
Eur 12	169.080	191.284	172.060	182.999	225.609	205.933	182.352	182.006	168.491	186.646

SOURCES : Eurostat, F. A. O. (Food and Agricultural Organization), U. N. statistical yearbook 1978, Espana-anuario estadistico 1976, statistical yearbook of Greece 1978, OECD Economic surveys : Portugal 1979, O.I.V.

TABLE 6

OLIVE OIL PRODUCTION IN THE COMMUNITY AND IN THE CANDIDATE COUNTRIES

(1970 - 1978)

Year / Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	average 1970-1978
Eur 9	476.900	420.400	621.100	340.700	452.500	434.300	431.500	282.000	502.000	440.156
Greece	140.000	170.000	160.000	190.000	170.000	190.000	220.000	200.000	220.000	184.444
Spain	369.000	479.200	340.000	439.700	446.700	308.100	471.600	422.500	361.400	404.278
Portugal	72.000	66.900	41.700	53.500	42.000	47.800	49.100	35.500	29.800	48.700
Eur 12	1.057.900	1.136.500	1.163.100	1.023.900	1.111.200	880.200	1.172.200	940.000	1.113.200	1.077.578

SOURCE : C.O.I. (Conseil Oleicole International), Bilans Oleicoles (October 1979).

concentrated in two countries : France (46.1 %) and Italy (47.8 %). Germany is the third largest wine producing country of the Community (6 % of the total output), followed by Luxembourg, Belgium, Netherlands and United Kingdom. The production in Ireland and Denmark is negligible in comparison with the total output. In an enlarged Community. the annual production of wine would have to grow by more than 40 thousand hectolitres. This would mean an increase by 23 % of the present production, 68 % of the increment would be due to the Spanish contribution[27], 21 % to the Portuguese and the remaining 11 % to the Greek output.

While the wine production has been slowly diminishing since 1974 principally in consequence of the decisions adopted by the Council, the olive oil production is evidently variable, and its fluctuations are due to both technical and climatic reasons.

The average olive oil production in the period 1970 - 1978 in the Community amounts to nearly 440 thousand metric tonnes (See Table 6). More than 99 % is produced in Italy, the main producing country in the world together with Spain.[28]; a small quantity is produced by France.

The Europe of tomorrow will more than double the olive oil production, which would have to arrive at an annual average of over one million. The 59 % of the increase in the Community output would be shared thus: 63 % due to the yield of the Spanish farmers, 29 % to the Greek and 8 % to the Portuguese.

In the future, the production of the two products ought not to increase; in particular, the C.O.I. estimates [29] forecast a progressive decrease in the share of olive oil production of the enlarged Community with respect to the world total production [30]. A further stimulus to increases in production in the candidate countries could be provided by relatively lower labour costs in those countries[31], but it could be made void by the set of different price levels; in any case, the candidates' farmers would have to gain higher profits in comparison to the member-states' ones.

3.3. Consumption

The wine consumption both in the Community and the applicants has been more or less static in the last years almost everywhere (See Table 7), with few exceptions.

The small decrease is in fact almost entirely attributable to the two major Community wine producing countries : Italy and France. In 1978 in these two countries the wine consumption decreased by 14.1 % and 6.1 % respectively, based on

TABLE 7

WINE DIRECT HUMAN CONSUMPTION IN THE COMMUNITY AND IN THE CANDIDATE COUNTRIES

(1972 - 1978)

YEAR	TOTAL CONSUMPTION ('000 hl)			CONSUMPTION PER HEAD (Litres)		
Country	AVERAGE 1972 - 1976	1977	1978	1977	1978	
Germany	13.256	14.390	14.615	23,40	23,80
France	54.546	53.479	51.222	102,10	98,00
Italy	59.513	52.538	51.130[1]	93,50	91.00
Netherlands	1.196	1.512	1.637	11,10	11,80
Belgium	1.455	1.646	1.664	17,00	17,00
Luxembourg	153	158	156	44,33	43,30
United Kingdom	2.750	3.438	2.978	6,15	5,30
Ireland	76	84	84[1]	2,60	2,60
Denmark	514	597	614	11,75	12,03
Eur 9	133.459	127.842	124.100	311,93	304,83
Greece	3.335	3.563	3.690	39,60	41,00
Spain	26.164	25.149	25.000	65,00	70,00
Portugal	7.548	8.450	8.000	97,00	91,30
Eur 12	170.506	163.054	160.790	513.53	507.13

1. Estimate

SOURCE : O. I. V.

TABLE 8

OLIVE OIL CONSUMPTION IN THE COMMUNITY AND IN THE CANDIDATE COUNTRIES (1957 - 1978) (m.t.)

Country	YEAR	AVERAGE 1957 - 1962	AVERAGE 1963 - 1966	AVERAGE 1967 - 1974	AVERAGE 1975 - 1978	AVERAGE 1968 - 1977
Italy		367.200	447.200	543.200	440.400	9.698
France		18.200	17.000	20.800	19.400	0,396
Other EEC countries		4.600	3.800	7.800	5.300	N.A.
Eur 9		390.000	468.000	571.800	465.100	N.A.
Greece		124.500	143.300	161.300	173.500	19,368
Spain		291.200	253.800	302.800	287.800	8,364
Portugal		81.800	75.600	55.700	42.900	6,208
Eur 12		887.500	940.700	1.091.600	969.300	N.A.

SOURCE : C.O.I. N. A. =Not available

the average 1972 - 1976 figures. On the other side, the olive oil consumption in the examined countries (See Table 8) is variable, the only real exception seeming to be Portugal, where in the pericd 1975 - 1978 consumers have reduced by half the utilization of this product in comparison to the period 1957 - 1962.

A worrying consideration is that the consumption of other vegetable oils (soya, sunflower, colza, peanut, rape) [32] has been regularly increasing almost everywhere;[33] this has principally happened for three reasons: the relatively high price of olive oil in comparison to that of other oils, a strong advertising campaign that contributed to change the tastes of consumers in favour of lighter fats, and export subsidies granted by the governments of the vegetable oils' producing countries. In an enlarged Community, wine consumption would have to increase by about 28 % [34], overcoming the annual average of 160 thousand hectolitres. Olive oil consumption would have to grow by 108 % and the Europe of tomorrow will probably eat about a million tonnes of this fat a year.

The degree of self-supply (the ratio production /consumption in percentage) shows the following numbers :

Greece	140	for	wine	and	120	for	olive	oil;	
Spain	122	»	»	»	136	»	»	»	
Portugal	133	»	»	»	95	»	»	»	
the Nine	110	»	»	»	89	»	»	»	[36]

Also these figures confirm that there will be problems of abundance in the enlarged Community.

3.4. Trade

The situation in the Community Trade of wine is different to that of olive oil. In the period 1971 - 1978 the member-states have a slightly negative average balanced of trade in wine, with an evident tendency to increase exports which could overturn the present balance in the course of a few years (See Tables 9 and 12). On the contrary, the Nine are not importing countries of olive oil; their imports amount to an average of 146 thousand tonnes per year (See Table 11), while their exports are equal to only 17 % of total imports [37].

The wine imports are furthermore of negligible importance with reference to the Community consumption: They are 4.4 % of it, while the respective percentage for olive oil is 25.8 [38].

With respect to the trade with the applicants, the following considerations are to be emphasized :

TABLE 9

COMMUNITY WINE IMPORTS FROM NON-MEMBER COUNTRIES (1971 - 1979) ('000 hl)

Member State / Year	1971	1972	1973	1974	1975	1976	1977	1978	1978	Average 1971-1979
Germany	1.152	1.032	1.241	818	1.166	1.261	1.325	1.486	1.798	1.253
France	838	525	3.119	3.024	1.215	964	854	928	796	1.363
Italy	51	56	289	227	85	68	74	88	92	114
Netherlands	650	614	642	533	501	618	681	677	606	614
Bleu	469	400	448	329	304	304	394	404	381	381
Unitek Kinkdom	1.263	1.273	1.733	1.816	1.560	1.446	1.503	1.542	1.714	1.539
Ireland	28	27	38	33	22	26	22	18	18	26
Denmark	189	205	312	301	242	258	223	204	177	235
Eur 9	4.640	4.132	7.822	7.081	5.095	4.945	5.076	5.347	5.582	5.524
of which, from :										
Greece	808	687	658	339	306	518	423	379	344	496
Spain	1.466	1.515	2.056	1.964	1.843	1.755	1.999	2.096	2.186	1.876
Portugal	584	583	749	667	504	551	606	690	791	636
Total imports from the Candidate countries	2.858	2.785	3.463	2.970	2.653	2.824	3.028	3.165	3.321	3.007

SOURCES : Eurostat, reports from member-state and candidate countries.

a) For both the products, the three countries contribute to export to the Community about half the total world exports;

b) Spain is the major trade partener of the Nine: 34 % of EEC world wine imports come from this country as well as 45 % of olive oil;

c) Portugal sells to the Community the best quality wine (about 0.83 U. S. dollars are paid per kg of portuguese wine, against 0.45 and 0.22 paid for the Greek and Spanish wines)[39], but it is a net importing country of olive oil from the Community;[40]

d) The export of Greece to the Community are not of primary importance, but the olive oil exports have been progressively increasing in the last years (in 1978 they were about 25 % of world exports to the Nine);

e) Excluding intra-Community trade in wine, we can observe that Belgium and Luxembourg prefer Greek wine, U. K., Denmark, Netherlands and Ireland like Spanish wine, Italy imports some portuguese wine, while France and Germany have been so far more interested by other countries' productions (especially Algeria, Tunisia, Marocco and Yugoslavia[41]; Italy's imports of olive oil cover more than 80 % of total EEC imports, and the second Community importing country is France: they prefer Spanish oil, but they do not dislike Tunisian, Moroccan and Greek oil[42].

In the analysis of the intra-community trade, the most important conclusions are :

a) Intra-Community trade in olive oil is very limited, France being however the principal exporting country;[43]

b) Intra-Community trade in wine[44] is on the contrary extremely relevant, and its volume is almost double that of extra-EEC trade (See Tables 10, 12, 13);

c) Italy is the principal internal supplier of wine (about 65 % of the total) followed by France (30 %);

d) Italian wines are mainly drunk in France (60 %)[45] and Germany (33 %), while all the other countries prefer French wines.

4. POSSIBLE EVOLUTIONS OF THE MARKETS ENLARGEMENT

4.. Excess supply : Forecasting of its amount

So far we have analysed the present situation in the market in wine and olive

TABLE 10

COMMUNITY WINE IMPORTS FROM THE CANDIDATE COUNTRIES? BROKEN DOWN BY IMPORTING MEMBER STATES (1976 - 1979)

('000 hl)

Importing Member state / Origin	Year	Germany	France	Italy	Netherlands	Bleu	U. K.	Ireland	Denmark	Eur 9
Greece	1976	199	16	—	145	152	5	—	1	518
	1977	108	16	—	133	161	5	—	—	423
	1978	104	25	—	97	149	4	—	—	379
	1979	109	20	—	72	134	8	—	1	344
Spain	1976	225	75	22	411	68	764	15	175	1.755
	1977	240	90	21	471	72	941	16	148	1.999
	1978	305	115	17	488	58	959	13	141	2.096
	1979	407	85	17	442	49	1.059	12	115	2.186
Portugal	1976	45	167	37	54	39	143	7	59	551
	1977	60	181	48	70	58	132	5	52	606
	1978	68	221	65	78	61	144	4	49	690
	1979	83	257	68	77	86	173	4	43	791
Other countries	1976	792	706	9	8	45	534	4	23	2.121
	1977	917	567	5	7	103	425	1	23	2.048
	1978	1.009	567	6	14	136	435	1	14	2.182
	1979	1.199	434	7	15	112	474	2	18	2.261
All exporting countries	1976	1.261	964	68	618	304	1.446	26	258	4.945
	1977	1.325	854	74	681	394	1.503	22	223	5.076
	1978	1.486	928	88	677	404	1.542	18	204	5.397
	1979	1.798	796	92	606	381	1.714	18	177	5.582

SOURCES : Eurostat, reports from member states and Candidate countries.

TABLE 11

COMMUNITY OLIVE OIL IMPORTS (1970 - 1978) (m t)

Country / Year	1970	1971	1972	1973	1974	1975	1976	1977	1978	Average 1970-1978
Eur 9	165.084	189.407	129.247	192.570	156.616	85.025	106.477	160.477	128.600	145.960
From :										
Greece	184	407	17.505	2.910	562	5.835	5.358	6.257	31.902	6.769
Spain	134.765	157.166	26.719	86.730	50.820	29.081	22.567	44.308	37.352	65.501
Portugal	102	148	179	214	145	109	41	48	98	120
Total Community imports from the candidate countr.	135.051	157.721	34.403	89.854	51.527	35.025	27.966	50.613	69.352	72.390
Community imports from other countries	30.033	31.686	34.844	102.716	105.089	50.000	78.650	109.864	59.248	73.570

SOURCE : C.O.I.

TABLE 12

COMMUNITY WINE EXPORTS TO NON-MEMBER COUNTRIES (1971 - 1979) ('000 h l)

Member state	Year 1971	1972	1973	1974	1975	1976	1977	1978	1979	Average 1971-1979
Germany	183	259	349	354	374	533	774	738	801	485
France	1.215	1.393	1.834	1.700	2.003	2.178	2.178	2.246	2.268	1.845
Italy	1.313	1.373	1.855	1.768	1.609	2.262	1.959	2.526	3.493	2.018
Netherlands	—	1	33	—	—	1	2	3	4	5
Bleu	1	1	1	1	1	1	1	2	—	1
United Kingdom	79	51	73	82	69	92	92	90	103	80
Ireland	—	—	—	—	—	—	—	—	—	—
Denmark	4	4	4	7	8	10	13	11	8	8
Eur 9	2.795	3.082	4.149	3.912	3.825	4.891	5.019	5.616	6.677	4.441

SOURCES : Eurostat, reports from member states.

TABLE 13

INTRA-COMMUNITY TRADE IN WINE BROKEN DOWN BY IMPORTING AND EXPORTING MEMBER STATE (1976-1979)

('000hl)

Exporting member state	Importing member state	Germany	France	Italy	Netherlands	Bleu	U.K.	Ireland	Denmark	Eurr 9
Germany	1976	—	3	4	90	30	231	9	71	438
	1977	—	2	4	99	26	261	9	67	468
	1978	—	3	4	123	25	276	12	85	528
	1979	—	40	6	154	57	425	16	121	819
France	1976	2.069	—	137	465	919	637	25	119	4.441
	1977	3.235	—	152	551	992	811	25	217	5.983
	1978	1.976	—	149	639	939	874	31	236	4.844
	1979	2.161	—	124	661	1.087	1.047	36	272	5.388
	1976	4.312	7.192	—	165	131	307	9	67	12.183
	1977	3.945	5.337	—	124	151	381	10	59	9.107
	1978	3.979	6.269	—	134	142	386	11	61	10.982
	1979	3.471	8.209	—	130	173	506	12	54	12.554
Other member states	1976	2	1	—	91	14	5	1	1	115
	1977	5	5	—	49	14	6	13	1	93
	1978	10	4	—	46	21	10	17	1	109
	1979	13	4	—	70	19	11	17	1	135
Total exporting menber states	1976	6.383	7.196	141	811	1.094	1.180	44	328	17.177
	1977	6.285	5.344	156	823	1.183	1.459	57	344	15.651
	1978	5.965	6.276	153	942	1.127	1.546	71	383	16.463
	1979	5.645	8.253	130	1.015	1.335	1.989	81	448	18.896

SOURCES : Eurostat, reports from member states.

oil, comparing production, consumption and trade of the two products in the Community member-states and in the three applicants.

We will try now to determine approximately the quantity of excess supply of wine and olive oil in the Europe of Twelve[46].

We will calculate it with the help of the following formula:

$S_E = P_C - C_C - X_E$,

where:

S_E =Average annual excess supply in the Community of Twelve;

P_C = Average annual production in the three applicants;

C_C = Average annual consumption in the three applicants;

X_E =Average annual exports of the three applicants to the Community of Nine.

The results are as follows :

Country	Wine S_E(in hl)	Olive oil S_E (in ht)
Greece	823	21.662
Spain	3.917	69.773
Portugal	1.847	— 2.424
3 Candidates	6.587	89.011

Therefore, without taking into consideration either the considerable increases in production[49] or the quantities of wine and olive oil internally utilized for other purposes than human direct consumption (distillation, blends, etc..)[50], we can remark that, in the most pessimistic hypothesis, there would have to be an excess supply equal to 4.5 of the Community's average annual consumptions, while for olive oil the respective percentages would be 21.6 and 19.1[51].

4.2. THREE RELIABLE HYPOTHESES

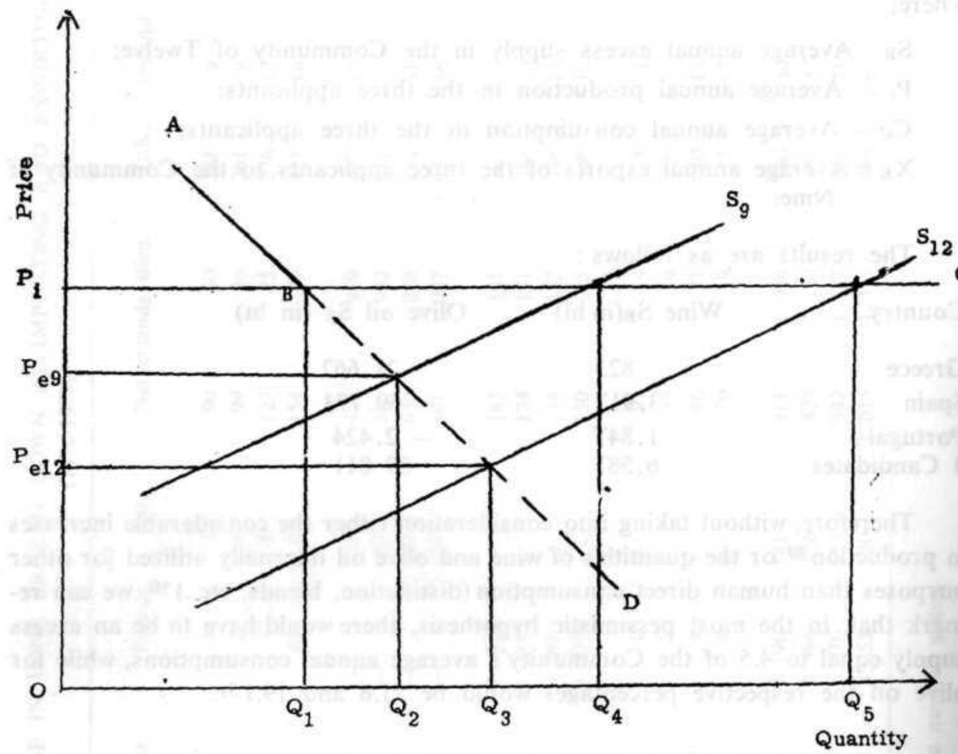
What will the Commision do after the second enlargement of the European Common Market? Which measures will be adopted, if any?

Trying to summarize all the possible evolutions of the markets in wine and olive oil is a difficult task; we would in fact have to know the elasticities of supply and demand of the two products, besides the behaviour of the Commission.

However, we will discuss three of the most reliable hypotheses, which are based on the assumptions that the demand will remain unchanged and that supply will increase because of the contribution of candidates' farmers.

Hypothesis 1

In the present situation (See Graph 1), an intervention price (P_1) is fixed above the equilibrium price (Pe_9), at which farmers will probably offer to the intervention agency the quantity Q_4-Q_1, which will be stored, exported, donated or destroyed depending upon the decisiions of EEC.



GRAPH 1

Demand is reduced by Q_2 - Q_1, supply increases by Q_4 - Q_2[52].

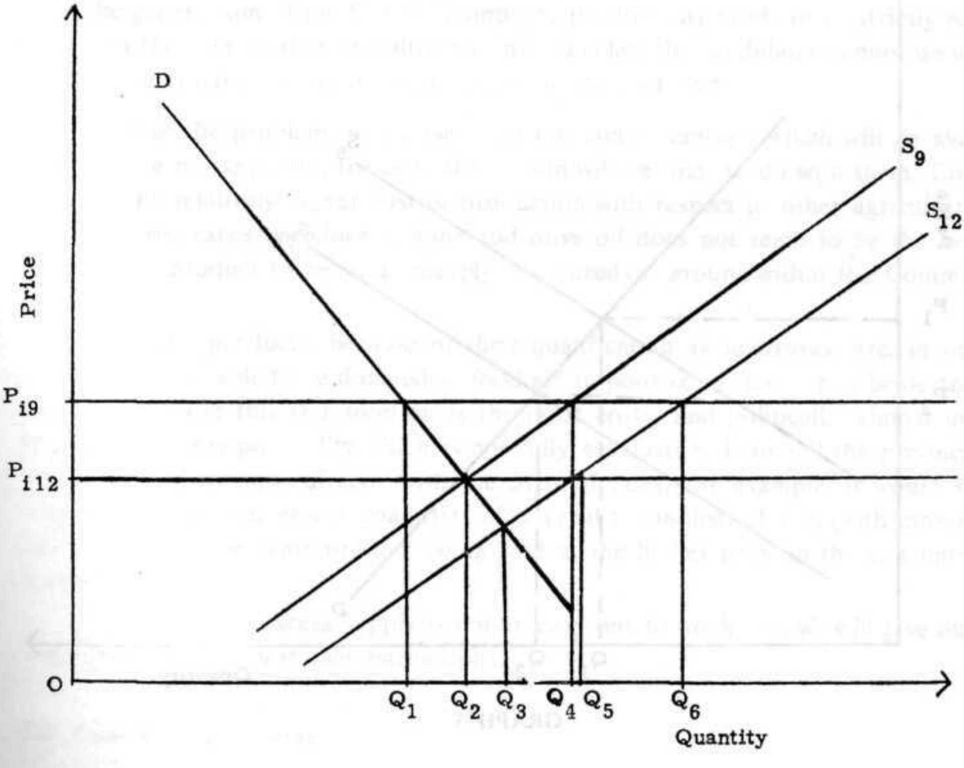
In an enlarged Community, the supply of the Twelve member-states (S12) will increase. If the Commission will not change its intervention mechanisms and / or will not adopt other measures (reducing produce, increasing demand, etc...), it will have to face the excess supply and the agencies will have to intervence purchasing the quantity Q_5 - Q_1.

If this will be the case, and we think it will be, demand will be reduced by Q_3-Q_2 and supply wil increase by Q_5 - Q_3. This means that the C.A.P. will incur further considerable intervention costs, consumers (whose demand curve is ABC) will have to pay the price Pi instead of the new equilibrium price Pe_{12}, and the real beneficiaries will be the potential victims, the producers.

Hypothesis 2

The Commission could decide to adopt measures to avoid Community csnsumers and the C.A.P. bearing the costs of excess supply.

It could be decided to fix a lower intervention price, for example at the previous equilibrium price (Pi_{12} in Graph 2).



GRAPH 2

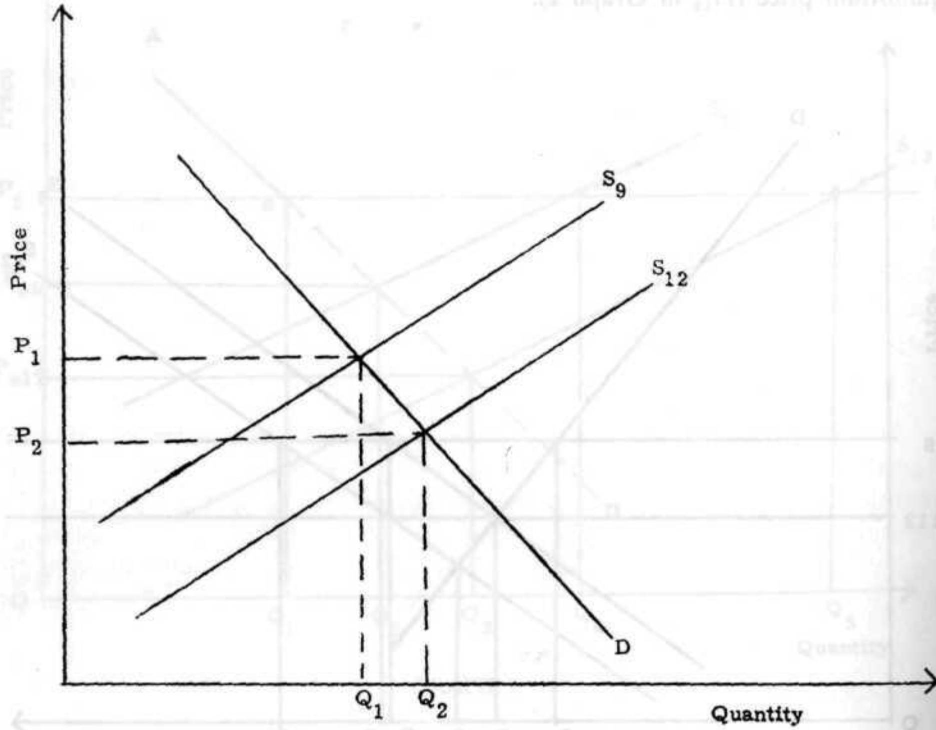
The C.A.P. will therefore have to intervene to purchase the quantity $Q_5 - Q_2$, with a net saving $(Q_1 - Q_5) + (Q_2 - Q_1)$; consumers will pay lower prices $(Pi_{12} - Pi_9)$; producers will remain with an unsold quantity $Q_1 - Q_5$. The allotment of expenses will depend on the new intervention price; the lower it will be, the less the costs to C.A.P. and consumers and the more the costs to producers, and vice-versa.

Hypothesis 3

The last hypothesis we will take into consideration is the simplest one. It supposes a structural reform of the C.A.P.[53]

There would be a situation of free market (See Graph 3), and suppliers would have to lower prices to sell their products.

The C.A.P. could intervene by increasing grants to farmers, encouraging exports outside EEC, etc...



GRAPH 3

5. CONCLUSION

5.1. General conclusions

The Community Market in wine and olive oil will suffer the consequences of the second enlargement of EEC.

The C.A.P. will have to tighten its financial interventions and to improve the existing market organizations, without hampering the reduction of the differences in incomes or in the stages of development.

If it is true that the total coast of the enlargement will not be negligible, we must remark that present surpluses occur in the Community in sectors where the applicants have a deficit[54], and their slight reduction could partially compensate further expenses of the C.A.P. for other needy sectors.

The transitional period will be of extreme importance; the full integration of the member-states and applicants' markets will greatly depend on it[55].

The general aim of the C.A.P. to improve productivity needs to be strictly respected in the case of wine and olive oil; in particular, the candidates cannot do without a restructuring and modernization of the two sectors.

Most of the problems will arise from the excess supplies which will be available on the markets, and the central question will be what to do with them. Considering the relatively higher cost of production with respect to other agricultural products, the excess produce of wine and olive oil does not seem to be the best agricultural product to be sold cheaply to «needy» groups within the Community[56].

These two products, because of their qualification as luxurious, are, in our opinion, not suitable to be donated as food aid to poor countries[57] or to be destroyed (furthermore this last solution is the most costly and politicall, almost unfeasible). Another possibility which is not fully satisfactory is to sell the products which do not compete directly with the original cnes; for example, it would be unpopular to sell the excess quantities of olive oil for industrial uses (with moreover the risk of the same product being sold at the higher price in the consumer market)[5].

The problem of excess supply is not an easy one to work out; we will give our suggestions in the next two paragraphs.

5.2. Conclusions on wine

With respect to the market in wine, we conclude that :

a) The market in wine will not be shaken because of the entrance of Greece, Spain and Portugal in the European Community as member-states;

b) The considered sector is the object of a six-year programme with ambitious aims; if this programme will be efficaciously carried out, it will constitute the basis together with a progressive and cautious transitional period for the full integration of the applicants' grape-growing with that of the community;

c) Most of the measures that the Commission has already adopted or is going to adopt are undoubtedly to be approved of; among them: Prohibition of any new planting, stepping up the search for other outlets for wine products, improvements of quality;

d) The «complete» abolition of indirect taxation on wine in all the member-states would be particularly useful (the V.A.T. on wine in percentage in 1978 was: 25 in Belgium, 18 in the Netherlandes and Denmark, 17.6 in France, 12 in Germany, 10 in Ireland, 8 in the U. K., 6 in Italy , 5 in Luxembourg;[59] this solution would create market conditions in favour of wine in competition with other beverages (e.g. beer) which are close substitutes for wine;

e) The replanting policy must be extended to the candidates; the areas naturally suited for wine-growing (which are thoee naturally fertile, sunny, with plenty of water and good water retention) have to be located; also the areas whose yield is low or whose quality is not good must be differently cultivated; the yield of the applicants' vineyards is in facts clearly lower than that of the Community's producing countries (See Table 3);

f) Bad quality table-wines could be sold in other markets (e .g. vinegar), provided that appropriate guarantees are adopted to avoid their redistribution in the wine market;

g) Some of the measures which will be adopted are not completely satisfactory; financing advertising to influence consumers' habits with the help of informations campaigns designed to promote the wine consumption is costly and its results are uncertain; the concession of abandonment and cessation premiums, even if they are granted to old-aged farmers, means the complete retirement from agriculture of entire families, and it could increase unemployment, especially in the regions of the candidates where wine growers have the highest incomes and they are not of negligible number with respect to the agricultural workers;

h) In the long-run, if the measures adopted will not give good results, it could be appropriate to increase greatly the intervention price, which will inevitably aggravate C.A.P.'s expenditures on wine.

5.3. Conclusions on olive oil

With respect to the market in olive oil, we conclude that :

a) As we have shown, the excess supply of olive oil in the Europe of tomorrow will be considerable[60];

b) It will become necessary to strenghten the storage mechanisms, on the basis of the consideration that the product is the object of evident fluctuations in production, and particularly abundant crops could create serious difficulties;

c) The principal measure that the C.A.P. is going to adopt (a new ratio olive oil - edible oil seeds prices) seems insufficient to absorb the excess supply; this measure could furthermore be a politically bad choice (considerable cuts to imports of soya from the United States could deteriorate the trade relations regulated by the Gatt Agreement) and it could give bad results (people could remain indifferent to changes in prices, continuing to buy the still cheapest vegetable oil); a package of complementary measures is to be adopted;

d) Considering the difficulties in increasing the demand for olive oil, we think that it would be better to limit the production, giving premiums for riconversion, especially in the countries where the yield is very low (See Table 4); a small quantity of excess supply could be so reduced decreasing the output of French and Portuguese olive oil (the regions of this last country with the yields among the lower are : Portalegro, Evora and Castelo Branco[61]; However the choice of the areas to be reconverted remains a strictly political decision;

e) A possibility to be taken into acount to reduce partially the future excess supply is that of a slight cut to imports of olive oil from the other mediterranean countries (which account to nearly 45 % of total imports); A modification in the trade agreements (with Tunisia and Morocco in particular) in favour of a small decrease of their exports of olive oil to EEC could be compensated with other commercial concessions; this solution would not have to irritate these countries and it would have positive effects on the EEC markets;

f) But most of the excess quanting must find, in our opinion, its purchaser outside EEC; the intensification of negotiated trading arrangements with other countries could be the optimal solution, and it could be coupled with direct and remarkable subsidies to exports; national governments could help producers granting the facilities for the constitution of sale cooperatives.

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6. Read as [5], but n. 64.

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NOTES

1. Political obstacles could delay this date; France, in particular has been recently affirming that the Nine have not yet swallowed the consequences of the first enlargement; for an alternative view, and for an evaluation of EEC member-states attitudes to enlargement, See M. Leigh [24], p. 33.

2. To know the progress of the accession negotiations of the three countries, See : Commission of the European Communities (C.E.C.) [17], pp. 211 - 219.

3. See C.E.C. [9], C.E.C. [8], C.E.C. [10], Commissione delle Comunita' Europee (C.C.E.) [4], G. Fitzgerald [23], Parlamento Europeo [28].

4. See R. DI Carpegna [22], A.E.E.S.A. [1], C.O.P.A. [19].

5. See C.E.C. [13].

6. Average 1971 - 1975 : 64.8 (C.C.E. [5], p. 30).

7. C.E.C. [8], Table 42.

8. European Agricultural Guidance and Guarantee Fund.

9. See C.E.C. [11].

10. J. Marsh [25] p. 87, V. Saccomandi [30] p. 55.

11. For further details of the support arrangements under the Common Agricultural Policy (C.A.P.), see M. Butterwick - E. N. Rolfe [2] p. 221.

12. Different rules are in force for high quality wines and aperitifs; Wine-growers in Luxembourg and Germany are free to increase alcohol content of their wines by up to. 10 % through addition of sugar to compensate for lack of sunshine (C.E.C. [16] p. 28).

13. Doc. com. (77) 526 Final, 8 December 1977.

14. Com (78) 55.

15. Doc. T/445/78 (Agri), 19 May 1978

17. C.E.C. [14] p. 18.

18. 22 September 1966.

19. 26 June 1978.

20. C.E.C. [11], 1979, p. 7.

21. Council regulation 2749/78/CEE, 23 November 1978, modifying the Council regula. tion 162/66/CEE, 27 October 1966.

22. It regards the distilled old pure olive oil, the pure olive oil and the new lampante olive oil.

23. It regards the pure old olive oil and the elaborated distilled new olive oil.

24. Council regulation 1524/70/CEE, 20 July 1970.

25. For the regional distribution of areas under wine production, see O.I.V. [27], Table 8.

26. For the regional distribution of areas under olive oil production, see C.O.I. [18], pp. 6-24

27. See «The Guardian», 18 June 1980, pp. 11 - 14.

28. C.C.E. [5] p. 184; C.O.I. [18] p. 55; Table 6.

29. C.O.I. [18] p. 55.

30. In the period 1974-1978 the enlarged Community would have produced 74.15 % of world olive oil; in the 2000's the figure would have to be 67.58.

31. C.E.C. [9] p. 15.

32. For general figures on the european markets in oil seeds, see C.E.C. [15]pp. 358 - 60.

33. C.O.I. [18] p. 85.

34. Calculations with respect to the period 1972 - 1976.

35. Calculations with respect to the period 1975 - 1978.

36. Our calculation based on Tables 5, 6, 7 and 8 with respect to the periods : 1972 - 1976 for wine and 1975 - 1978 for olive oil.

37. C.C.E. [6] p. 101 and 109.

38. Calculations based on the period 1972 - 1976 for wine and 1975 - 1978 for olive oil.

39. Our calculations based on the figures in C.E.C. [6] p. 101 - 2.

40. C.E.C. [6] p. 101 and 109.

41. C.E.C. [6] p. 101.

42. C.E.C. [6] p. 93 and 101.

43. C.E.C. [6] p. 101.

44. All the observations of intra-community trade in wine are based on the years 1976 - 1979.

45. During the so-called «wine-war» between France and Italy (which lasted until the spring

of 1976), less Italian wine was exported to France because of a 10% levy imposed by the French Government on Italian wine exports.

46. Calculations are merely intdicaive, and we to not pretend to give precise ferecast; J. Marsh [26] p. 183) writes wisely : «Quantification of future trade patterns is even more hazardous. Attempts to measures the economic and financial effects of enlarging the Community upon the C.A.P. are unlikely to be right and may be very misleading».

47. Period which has been considered: 1972 - 1976.

48. Period which has been considered: 1975 - 1978.

49. This occurrence could be reasonably rejected having seen the tendency of the Commission to avoid the intensification of the growing of the two products.

50. In the case of wine more than 13 % of the total production has been so utilized in the Community in the period 1972 - 1976.

51. These percentages have been drawn taking into consideration the periods 1972 - 1976 for wine and 1975 - 1978 for olive oil.

52. D. Colman - J. McInermney]3] p. 95.

53. The need for a new C.A.P. has been recently reaffirmed by the German Government.

54. For Spain, See : C.E.C. [9] p. 16.

55. See C.C.E. [12] and C. Deubner [21] p. 234.

56. See the sale of cheap butter to pensioners and to low-income families, made by the Community.

57. Donating food to poor countries has been a usual practice in the United States, especially during the 1950'ş and 1960's (See D. Co[man - J. McInerney [3] p. 95).

58. C. Ritson [29] p. 378.

59. C.C.E. [7], Table

60. See D. Curry [20].

61.Our calculations refer to datas of C.O.I. [18] p. 24 and 50, and they are based on 1968.