

THE EVOLUTION OF INTRA AND EXTRA EU-15 AGRICULTURAL TRADE:
THE IMPACT OF THE CAP REFORM AND THE URAA

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ABSTRACT

THE EVOLUTION OF INTRA AND EXTRA EU-15 AGRICULTURAL TRADE: THE IMPACT OF THE CAP REFORM AND THE URAA

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In this thesis, intra and extra European Union-15 agricultural trade is investigated for the period 1985 - 2005. The main purpose of this study is to find out to what extent the two major events of this period, the CAP reform of mid-1990's and the Uruguay Round Agreement on Agriculture (URAA) of 1995, changed the relative shares of extra and intra trade in overall agricultural trade. The efforts to make European agriculture more competitive and more integrated with the world market have not concluded in a way that the dominance of intra trade over extra trade is relieved. The intra trade still dominates the EU-15 agricultural trade as it has been dominating since 1985. European agricultural market has become more open to world products only in some product groups. Similarly, liberalizing reforms had limited impact on EU-15 countries on individual basis. The shares of intra trade and extra trade remained more or less stable in most of the member states.

Key words: The EU-15, intra and extra agricultural trade, The CAP reform and the URAA

ÖZ

AB-15'DE BİRLİK İÇİ VE BİRLİK DIŞI TARIMSAL DIŞ TİCARETİN GELİŞİMİ: ORTAK TARIM POLİTİKASI REFORMU VE DTÖ TARIM ANLAŞMASI'NIN ETKİLERİ

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Bu tezde, 1985 ile 2005 yılları arasında geçen dönemde AB-15 ülkelerinin kendi içlerinde ve birlik üyesi olmayan diğer ülkelerle yaptıkları tarımsal dış ticaret incelenmiştir. Bu çalışmanın esas amacı söz konusu dönemde gerçekleşen iki ana olayın (Ortak Tarım Politikası Reformu ve DTÖ Tarım Anlaşması) AB-15 ülkelerinin kendi içindeki ve birlik üyesi olmayan ülkelerle yaptığı tarımsal ticaretin toplam ticaret içindeki göreceli paylarını ne ölçüde değiştirdiğini bulmaktır. Avrupa tarımını daha rekabetçi ve dünya pazarıyla daha bütünleşmiş hale getirmek için gösterilen çabalar, AB ülkelerinin kendi aralarında yaptığı ticaretin toplam ticaret içindeki baskınlığını azaltıcı sonuç doğurmamıştır. Üye ülkelerin kendi aralarında yaptıkları tarımsal ticaret AB'nin toplam tarımsal ticaretinin hala büyük bir parçasını oluşturmaktadır. Avrupa tarım pazarı sadece bazı ürün gruplarında dünya mallarına daha açık hale gelmiştir. Benzer şekilde, liberalleşme adına yapılan reformların ülke bazındaki etkileri de sınırlıdır. Birlik içindeki ve dışındaki ülkelerle yapılan ticaretin toplam tarımsal ticaret içindeki payları çoğu ülkede önemli bir değişiklik göstermemiştir.

Anahtar Kelimeler: AB-15, Birlik içi ve Birlik dışı tarımsal dış ticaret, Ortak Tarım Politikası Reformu ve DTÖ Tarım Anlaşması

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CHAPTER 1

INTRODUCTION

A founding principle of the European Union's Common Agricultural Policy (CAP) is "Community preference"; that is, supplies from within the community (intra-trade, occurring within the EU-15 group itself) are to be given preference in the market over those from outside (extra-trade, occurring between the EU-15 member states and third countries). The customs union of the EU ensures this preference, as do several mechanisms of the CAP itself.

Moreover, in the last two decades, new regulations were introduced on the one hand by the CAP reform package, and on the other by new World Trade Organization (WTO) rules. A new era in European agriculture began with the implementation of the Mac Sharry Reform of 1992 and the establishment of the World Trade Organization (1995). These two major events were expected to have an impact on the commodity and geographic composition of agricultural trade of the EU-15.

The objective of this study is to find out whether the liberalizing reforms carried out since 1992 have caused any weakening of this preference. The study will also try to measure to what extent the CAP reforms and the new WTO regulations have changed the nature of intra and extra EU-15 agricultural trade. The development of intra and extra agricultural trade of the EU-15 is analyzed for the period 1985 - 2005. Consequently, the period covered by analysis does not include the preparatory stage of the CAP and relates mainly to the reform process. The latest expansion of EU to the Central and Eastern European Countries is also omitted. While investigating the impact of the liberalizing reforms on the nature of intra and extra agricultural trade, the main focus will be on the effects. Hence, this study will not examine why these two major events have caused such effects.

The development of intra and extra agricultural trade of the EU-15 will be analyzed by sorting the respective data in different ways. After describing the general framework of European agriculture in Chapter 2, the change in the agricultural trade pattern of the EU-15 in terms of intra and extra trade will be analyzed on the basis of product groups (commodity composition) in Chapter 3. The evolution of intra and extra agricultural trade of the EU-15 (geographic composition) will be analyzed at the Union and at the member-country level in Chapter 4. Finally, in Chapter 5, Turkey's prospective membership will be discussed in relation to the intra and extra trade of the EU. Turkey is one of the most important partners of the EU-15 in agricultural trade, and her accession to the EU might have an impact on the nature and composition of intra and extra trade.

The trade data used in the analysis is taken from the UN Comtrade database. For ease of reference, the SITC (Rev.1) classification system is used. According to this classification, four major product groups are covered in the analysis: "0 - Food and Live Animals", "1 -Beverages and Tobacco", "26 - Textile Fibers" (Silk, Wool and Cotton), and "4 - Animal and Vegetable Oils and Fats".

There are relatively few academic studies on the intra and extra trade of the EU. Therefore, this study derives its conclusions mainly from the primary data it uses. Nonetheless, the study does also refer to various academic articles and official studies published by the European Commission.

CHAPTER 2

OVERVIEW OF EUROPEAN AGRICULTURE

2.1 Agriculture in the European Economy

Agriculture accounts for nearly 1.3% of the total GDP of the EU-15. 3.7% of the total labor force in the EU-15 is employed in agriculture and fisheries. The share of agriculture in the EU-15 total gross value added (GVA) is 1.8%.

Table 2.1: Output Value of the Agriculture at Producer Prices

	2000	2005
	<i>% of EU-15</i>	<i>% of EU-25</i>
EU-25	-	100.0
EU-15	100.0	90.2
Austria	2.0	1.8
Belgium	2.6	2.2
Denmark	3.0	2.7
Germany	15.1	13.3
Greece	3.8	3.6
Finland	1.3	1.2
France	21.9	19.1
Italy	15.9	14.7
Ireland	2.0	1.8
Luxembourg	0.1	0.1
Netherlands	7.6	7.0
Portugal	2.3	2.0
Spain	12.6	12.2
Sweden	1.7	1.4
United Kingdom	8.0	7.0

Source: Eurostat Pocketbooks, Agricultural Statistics 1995-2005

As shown in Table 2.1, France, Germany, Spain and Italy are the member states which have more than a 10% share of EU total agricultural output. They together constituted almost 66% of the EU-15 total agricultural production in 2000. Although they are the key agricultural producers, with the highest contribution to the European agricultural output, agriculture does not constitute more than a 2% share of their GDP (Table 2.2).

Table 2.2: Share of Agriculture in GDP, 2005			
Austria	1.0	Italy	1.9
Belgium	0.8	Luxembourg	0.3
Denmark	1.0	Netherlands	1.7
Finland	0.9	Portugal	1.7
France	1.7	Spain	2.8
Germany	0.6	Sweden	0.4
Greece	4.7	United Kingdom	0.4
Ireland	1.3	EU-15	1.3
<i>Source: European Commission, Basic Data-Key Agricultural Statistics 2006</i>			

With regard to international trade, the EU has a market share of nearly 20% of the world's total agricultural trade. The EU plays a significant role in global agricultural trade as the biggest importer and the second biggest exporter. In 2005, the share of food, drinks and tobacco in total EU-15 exports and imports were 4.9% and 5.4% respectively (Table 2.3). While agricultural exports constitute a negligible share in some of the member states total exports, it accounts for a significant share in some other member states. For instance, agricultural exports has a key role in the total exports of Greece, Denmark, Netherlands, and Spain.

Table 2.3: Exports and Imports of Food, Drinks and Tobacco, 2005

	Export	Import
	% of all exports	% of all imports
EU-15	4.9	5.4
Austria	6.1	5.8
Belgium	7.9	7.1
Denmark	17.4	11.4
Germany	4.3	6.7
Greece	18.7	10.6
Finland	1.7	4.9
France	9.9	7.1
Italy	6.1	7.9
Ireland	8.4	7.9
Luxembourg	4.7	8.3
Netherlands	12.5	8.3
Portugal	7.8	10.5
Spain	12.9	8.5
Sweden	3.4	7.3
United Kingdom	5.0	8.2

Source: Eurostat

2.2 The CAP and its Development

The Common Agricultural Policy (CAP), which has its roots in the 1960s, is one of the most significant areas of European integration. The emphasis of the original CAP is on providing self-sufficiency and moving the EU towards better productivity. In order to maintain stable production within the Union and a reasonable standard of living for the farmers, the early CAP worked through a market price support system. The main mechanism which ensured that domestic prices were kept close to the target level was a variable levy on imports, which varied in such a way that imports could not undercut the target price. This system also included the direct buying-up of surplus products by the EU, and the payment of subsidies to traders to sell these surpluses on the lower-priced world markets (the so-called “export subsidies”).

The EU market support system remained almost unchanged until 1992, except for some reform that were made in 1980s. In 1992, the Mac Sharry reform

package came into force. The main objective of the reform process was to find a solution to the major problem of the existing CAP - the surpluses which had become almost permanent as the years had passed. Although the original CAP succeeded in providing incentives to produce more, it had also given rise to large surpluses, and the volume of production had gone far beyond the self-sufficiency level. Undoubtedly, the large surpluses, and thus the large export subsidies, increased the cost of the CAP and led to a serious burden on the EU budget.

Apart from the over production problem, the structural disabilities of the existing CAP forced the European Commission to perform a fundamental reform after 1992. As explained above, under the market support system, the traders were paid subsidies by the EU for selling the surpluses on the international markets. There were no direct payments to the farmers for the commodities they produce (Gardner, 1996). Hence, the CAP has failed to meet some of its founding objectives such as providing income parity between rural and urban workers, and harmonizing the living standards among regions (Weyerbrock, 1998). The MacSharry reform of 1992 aimed to solve the over-production problem and thus reduce the burden on the budget and to compensate the incomes of the farmers by paying them direct income subsidies.

The most remarkable change carried out by the 1992 reform was the cutting down of the high market support and export subsidies. Instead of these old regulations, direct payment to farmers and setting aside land from production became the core instruments of market intervention. The support price level decreased by almost a third in the cereal market, and the producers' loss of income was compensated by direct income subsidy as long as they complied with the set-aside rules.

In essence, the driving force for such a fundamental reform was not only the budgetary concerns of the EU, but also international pressures. The Uruguay

Round of trade talks, which began in 1986, aimed to reorganize the international rules of agricultural trade and keep them under stricter controls. The high level of market support implemented under the CAP led to a large gap between domestic price and the world price. Hence, the European commodities were not able to compete in world markets without export subsidies. Regarding the fact that huge export subsidies have distortionary effects on world agricultural trade, the Uruguay Round Agreement on Agriculture (URAA), signed in 1995, had the objective of limiting the value and the quantity of export subsidies, and thus aimed to reduce the gap between EU prices and world prices. The only way to reduce the need for export subsidies was to diminish the amount of production. With the 1992 CAP reform, the EU aimed to reduce the exportable surplus by limiting production through a set-aside policy in order to meet the requirements of the URAA and in order to comply with the Union's budgetary limitations.

The URAA had implications not only in terms of the value of export subsidy expenditure and in the volume of the export subsidies, but also in terms of market access. An important instrument of the CAP that insulated EU markets from world markets was the variable import levies (Meijl & Tongeren, 2002). In order to provide market access for the commodities from the world markets, the GATT members were committed to converting non-tariff barriers (NTBs) into tariffs and reduce those tariffs by 36% (developed countries) within five years compared to a 1986 - 1988 base (Weyerbrock, 1998). Tariffs are generally preferred over other import barriers not only because they are more predictable, but also because they provide an indirect control on export subsidies. In order to avoid arbitrage (the re-importation of those goods that have already been exported), exporting countries providing export subsidies cannot set an export subsidy higher than the level of the tariff (Ingco, 1995).

Although the URAA has put constraints on tariffication and market access, the most pressing issue for the EU was to fulfill the export subsidy commitment. The reforms made under Mac Sharry, the reduction in support prices, and the

implementation of set-aside policy were supposed to ease the EU's path to meeting the requirements of the URAA.

However, the expected results of the reform and agreement were not achieved. The level of production did not decrease as was expected. Because the set-aside policy limited the land used for production, not the amount. The producers allocated the same resources to the remaining land and increased their production. In addition, the set-aside policy did not specify the products that were subject to the policy. Thus, the producers have shifted their set-aside obligation to the less profitable crops and the new policy has generated a distortionary effect on the agricultural market. Subsequently, the EU Commission has continued the reform process with Agenda 2000, which was then followed by the 2003 reform package.

In July 1997, the Commission published its reform proposals in the document Agenda 2000 (Rickard, 2000). Once again, the reduction in support prices and compensatory direct payments were underlined. By the year 2000, the most topical issue in the EU affairs became the forthcoming enlargement round. The relatively high share of agriculture in Central and Eastern European Countries (CEECs) prompted the EU towards further CAP adjustments. Although some minor changes were implied in the Agenda 2000, the remarkable policy shift from market price support to direct income support was continued on the same lines as with the 1992 Mac Sharry reform.

In order to fulfill its early commitments made under the Uruguay Round Agreement, and to adjust the CEECs to the CAP, the EU has continued the reform process with the 2003 reform package. The most important achievement of this reform was the decoupling of direct payments to the farmers. A decoupled payment means that the level of payment to the farmers is independent of what they produce. The farmers have the flexibility to produce any agricultural commodity on their land except fruit, vegetables and table

potatoes (Delayen, 2007). Moreover, the farmers are obligated to comply with the cross-compliance rule and to keep their land in good agricultural and environmental condition.

All these things show that the CAP of the EU has become dynamic. It is not isolated from global agriculture and tries consistently to be compatible with the URAA regulations. However, the main concern of this study is to understand the real impact of the CAP reform and the URAA on intra and extra EU-15 agricultural trade. In the following chapter, the evolution of intra and extra EU-15 agriculture European will be analyzed for each product group.

CHAPTER 3
INTRA AND EXTRA EU-15 AGRICULTURAL TRADE
BY
PRODUCT GROUPS

The economic integration process, which began with the Customs Union and continued with the completion of single market, made the EU one of the biggest economic blocs in the world. Basically, with the Customs Union, the member states removed barriers to trade towards each other, while they adopted a common external tariff for third countries. Therefore, a common stance in international trade was formed. In this integration process, agriculture played a key role and helped strengthen the idea of a common Europe. The customs union began with a common agricultural policy, and thus the first impacts of the customs union were felt in agriculture.

Undoubtedly, the expected result of the customs union is the intensification of intra-trade - the trade occurring between the members of the EU. Given that the European Union is a trade bloc, it does not come as a surprise that the intra EU-15 trade accounts for the great majority of the total EU-15 agricultural trade. In 2006, the share of intra EU-27 food products exports as a percentage of total EU-27 food products exports was 77.5%, whereas the total share of intra EU-27 food products imports in total EU-27 food products imports was 74.3% (European Statistical Books, 2007). This supremacy of intra trade over external trade occurs as a result not only of the customs union and the CAP, but also because of the geographic proximity.

Although the patterns of intra trade have not undergone a major change, the patterns of external trade of the EU have been subjected to remarkable changes since the 1990s. The URAA, signed in 1995, and the ongoing CAP reform process, gave a new impetus to the EU's external agricultural trade relations. In

particular, it is the extra EU-15 imports which have been influenced the most by this new order in global agricultural trade.

As has already been mentioned, with the URAA of 1995, the EU committed to reduce the value of export subsidies and tariffs by an average of 36% for the following five years. In view of the fact that the EU accounted for 89% of export subsidy expenditure of all WTO members, it was a significant concession for the EU to reduce its export subsidies (Swinbank, 2005). However, by the time these commitments were made, the EU had already reformed the CAP. Consequently, the reformed CAP allowed the EU to shape the Uruguay Round in a way that made it acceptable for the WTO (Moehler, 2007). In other words, the reform package of the CAP has covered measures for the forthcoming reduction in export subsidies due to the URAA. The measures taken in the reformed CAP to avoid production surpluses have increased productivity throughout the European Union. Furthermore, the EU producers have learnt to compete with world agricultural products despite having reduced export subsidies. Thus, external exports of the EU were not considerably affected by the URAA. However, the impact of the URAA is much more concrete in extra-EU imports. The market access provisions of the URAA have allowed some of the world agricultural products to enter the EU market for the first time.

In this chapter, the evolution of the intra and extra EU-15 agricultural trade will be analyzed. The analysis will be made using the SITC classification according to which three single-digit groups are identified as agricultural products. These are “Food and Live Animals”, “Beverages and Tobacco”, and “Animal and Vegetable Oils and Fats”. Besides these groups, the two-digit “Textile Fibres” group (which is under the heading “Crude Materials, inedible, except fuels”) is also included in the analysis. The subgroups that are analyzed in this study are given in Table 3.1. The analysis covers three-digit products at most.

Table 3.1 : Agricultural Products due to the SITC. Rev.1 Classification

0 Food and Live Animals
00 Live Animals
01 Meat and Meat Preparations
02 Dairy Products
022 <i>Milk and Cream</i>
023 <i>Butter</i>
024 <i>Cheese and Curd</i>
025 <i>Eggs</i>
03 Fish and Fish Preparations
04 Cereals
041 <i>Wheat</i>
042 <i>Rice</i>
043 <i>Barley</i>
044 <i>Maize</i>
05 Fruit and Vegetables
06 Sugar and Honey
7 Coffee, Tea and Spices
071 <i>Coffee</i>
072 <i>Cocoa</i>
073 <i>Chocolate</i>
074 <i>Tea and Mate</i>
075 <i>Spices</i>
08 Feeding Stuff
09 Miscellaneous Food
1 Beverages and Tobacco
11 Beverages
111 <i>Non Alcoholic Beverages</i>
112 <i>Alcoholic Beverages</i>
12 Tobacco
2 Crude Materials, inedible, except fuels
26 Textile Fibres (Silk, Wool and Other Animal Hair, Cotton)
4 Animal and Vegetable Oils and Fats
41 Animal Oils and Fats
42 Vegetable Oils and Fats
43 Processed Animal and Vegetable Oils and Fats

Source: Comtrade

The aggregate outlook of the intra EU-15 agricultural trade for the 1985 - 2005 period shows that, by quantity of trade, the “Cereals” product group is the main product that is traded within the borders of the EU-15 with a market share of 24%. Fruits and vegetables, beverages, tobacco, and livestock products are the other

major products having a high share in total intra EU-15 agricultural trade (Figure 3.1).

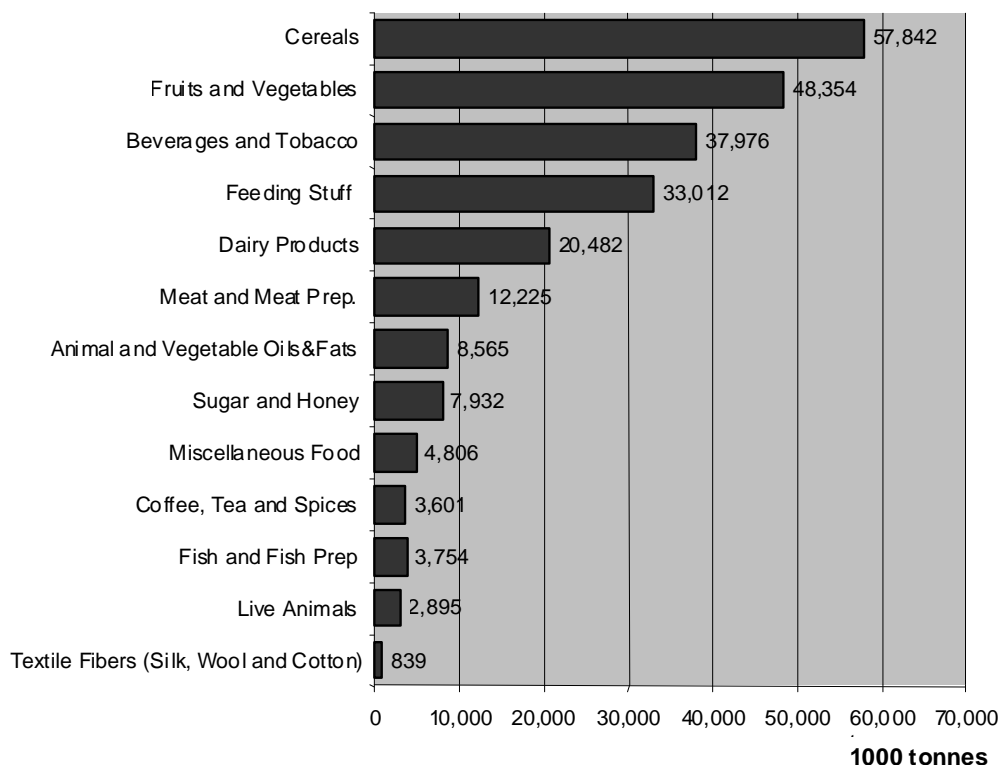


Figure 3.1: Intra EU-15 Agricultural Trade by Quantity (Av. 1985 – 2005)

Source: Comtrade

The group with the fourth biggest export quantity, “Feeding Stuff”, has a market share of 14% in total agricultural trade. It is followed by “Dairy Products”, which accounts for 8%, and “Meat and Meat Preparations”, which accounts for 5%. While “Dairy Products” constitutes 58% of intra EU-15 livestock trade, “Meat and Meat Preparations” constitutes 34% on average between 1985 and 2005.

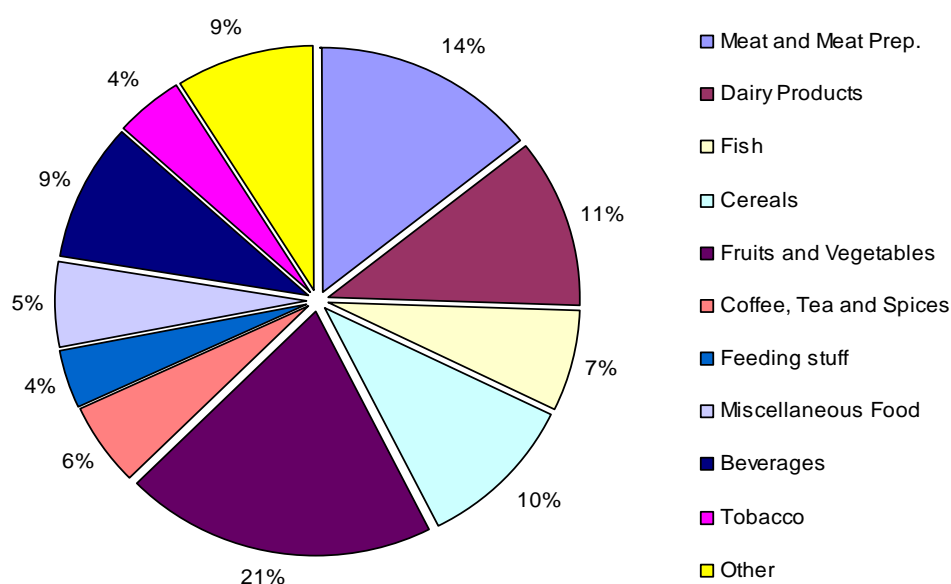


Figure 3.2: Share of Products in Intra EU-15 Agricultural Trade by value (2005)

Source: Comtrade

However, when an analysis is repeated in terms of value, the ranking becomes quite different. Figure 3.2 shows that the “fruits and vegetables” group is the leading product group in intra EU-15 agricultural exports by value. Although the cereal group is dominant by quantity in intra EU-15 agricultural trade, by value it ranks as the fourth most exported product group after fruit and vegetables (21%), meat (14%), and dairy products (11%).

With regard to extra EU-15 agricultural trade, Figure 3.3a and 3.3b make a comparison between extra EU-15 exports and imports for the year 2005. It is obvious that there is a great dominance of beverages in extra exports, amounting to 20.5 billion US dollars. The beverage group has a share of 26% in extra EU-15 agricultural exports. It is followed by fruits and vegetables and cereals, both of which have 11% share.

The supremacy of beverages in extra-exports is replaced by fruits and vegetables when extra EU-15 agricultural imports are considered. Having a

share of 27%, fruits and vegetables play a key role in extra EU-15 agricultural imports. The Fish and fish preparations group, which is negligible in intra agricultural trade both by quantity and value, constitutes 18% of extra imports.

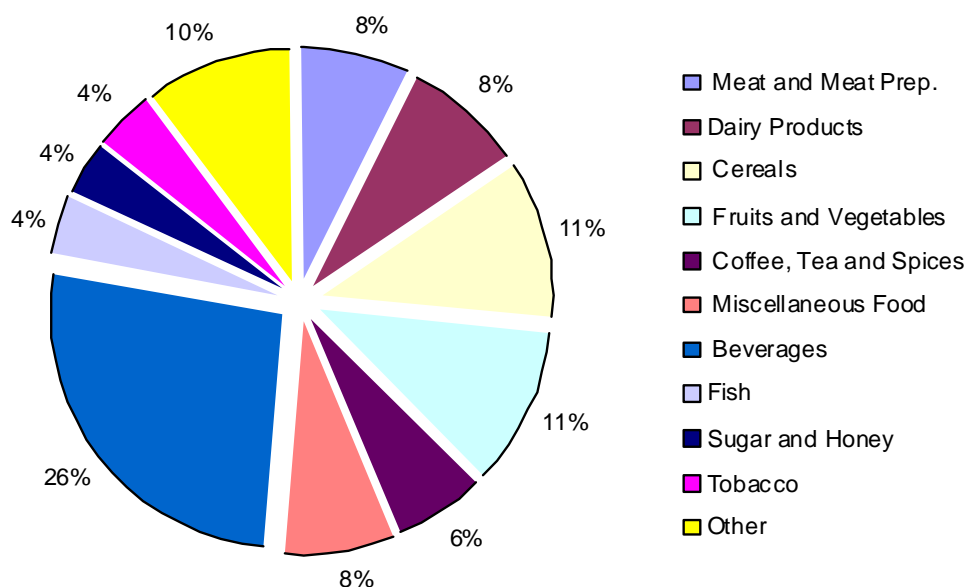


Figure 3.3a: Share of Products in Extra EU-15 Agricultural Export by value (2005)

Source: Comtrade

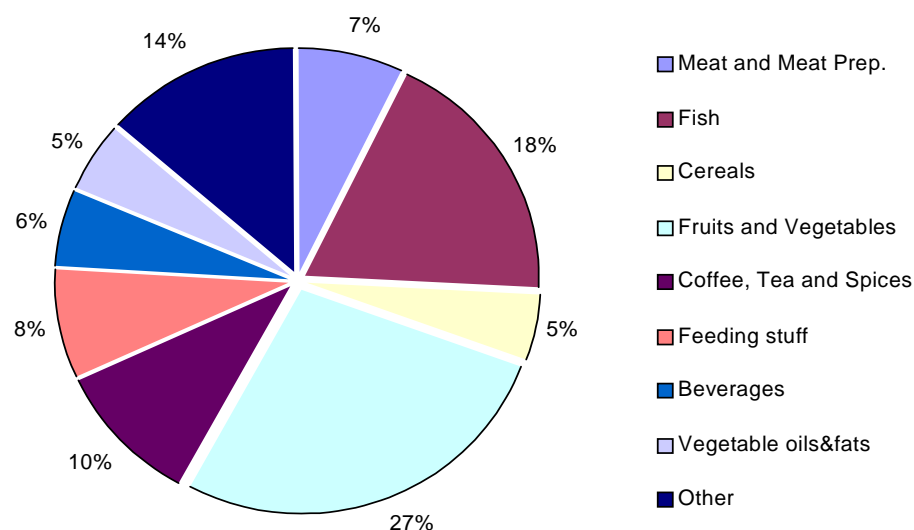


Figure 3.3b: Share of Products in Extra EU-15 Agricultural Import by value (2005)

Source: Comtrade

3.1 Cereals

The cereals sector has a central role in European agricultural production. The EU-15, whose cereal production amounts to 192 million tonnes on average for the 1985-2005 period, accounts for 10% of world cereal production. France is the leading producer of cereals. It accounts for 31% of the total quantity of EU-15 cereal production on average for the 1985 - 2005 period. The second largest producer of the EU-15, Germany, follows France with 21% share of the EU-15 cereal market by quantity (Figure 3.4)

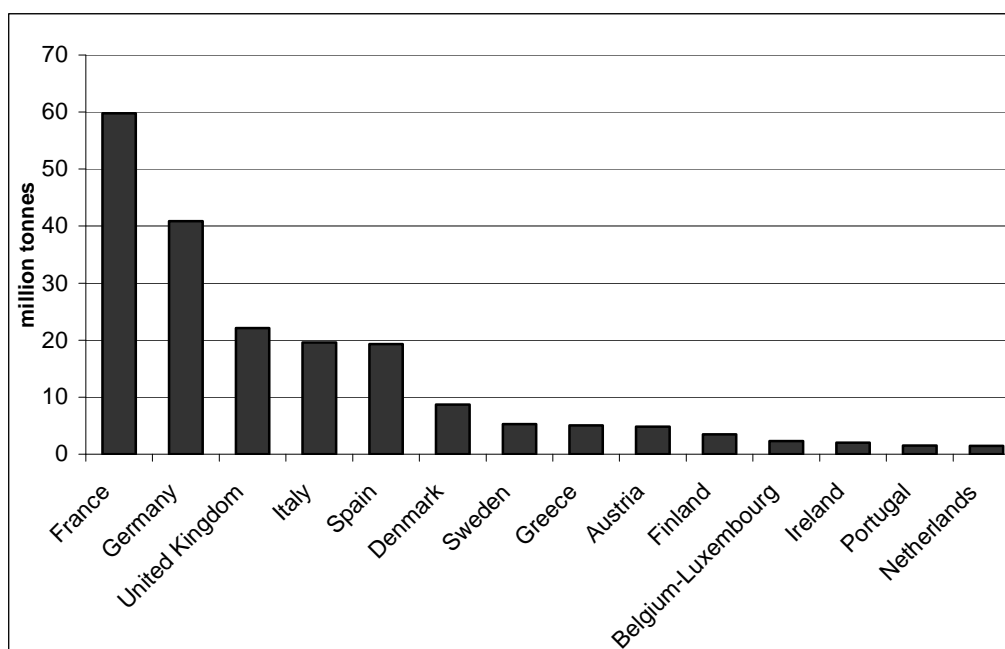


Figure 3.4: Cereal Production in the EU-15 (Av. 1985-2005)

Source: Faostat and Comtrade

The cereals product group mainly consists of wheat, rice, barley and maize. When the cereal production at the Union level is considered, it can be stated that wheat is the most common cereal in the EU-15, accounting for more than 50% of EU-15 cereal production. Wheat production in the EU-15 constitutes 16% of world wheat production on average for the period 1985 - 2005. Barley follows wheat with its share of 27% in total cereal production. The least common cereal

in the EU-15 is rice, which is produced only in the Mediterranean coast region of the EU.

As for cereal production at individual level, the share of these products differs among member states. Figure 3.5 shows the composition of cereal products in five major cereal producer countries. While wheat plays a key role in cereal production of France, Germany and the United Kingdom, maize and barley are dominant in the cereal production of Spain and Italy respectively.

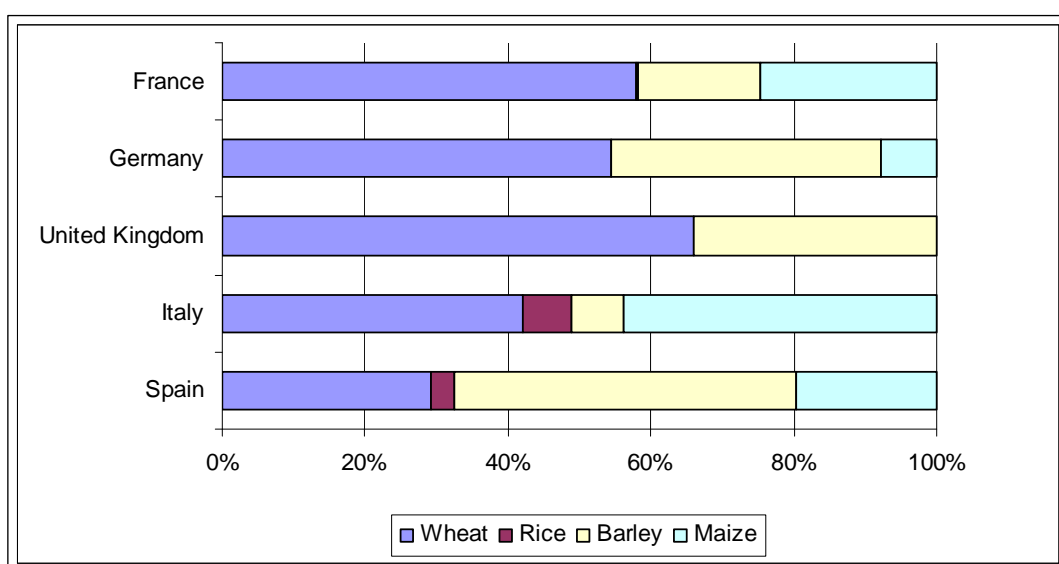


Figure 3.5 Composition of Cereals Production in Five Major Producers (Av.1985 – 2005)

Source: Comtrade

In respect of trade, cereals have a 17% share in total agricultural exports of the EU-15 and a 25% share in intra EU-15 agricultural exports by quantity on average for the period 1985-2005. Although the cereals sector is the leader in intra EU-15 agricultural exports by quantity, it comes after fruits and vegetables in value terms because of their relatively low prices. In 2005, cereals accounted for 10% of the total value of intra agricultural exports, following fruits and vegetables (21%), meat (14%), and dairy products (11%).

Among the cereals, wheat is the most traded product within the EU-15 members by quantity, and it accounts for almost half of intra EU-15 cereal trade. Maize is the second most traded cereal, having a 26% share of total intra cereal trade by quantity. Although more barley is produced compared to maize, it is exported less than maize. This may suggest that countries are more homogeneous in barley production (Figure 3.6).

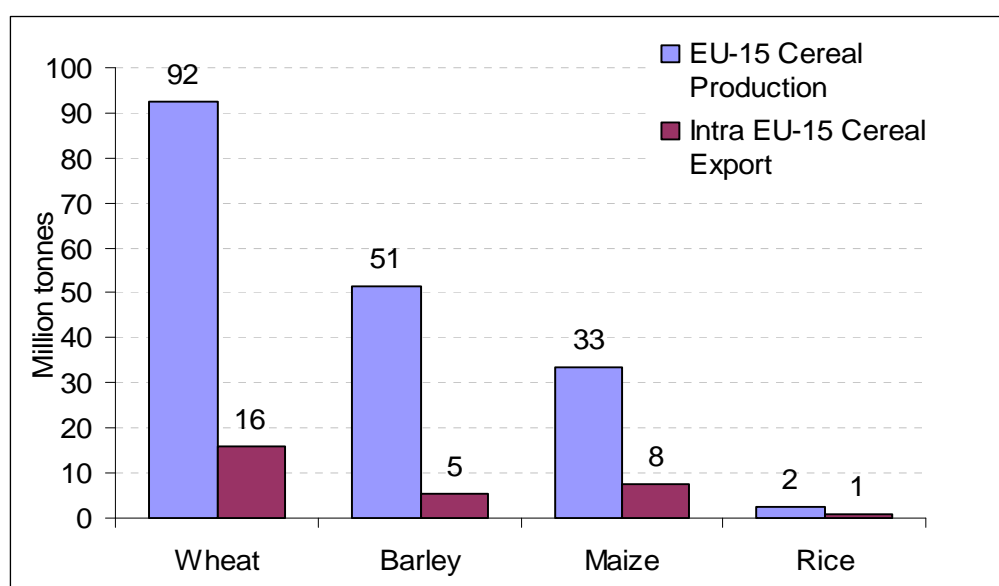


Figure 3.6: Production and Intra EU-15 Exports of Cereal Subgroups

Source: Faostat and Comtrade

The leading exporter in intra EU-15 cereal trade is France, which is also the leading producer as mentioned above. In terms of imports, Italy is the largest importer, and it composes 22% of total intra cereal imports. The Netherlands, Belgium and Spain are the other three major importers of intra cereal trade (Figure 3.7).

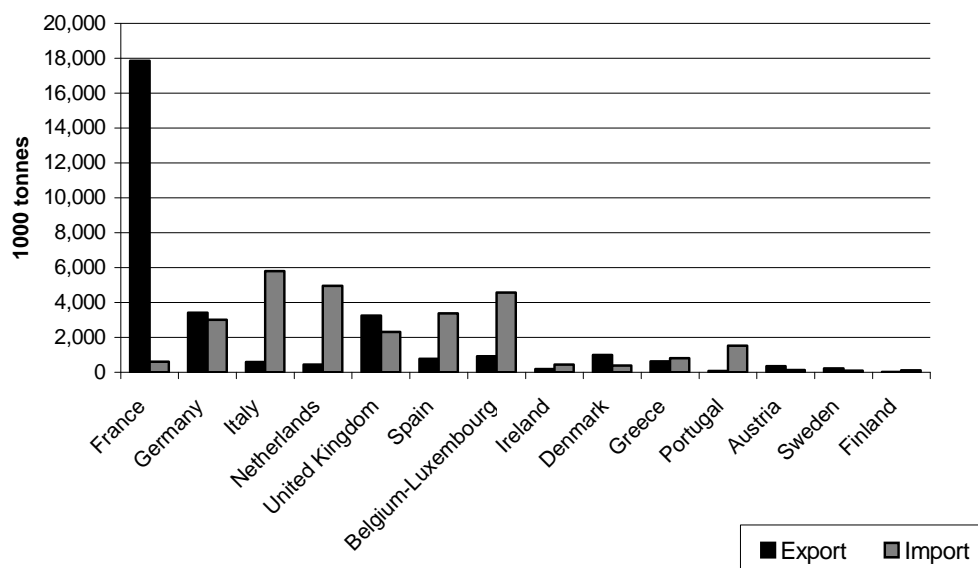


Figure 3.7: Intra EU-15 Cereal Trade (Av. 1985-2005)

Source: Comtrade

As far as the extra EU-15 cereal trade is concerned, it can be stated that extra cereal export constitutes 33% of EU-15's total cereal export, in value terms, on average for the period 1985-2005. In addition, the share of extra import in EU-15's total cereal imports is 16%. Obviously, there is a dominance of intra trade in EU-15 cereal trade. Regarding the fact that the major events which have an influence on the agricultural trade of the EU are the CAP reforms and the URAA, it is useful to analyze the evolution of extra cereal trade for the 1995-2005 period. While the share of extra export in total cereal exports diminished from 33% to 29% between 1995 and 2005, the share of extra imports in total imports increased from 15% to 19%. Although intra trade still keeps its remarkably high share in the total cereal trade of the EU-15, the agricultural trade liberalization process, which began with the URAA, made little contribution to the share of extra import.

The main destinations of the EU-15's cereal exports are ACP countries, south Mediterranean states (MEDA), NAFTA and EFTA countries (Table 3.2). In

2005, they accounted for 18%, 15%, 10% and 9% of the EU-15 extra cereal exports respectively. Among the Mediterranean states, Algeria is the main outlet for European cereals, accounting for 40% of EU-15 exports to MEDAs and 7% of total extra EU-15 cereal exports.

Table 3.2: Extra EU-15 Cereal Exports, 2005

<i>Main Trade Partners</i>	<i>EU Exports</i>	
	<i>Million\$</i>	<i>% of Total</i>
<i>Extra EU-15</i>	8,500	100%
ACP	1,514	18%
MEDA	1,312	15%
NAFTA	879	10%
EFTA	785	9%
Eastern Europe	707	8%
Europe Former USSR	441	5%
ASEAN	390	5%
Japan	300	4%
Other	2170	25%

Source: Comtrade

The largest cereal supplier to the EU-15 is the Eastern Europe countries, some of which are new members of the EU. The Eastern Europe region mainly consists of Albania, Slovakia, Romania, Bulgaria, Poland, the Czech Republic, and Hungary. Recently, in 2005, they together accounted for 29% of extra EU-15 cereal imports. In particular, Hungary and Poland account for 38% and 29% of the imports that the EU-15 made from Eastern Europe (Table 3.3).

Table 3.3: Extra EU-15 Cereal Imports, 2005

<i>Main Trade Partners</i>	<i>EU Imports</i>	
	<i>Million\$</i>	<i>% of Total</i>
<i>Extra EU-15</i>	4,500	100%
Eastern Europe	1,275	29%
NAFTA	1,035	23%
Europe Former USSR	568	13%
EFTA	320	7%
MERCOSUR	288	6%
ASEAN	243	5%
India	167	4%
Turkey	68	2%
Other	536	11%

Source: Comtrade

Having a 12% share in total value of European agricultural production, cereals have a key role in European agriculture (European Commission, 2006). Since the cereals sector has a relatively high share in total production, and most of the cereals serve as animal feed, the 1992 reform program and the URAA were concentrated on this sector.

The main objective of the URAA was to close the gap between the EU market prices and the world prices. In order to achieve its aim, the URAA has limited the quantity and the value of export subsidies. A reduction in export subsidies could only be maintained by the reduction in EU support prices. The 1992 reform rearranged the agricultural support mechanism in order to reduce the level of support price and thus fulfill the commitment on reducing export subsidies. The decrease in export subsidies of all GATT members moved the world prices to higher levels, and thus the domestic prices and the world prices became closer compared to their level before 1995.

However, the combination of price adjustments, direct payment and set-aside policy did not reduce the cereal surplus, and the production continued to increase. Although the support prices in the sector were officially lowered, the majority of the farmers still found it profitable to increase production because of the compensatory payments. Moreover, the increasing productivity in the Union after implementation of the set-aside policy was another reason for the ongoing increase in production.

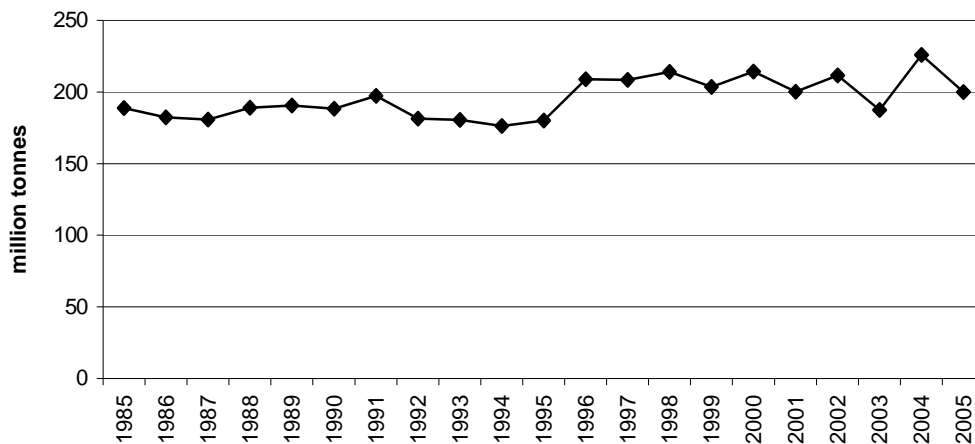


Figure 3.8 Cereal Production in the EU-15

Source: Faostat

As seen in Figure 3.8, there is a reduction in the level of production in the four year period between 1992 and 1995. The set-aside policy became less effective after 1995 because the producers shifted their set-aside obligation to less profitable crops than cereals, in particular wheat. Thus, the effectiveness of the set-aside policy has diminished as the years have passed.

The regulations in agricultural global trade made under the URAA includes reduction in tariffs by 36%, which means that the domestic market becomes more open to world imports. Under this new world order in agriculture, the share of non-European countries in EU total cereals imports is expected to rise. Nonetheless, as has already mentioned above, intra cereal imports, which account for 84% of the EU-15's total cereal imports on average, has always been dominant since 1985 (Figure 3.9). The share of extra EU-15 cereal imports only increased by 3% in the 1995 - 2005 period, after the CAP reform program was introduced and the URAA was signed (Figure 3.10).



Figure 3.9: Intra and Extra EU-15 Cereal Exports by value

Source: Comtrade

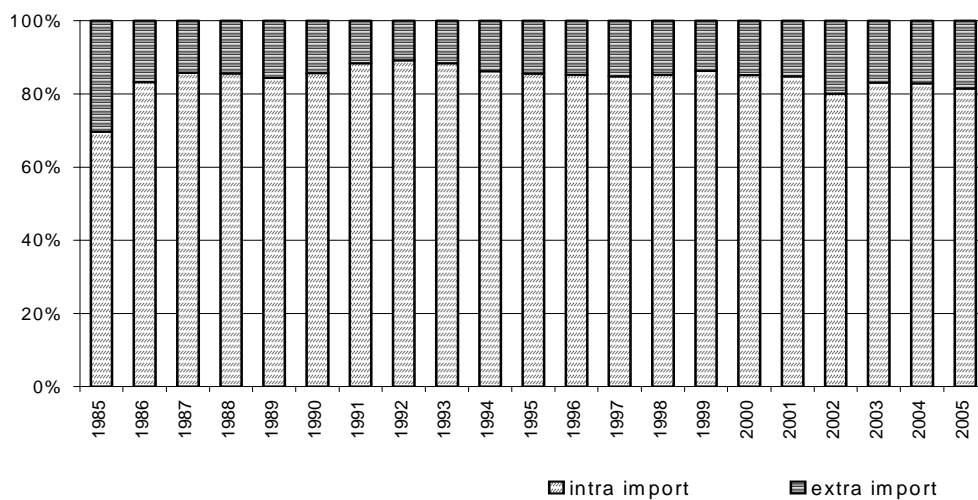


Figure 3.10: Intra and Extra EU-15 Cereal Imports by value

Source: Comtrade

3.2 Livestock Products

This group consists of live animals, meat and dairy products. Their shares in intra EU-15 livestock trade are 8%, 34%, and 58% respectively. The total percentage value of meat and milk in the total value of European agricultural production was 42.5%. (European Commission, 2006) Because of this high share in total value of agricultural output, the domestic support implemented through the CAP has always been highly concentrated on the livestock sector.

As far as the livestock trade is concerned, it can be stated that the total export of livestock products (live animals, meat and meat preparations, and dairy products) was 69 billion US dollars, whereas total import of livestock products was 53.5 billion US dollars in 2005. Obviously, the EU, which had a trade balance of 15.5 billion US dollars in 2005, is a net exporter of livestock products. Despite the URAA imposition of tough discipline on the use of export subsidies, the total quantity of the EU's livestock export has not been affected by the reduction in export subsidies. The average export of livestock products was 19 million tonnes between the years 1985 and 1994, and it increased to 27 million tonnes as the years passed from 1995 to 2005. However, the URAA has not done anything to ease the dominance of intra livestock export. Instead, the share of intra exports increased between 1985 and 2005. While intra exports represented 74% of the total livestock export in 1985, it accounted for 79% in 1995, and reached 82% in the following years.

On the other hand, in terms of EU livestock imports, intra EU-15 livestock imports accounted for 84% of the total value of livestock imports in 2005. Meanwhile, the share of extra EU-15 imports as a percentage of total imports of livestock products is 13% on average for the 1985-2005 period. Although disciplines on market access are significant accomplishments of the URAA, agricultural tariffs still remain high in some commodities, including livestock products as well (Diakosavvas, 2003). The EU livestock market is still so

protectionist today that the access for world livestock products to the EU market is very limited. In particular, the dairy market, in which the share of extra EU-15 imports is 6% on average, is the most isolated agricultural market of the EU-15.

3.2.1 Live Animals

The EU-15, which had a trade balance of 326 million US dollars in 2005, is a net exporter of live animals. Like other livestock products, there is a dominance of intra trade in the total trade of live animals. On average, for the period 1985 - 2005, the share of intra trade in EU-15 live animals trade is 85%. France is the biggest exporter of live animals, with a share of 34% in intra EU-15 live animals exports by quantity on average for 1985 - 2005 period. The Netherlands, Germany, and Belgium-Luxembourg are the other major exporters of live animals in intra trade, accounting for 46% of intra live animal export (Table 3.4 and Figure 3.11).

Table 3.4 : Intra EU-15 Live Animal Exports (Av. 1985 - 2005)

	1000 tonnes
France	530,649
Netherlands	328,259
Germany	228,488
Belgium-Luxembourg	166,673
Other EU-15	259,571

Source: Comtrade

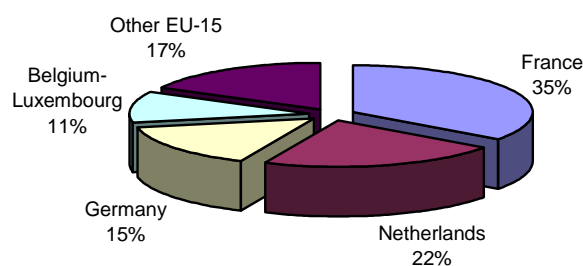


Figure 3.11: Share of Member States in Intra EU-15 Live Animals Exports

Source : Comtrade

Table 3.5: Intra EU-15 Live Animal Import (Av. 1985-2005)	
	1000 tonnes
Italy	534,315
Belgium-Luxembourg	216,518
Germany	210,481
Netherlands	185,410
France	156,524
Spain	119,320
Other EU-15	135,114

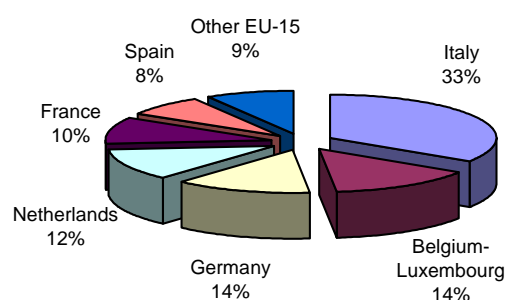


Figure 3.12: Share of Member States in Intra EU-15 Live Animals Imports

Source: Comtrade

As is shown in Table 3.5 and Figure 3.12, the leading importer in live animal intra imports is Italy, with a market share of 33%. The arguments that have been presented suggest that live animals are exported and imported mostly by France and Italy within the borders of the EU-15. Considering the development of live animal exports, it can be stated that there has not been an increase in the quantity of live animal export between 1985 and 2005 (Figure 3.11). Among the livestock products, the impact of reduction in export subsidies as an obligation of the URAA is relatively more concrete in live animals. While the average quantity of live animal export is 1.7 million tonnes between 1985 and 1994, it is recorded as 1.4 million tonnes in the 1995 - 2005 period.

As far as the world live animal access to the EU market is concerned, the share of extra EU-15 live animal import is 15% on average for the 1985 - 2005 period. During the liberalization period, which was initiated with the URAA, the share of extra imports as a percentage of total imports has been increased as was

expected. While the share of extra imports in total imports was 13% in 1995, it increased to 16% by the year 2005. In fact, it reached a peak in 2001 with a 19% share. As regards the partners in live animal trade, the main destination of EU-15 exports is the NAFTA region. NAFTA represents 22.5% of extra EU-15 live animal exports on average for the period 1985 - 2005. Following NAFTA, OPEC countries are the second main partners of the EU-15, and, in 2005, the share of OPEC in extra EU-15 live animal exports was 21%.

3.2.2 Meat and Meat Preparations

The EU-15 is a big player in meat production and trade, accounting for 16% of the world meat production and 12.8% of the world meat trade in 2004 (European Commission, 2004). Beef meat is by far the leading meat produced in the EU-15, representing a half of the meat production. Pig meat and poultry follow beef meat with shares of 25% and 13% respectively. Among the EU-15 member states, Germany is the leading meat producer, contributing 19% to the EU-15 meat production on average for the period 1985 - 2005. France, Italy, the United Kingdom, Spain and the Netherlands are the other major producers of meat, together accounting for 60% of EU-15 meat production by quantity.

The dominance of France in intra EU-15 live animal exports is replaced by the Netherlands in respect of intra EU-15 meat exports. The Netherlands is the leader in intra meat exports, accounting for 25% of total intra meat exports. It is followed by Germany, France, Belgium-Luxembourg and Denmark, and each of these has an almost 14% share in intra EU-15 meat exports. However, the ranking is different as regards intra meat import. Germany, Italy and the United Kingdom are the leaders in intra meat import, accounting for 23%, 18%, and 16% of intra EU-15 meat imports respectively.

The meat sector is the most liberalized sector in the European livestock market. The share of extra imports in EU-15 total imports is 18% on average for the

period 1985 - 2005. While the share of extra import was 16% in 1995, it increased to 21% in the following ten years. The discipline on tariffication and the reduction in tariffs by 21% which were introduced by the URAA, has made the EU meat market more open to world meat products compared to its base before 1995.

The impact of the URAA is very limited on the export side as well. As can be seen from Figure 3.13, there has been a remarkable increase in the quantity of meat exportation since 1985. While meat exports accounts for 7 million tonnes on average in the period 1985 - 1995, they amount to 10.5 million tonnes on average in the 1996 - 2005 period, including both intra and extra exports. Although the EU agricultural market was subject to a reduction in export subsidies, the quantity of meat exports has increased by almost 50%. Therefore, it can be concluded that the reform of the CAP has made the European meat sector more competitive by improving efficiency both in production and exportation. Nonetheless, meat exports are no exception to the general pattern of European agricultural trade whereby intra trade comprises the great majority of the total trade. In the period 1985 - 2005, the average share of intra meat exports as a percentage of total meat exports is 81%.

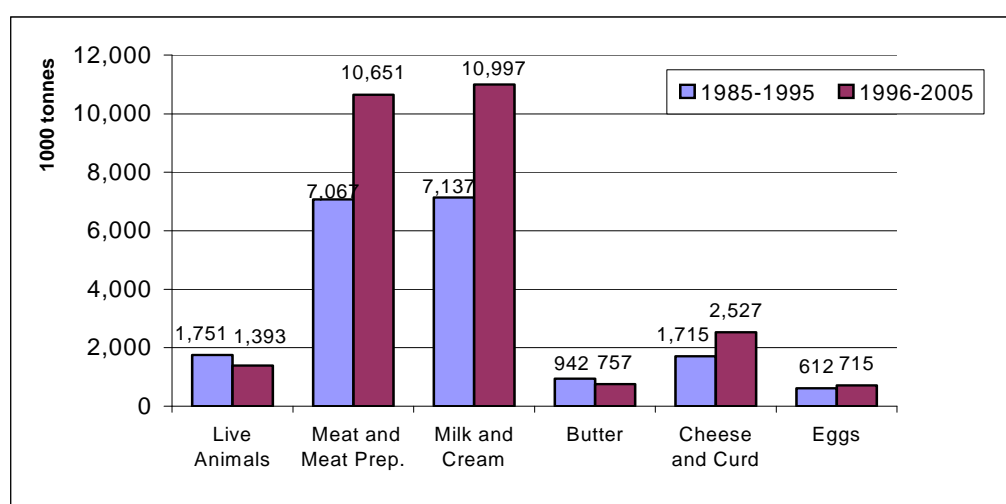


Figure 3.13: Quantity of Livestock Exports (including intra and extra)

Source: Comtrade

In extra EU-15 meat exports, which account for 19% of the EU-15's total meat exports, Eastern European countries, Japan and the former Soviet states play a key role as the major partners. In 2005, they accounted for 22%, 19%, and 15% of total value of extra EU-15 meat export respectively (Table 3.6). Russia, which replaces the former USSR states in the table, has a 12% share in the total value of extra EU-15 meat exports. The major meat that Russia imports from the EU-15 is bovine meat, and Russia received more than 40% of extra EU bovine meat exports.

Table 3.6: Extra EU-15 Meat Exports, 2005

<i>Main Trade Partners</i>	<i>EU Exports</i>	
	<i>Million\$</i>	<i>% of Total</i>
<i>Extra EU-15</i>	5,915	100%
Eastern Europe	1,287	22%
Japan	1,105	19%
Europe Former USSR	890	15%
ACP	382	6%
NAFTA	351	6%
EFTA	305	5%
Australia	92	2%
ASEAN	89	2%
Other	1,414	23%

Source: Comtrade

In extra EU-15 meat imports, which accounted for 21% of the total value of EU-15 meat imports in 2005, the MERCOSUR states are the most significant partners (Table 3.7). In particular, they are dominant in the EU-15's beef and poultry meat imports. Brazil, Argentina and Uruguay together account for more than 80% of the total value of extra EU-15 beef imports. In addition, Brazil is the most important supplier of poultry meat with a market share of around 60%. (European Commission, 2006). In addition to the MERCOSUR countries, New Zealand also has a specific importance for the EU. It accounted for almost 80% of extra EU-15 sheep and goat meat imports in 2005.

Table 3.7: Extra EU-15 Meat Imports, 2005		
<i>Main Trade Partners</i>	<i>EU Imports</i>	
	<i>Million\$</i>	<i>% of Total</i>
<i>Extra EU-15</i>	6,860	100%
MERCOSUR (plus Chile)	1,580	22%
Eastern Europe	1,536	22%
New Zealand	1,502	20%
ASEAN	396	6%
Australia	177	2%
NAFTA	113	2%
EFTA	38	1%
Other	1,518	25%
<i>Source: Comtrade</i>		

2.2.3 Dairy Products

The final and most important group within the livestock industry is the dairy sector. The dairy sector consists of “milk and cream”, “butter”, “cheese and curd” and “eggs”. Dairy products, as a whole, constituted 10% of the total value of EU-15 agricultural exports in 2005. With this percentage, the dairy group took fifth place in the ranking of the most exported agricultural products after fruit and vegetable (18%), beverages (15%), meat (12%), and cereal (11%) exports.

As is widely known, milk is the raw material of the dairy industry. In 2006, 30% of milk was directly consumed, whereas 37% was used in cheese production, and 16% in butter production. Milk has a significant role in the EU both in terms of production and in intra trade. Total milk production in the EU-15 amounts to 128 million tonnes on average for the period 1985 - 2005. With this amount, the EU-15 represents 20% of world milk production. Moreover, milk contributes 13.8% to the EU’s total value of agricultural production according to the 2004 data (European Commission, 2006).

All of the EU member states produce milk, and, in northern Europe in particular, agricultural production mainly concentrates on milk and milk products. For

instance, milk accounts for 32.3% of Luxembourg's total value of agricultural production. Finland(28%), Sweden (23.7), Ireland (23.6%), Germany (18,9%), Denmark (17%), the Netherlands (17.4%) and the United Kingdom (16.8%) are the other major countries in which milk production plays a key role in total agricultural production (European Commission, 2006).

However, the contribution of the member states to overall European milk production differs. Although milk accounts for 32.3% of Luxembourg's total value of agricultural output, the milk production in Luxembourg only contributes by 3% to the total quantity of EU-15 milk production. As is shown in Figure 2.13, Germany, France and the United Kingdom are the largest milk producers of the EU-15, having 23%, 21%, and 12% shares in the EU-15's total milk production by quantity respectively. In line with this ranking in production, Germany, France, the United Kingdom, the Netherlands and Belgium-Luxembourg are the largest suppliers of milk within the Union. Despite being the fourth largest milk producer, Italy is the leading importer in intra EU-15 milk trade by quantity. In addition to Italy, Germany, the Netherlands, France and the United Kingdom are the other major milk importers, each of which has more than 10% share in intra dairy imports.

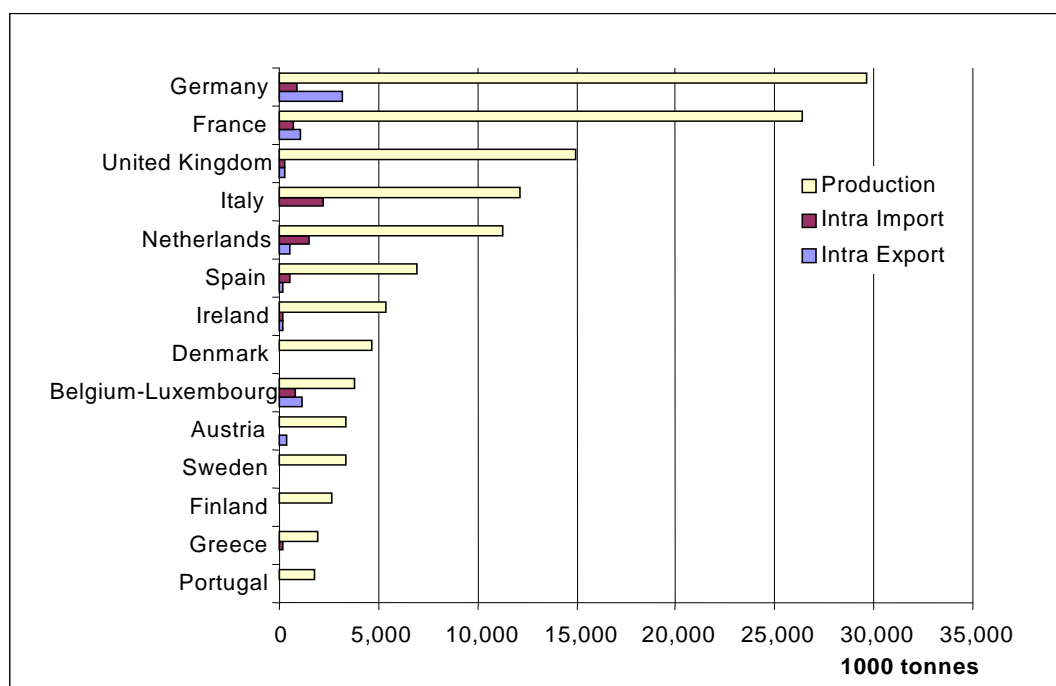


Figure 3.14: Production and Intra Trade of Milk in the EU-15 by quantity, (Av.1985 – 2005)

Source: Faostat and Comtrade

On the other hand, Figures 3.15 and 3.16 shed some light on the composition of dairy products in each member state's intra dairy trade. Most of the member states mainly export milk to the Union. In Germany, Austria and Portugal, milk accounts for more than 80% of dairy export occurring within the EU-15. Apart from milk, Italy and Greece are the member states in which “cheese and curd” plays a key role in intra EU-15 dairy export. The dominance of milk in intra dairy exports is also seen in intra dairy imports. The largest milk importer, Italy, mostly imports milk with a percentage of more than 80% among all dairy products.

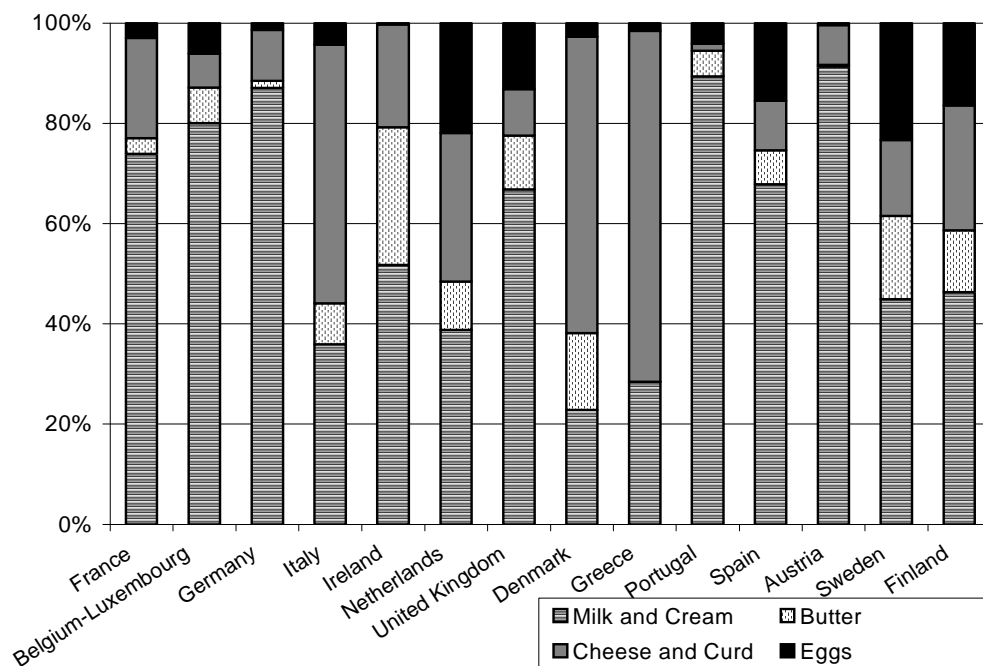


Figure 3.15: Share of Products in Intra EU-15 Dairy Exports of the Member States (Av. 1985 – 2005)
Source: Comtrade

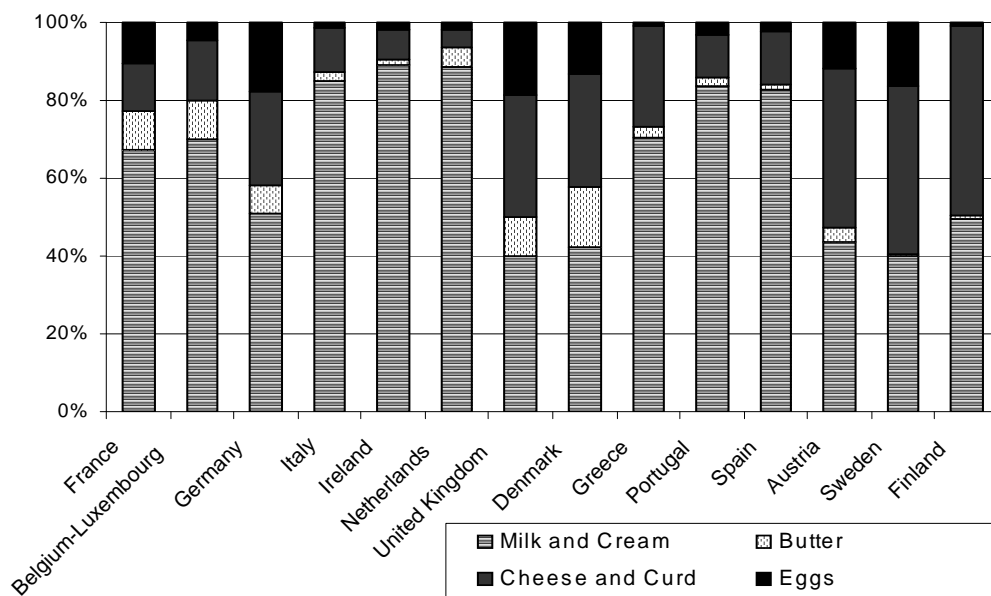


Figure 3.16: Share of Products in Intra EU-15 Dairy Imports of the Member States (Av. 1985 – 2005)
Source: Comtrade

Dairy products require special attention not only in respect of the livestock product group, but also in overall agricultural production and trade. The “Dairy products” group has always been at the core of the CAP reform process. In addition, the dairy industry has been directly influenced by the URAA.

Intervention prices, import levies and export subsidies - the traditional market support instruments of the CAP - started to be implemented for dairy products in 1968, and the regulation on the dairy market remained unchanged until the 1980s. The European Commission introduced milk quotas in 1984 in order to reduce the excess production and thus the exportable surplus (Tolosan, 2004). In line with the production quotas, the amount of milk production has been diminishing since 1985 (Figure 3.17).

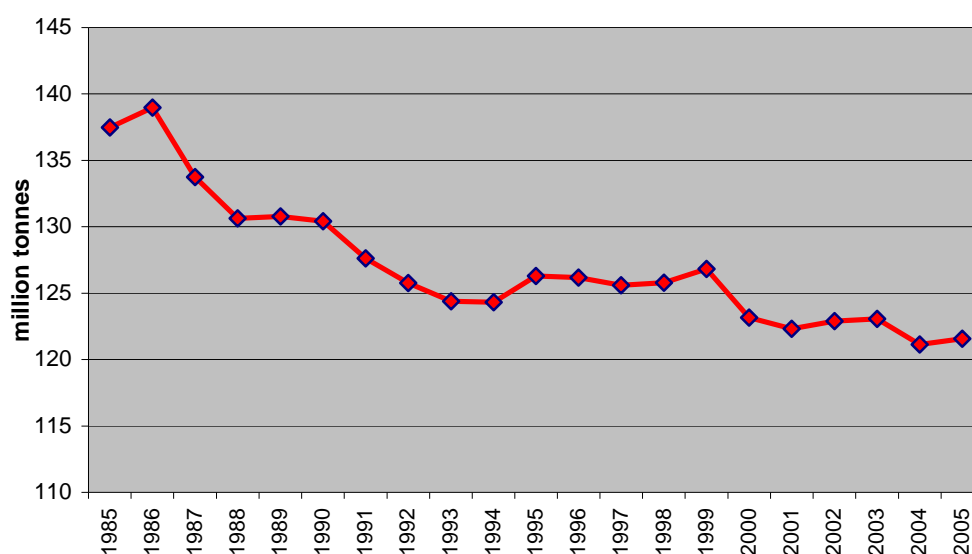


Figure 3.17: Production of Milk in EU-15 (1985-2005)

Source: Faostat

On the other hand, the market support mechanism in dairy products were reorganized by the 1992 Mac Sharry reforms in order to harmonize the EU regulations with the new principles of the URAA. A shift from a market support

system to direct income support occurred in the 1990s. The main objective of this remarkable change was to meet the constraints of the URAA on the quantity of export subsidies and on the value of export refunds. According to the URAA, the EU has committed to reducing the amount of export subsidy by 21%, and to reducing the value of export subsidy expenditure by 36% compared to a 1986 - 1990 base.

In addition to the constraints on export subsidies, the URAA laid down the rules for tariffication as well. For this reason, the EU has committed to converting import levies into tariffs and to reducing those tariffs by 36%. Under these new regulations, the share of intra imports as a percentage of total imports is expected to be reduced. Within this context, when the share of intra trade and extra trade in total dairy trade of the EU-15 is compared for the period 1985 - 2005, it is seen that there has always been a predominance of intra trade. While the share of extra imports in the total value of dairy imports is 6% on average for the twenty-year period, the share of extra dairy exports in total dairy exports is not particularly dramatic. Extra exports account for 24% of total dairy exports of the EU-15 on average.

In order to understand the influence of the URAA on the share of extra trade, the evolution of intra and extra EU-15 dairy trade should be analyzed. The average share of extra exports in dairy exports of the EU-15 for the ten-year period before 1995 is 26%, whereas it is 23% for the ten years after 1995. With regard to imports, the average share of extra imports in dairy imports of the EU-15 is 6%, for the two ten-year periods both before and after 1995. However, it should be noted that the share of extra imports in total dairy imports rose from 5% to 9% between 1995 and 2005. Thus, although the dairy sector is very protectionist today, the attempts of the URAA to liberalize agricultural markets has made a contribution to the increase in the market share of world dairy products in the EU-15 dairy market.

Apart from the changes in the percentage shares of intra and extra trade in total dairy trade, changes in dairy trade quantities also gives a clue about the impact of the URAA on the European dairy trade. While the quantity of milk exports increased by 100% from 1985 to 1995, it increased by 30% from 1995 to 2005. Although the pace of increase differs between these two periods, the quantity of milk export still continues to rise. The reduction in export subsidies which had been committed to under the URAA did not have a major influence on the quantity of dairy exports. Figure 3.18 shows the evolution of the quantity of dairy exports. In line with the intensification of milk exports, cheese and butter exports have also risen since 1985. However, neither of these two products has as significant a role in EU-15 agricultural trade as milk has.

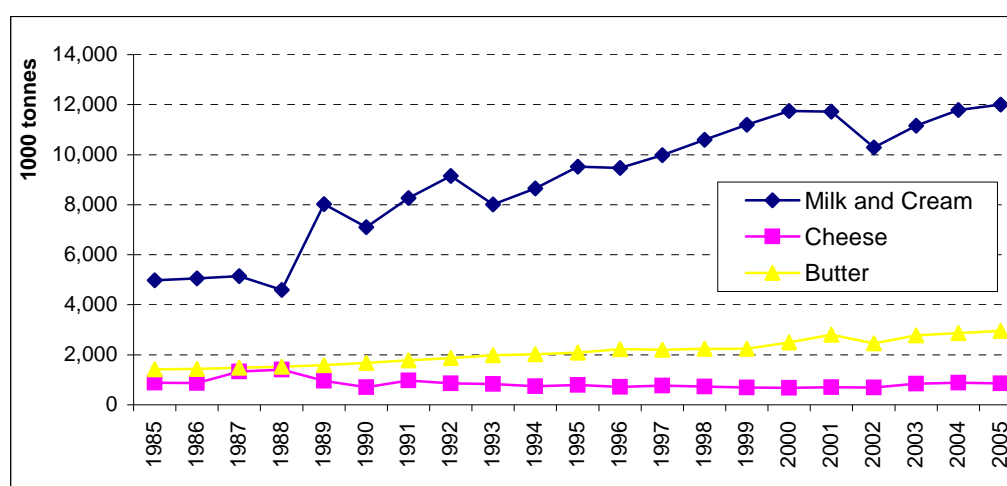


Figure 3.18: The Evolution of the Quantity of Dairy Exports

Source: Comtrade

As far as the partners of the EU-15 in dairy trade are concerned, Table 3.8 and Table 3.7 indicate the major destinations of European dairy export and the main suppliers of dairy products. In 2005, the EU-15 had a trade balance of approximately 4 billion US dollars. The ACP, Nafta and MEDA countries were the main partners of the EU-15 in dairy exports, all accounting for more than 10% of extra EU-15 dairy exports.

Table 3.8: Extra EU-15 Dairy Exports, 2005		
<i>Main Trade Partners</i>	<i>EU Exports</i>	
	<i>Million US\$</i>	<i>% of Total</i>
<i>Extra EU-15</i>	6.276	100%
ACP	943	15%
NAFTA	924	15%
MEDA	693	11%
Europe Former USSR	484	8%
ASEAN	410	7%
Eastern Europe	406	7%
EFTA	355	6%
Japan	275	4%
Other	1786	27%
<i>Source: Comtrade</i>		

As for the extra dairy imports, it is seen that the EU-15 mainly imports dairy products from its near neighbors. Eastern Europe, which has a share of 45% in extra imports, is by far the main source of extra EU-15 dairy imports (Table 3.9).

Table 3.9: Extra EU-15 Dairy Imports, 2005		
<i>Main Trade Partners</i>	<i>EU Imports</i>	
	<i>Million US\$</i>	<i>% of Total</i>
<i>Extra EU-15</i>	2,155	100%
Eastern Europe	965	45%
EFTA	386	18%
New Zealand	300	14%
Europe Former USSR	232	11%
NAFTA	83	4%
Australia	72	3%
India	11	1%
Other	106	4%
<i>Source: Comtrade</i>		

3.3 Fruits and Vegetables

Fruits and vegetables are the most traded products by value of trade on average for the period 1985 - 2005. Together they accounted for 21% of the total value of intra EU-15 agricultural exports and 11% of total value of extra EU-15 agricultural exports. Although by quantity of production and trade they come

after cereals, they are the leading products, by trade value, both in intra trade and in overall trade of the EU-15.

The “fruits and vegetables” group consists of fresh and dried fruit, and vegetables. The quantity of vegetable production is more than the quantity of fruit production not only in the world, but also in the EU-15. While average world vegetable production amounts to 415 million tonnes, average world fruit production is recorded as 600 million tonnes for 1985 - 2005 period. Although vegetables are dominant in terms of production both in the world and in the EU-15, the EU-15’s contribution to world fruit production is higher than its contribution to world vegetable production. While the EU-15 has a 13.5% share in world fruit production, it has an 8.5% share in world vegetable production. In essence, vegetables are dominant in the whole group in terms of trade quantity as well, having more than a 60% share. The Mediterranean countries - Spain, Italy and France - are the leading producers of fruits and vegetables in the EU-15 (Figure 3.19). Italy alone accounts for 33% of the total quantity of EU fruit production, followed by Spain and Italy which account for 25% and 20% respectively. Besides being the production leader in fruit, Italy is by far the largest producer of vegetables, accounting for 27% of total EU-15 vegetable production.

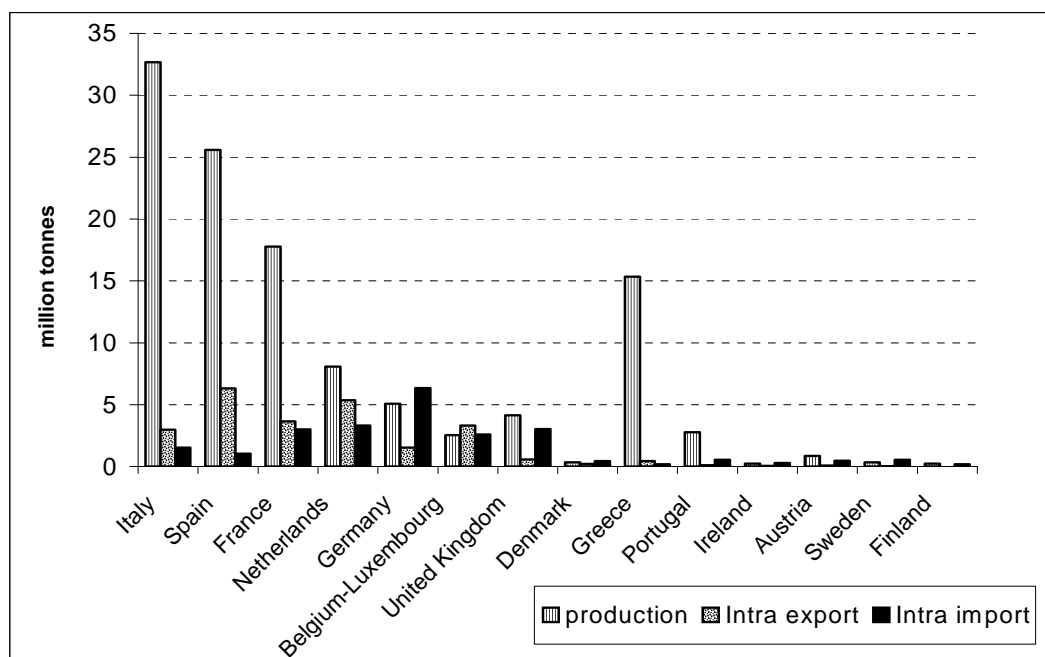


Figure 3.19: Fruits and Vegetables Production, Export and Import in the EU-15
Source: *Faostat and Comtrade*

In terms of intra trade, Spain and Italy account for 58% of intra EU-15 fruit exports by quantity on average for the period 1985 - 2005. These two countries are followed by France, the Netherlands and Belgium, and they all have more than a 10% share in intra fruit exports. However, for vegetables, the ranking is somewhat different. The Netherlands has a substantially higher share in intra EU-15 vegetable exports. The exports of the Netherlands to the Union constitute 30% of the intra vegetable exports on average for the 1985 - 2005 period. The Netherlands is followed by Spain, France and Belgium, the other three major exporters of intra vegetable trade. Germany, the fifth largest fruit and vegetable producer, is the main destination of European fruits and vegetables, having a 27% share in intra fruit and vegetable imports. On average, of the quantity of fruit and vegetable imports of Germany, which amounts to 6.3 million tonnes, vegetables have a 58% share. The Netherlands, which accounts for 10% of intra fruit exports and 21% of intra vegetable exports, is the second largest importer in the intra EU-15 fruit and vegetable trade.

In the total fruit and vegetable exports of the EU-15, intra exports dominate with an 84% share in total exports on average for the period 1985 - 2005 (Figure 3.20). The URAA and the ongoing CAP reform process, which operate towards almost the same ideal, made no major changes in the relative share of intra trade in overall trade. The fruit and vegetable sector was not protected by a variable levy mechanism but by a so called “reference price” system. This system has been changed least by the new rules laid down by the URAA. Thus, the EU domestic market did not open to world commodities, the dominance of intra EU-15 fruit and vegetable imports in total fruit and vegetable imports of the EU-15 did not change, and intra imports still keeps a 60% share in total imports (Figure 3.21). However, it should be noted that the fruit and vegetable sector is one of the sectors in which world imports have a significant share in EU market.

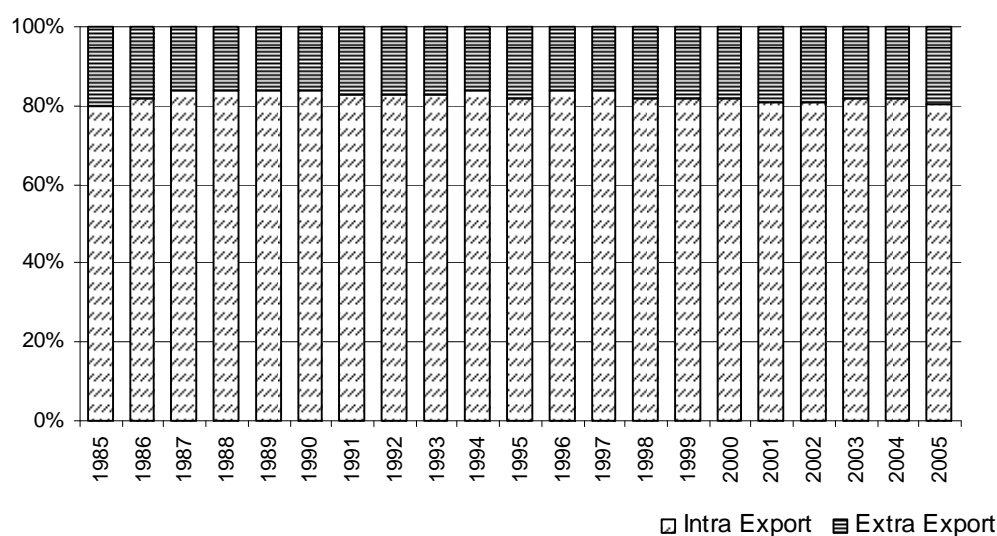


Figure 3.20: Intra and Extra EU-15 Fruits and Vegetables Exports by value

Source: Comtrade

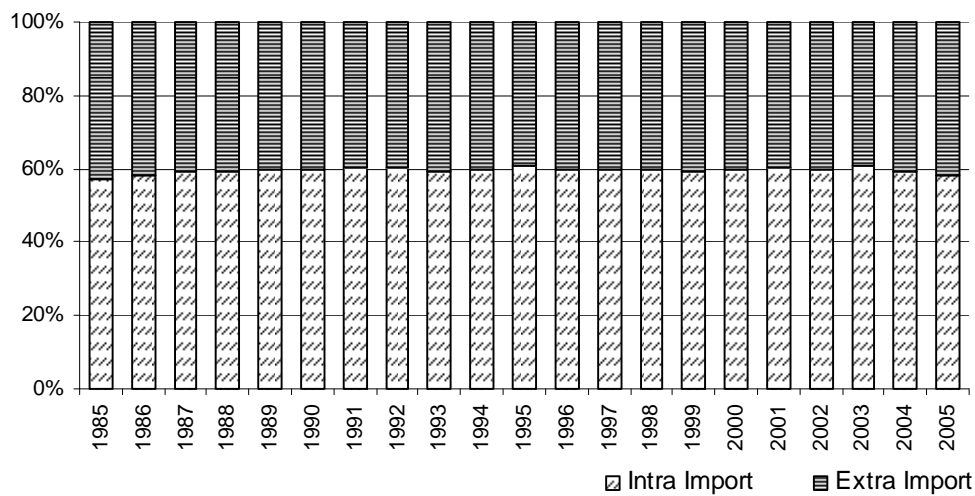


Figure 3.21: Intra and Extra EU-15 Fruits and Vegetables Imports by value

Source: Comtrade

In extra EU-15 exports, which has a relatively low share compared to intra EU-15 export, the EU-15 mainly exports fruit and vegetables to its neighbors. In 2005, eastern European countries, including the new EU members Bulgaria and Romania, accounted for 23% of extra EU-15 fruit and vegetable exports. This region is followed by EFTA(16%), and NAFTA(15%).

Table 3.10: Extra EU-15 Fruit and Vegetable Exports

Main Partners	EU Exports		
	Million\$	% of Total	
	2005	1995	2005
Extra EU-15	8,360	100%	100%
Eastern Europe	1,900	17%	23%
EFTA	1,350	17%	16%
NAFTA	1,181	15%	15%
Europe Former USSR	1,153	14%	14%
ACP	542	5%	6%
MEDA	356	6%	4%
Japan	320	5%	4%
Other	1,558	21%	18%

Source: Comtrade

Although all of the former Soviet states which are located in Europe became EU members in 2004, their share in extra fruit and vegetable exports is exactly the same in 1995 and 2005 (Table 3.10).

Table 3.11: Extra EU-15 Fruit and Vegetable Imports			
<i>Main Partners</i>	<i>EU Imports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	25,470	100%	100%
ACP	4,432	12%	16%
MERCOSUR (Plus Chili)	3,780	14%	15%
NAFTA	2,834	13%	11%
Turkey	2,647	10%	10%
MEDA	2,510	9%	10%
Eastern Europe	1,593	6%	6%
China	1,200	3%	5%
ASEAN	757	5%	3%
New Zealand	703	2%	3%
India	487	1%	2%
Other	4527	25%	19%

Source: Comtrade

Regarding the partners of the EU-15 in fruit and vegetable imports, Table 3.11 shows that the ACP, MERCOSUR, NAFTA, and MEDA countries are the main suppliers of fruits and vegetables. Most of the imports from the ACP consist of tropical fruits. Turkey is also a traditional partner of the EU-15 in the fruit and vegetables trade, having a share of 10% in extra EU-15 fruit and vegetables imports.

Apparently, not only the share of extra import, but also the major partners in extra imports have not experienced a radical change since 1995. While the share of extra fruit and vegetables has remained at approximately 40% since 1995, the major fruit and vegetable suppliers have kept their shares in total extra EU-15 fruit and vegetable imports.

3.4 Sugar

The European Union is an important player in world sugar production, consumption and trade. The EU-15, Brazil and India together account for half of the world production. In 2004, the EU-15's share in world production amounted to 13% for production, 12% for consumption, 15% for export and 5% for import. (European Commission, 2004)

The main products within the sugar group are sugar beet and sugar cane. Being more common than the sugar cane, sugar beet is produced throughout the EU-15 except in Luxembourg. Sugar is commonly used as a raw material in various sectors within the Union. According to the data from the European Commission, in the year 2006, 30% of sugar was consumed directly, whereas 21% was used in the beverage sector, and 15% was used in confectionery. (European Commission, 2006).

For the period between 1985 and 2005, the average production of sugar beet in the EU-15 was almost 113 million tonnes. France and Germany dominate the European sugar beet market, together accounting for 50% of European sugar beet production. The share of sugar beet in total agricultural output of these countries are 22% and 20% respectively. As can be seen from Figure 3.22, the other major producers of sugar beet are Italy, the United Kingdom, Belgium and the Netherlands. The area planted with sugar beet amounts to 1.4% of the total agricultural area of the EU-15, and sugar beet accounts for 1.8% of the value of agricultural output. As far as sugar cane production is concerned, Spain and Portugal are the only producers.

On the other hand, in a global context, the EU has been a net exporter of sugar since the 1970s. It is the second largest exporter, following Brazil. However, the average share of sugar in the total value of EU-15 world exports for the 1985

- 2005 period is nearly 3%, and this is extremely low in view of the fact that the share of fruits and vegetables is 17%.

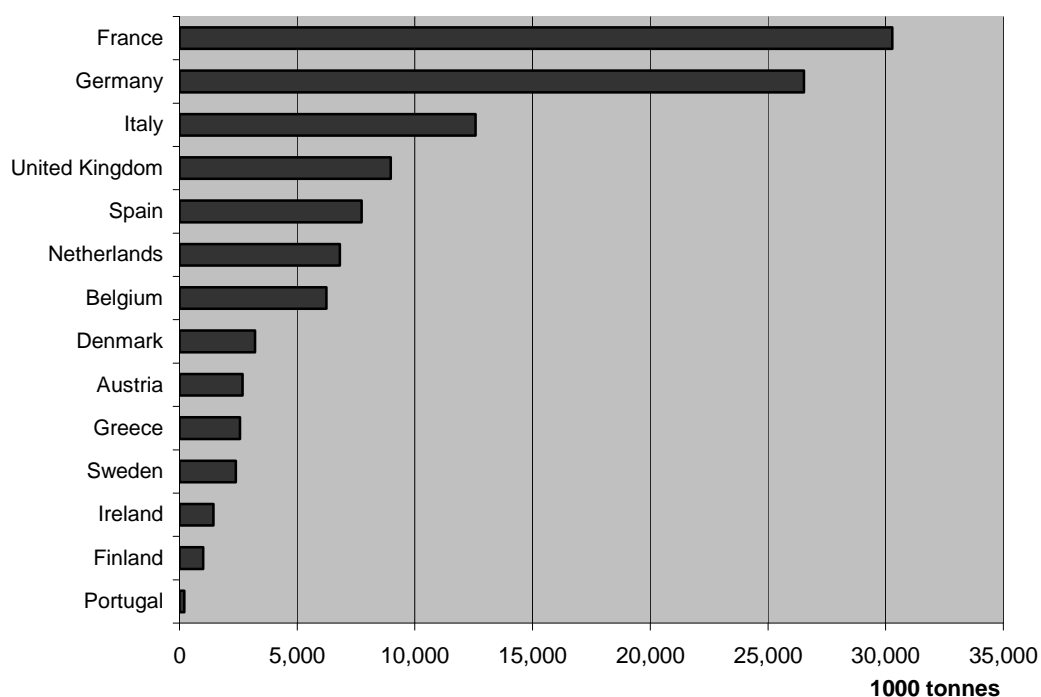


Figure 3.22: Sugar Beet Production in the EU-15 by quantity (Av. 1985 – 2005)
Source: Comtrade

According to the SITC classification, the sugar group consists of raw and refined sugar, honey, and sugar preparations. Here, sugar preparations will be neglected in order to simplify the analysis. With regard to intra sugar and honey exports, France dominates the EU-15 with a market share of 46.5% on average for the 1985 - 2005 period by quantity of trade. The intra-export data of the EU-15 indicates that the development of intra EU-15 sugar exports between 1985 and 2005 was directly shaped by France. As can be seen from the graph in Figure 3.23, the fluctuations in intra sugar exports of France and the EU-15 show almost the same pattern. The quantity of intra sugar exports, including honey as well, increased from 2 million tonnes to 5 million tonnes over the period 1985 to 2005.

On the other hand, when the sugar imports occurring within the borders of the EU-15 are considered, it can be stated that Belgium is by far the largest importer of sugar in intra trade. By quantity of trade, Belgian sugar imports amounted to 28.5% of intra EU-15 sugar imports in 2005, followed by Germany and the United Kingdom.

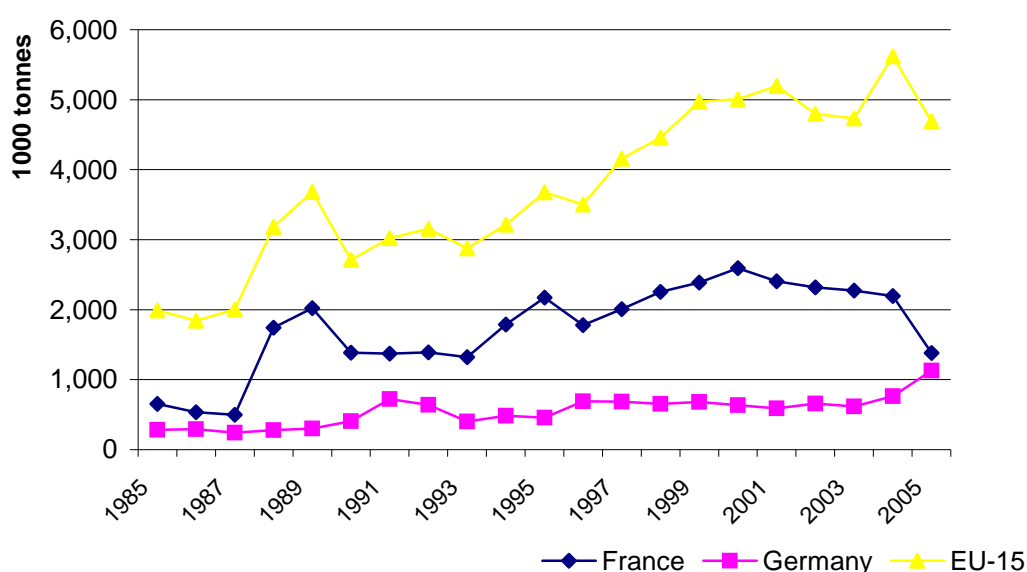


Figure 3.23: Evolution of Intra Sugar Exports in France, Germany and the EU-15
Source: Comtrade

The EU-15 exports sugar to non-European third countries with a relatively high share compared to other agricultural products. Extra EU-15 sugar exports accounts for 58% of the EU-15's total sugar exports on average. With this ratio, sugar is the third agricultural market in which extra exports comprises more than half of the total exports.

Nonetheless, on the import side, the market share of world sugar is 36% on average. The EU-15 meets the great majority of its sugar need from the European market. Although the URAA attempted to liberalize agricultural markets and to improve market access, the sugar market became more isolated in the ten-year period between 1995 and 2005 compared to the period 1985 -

1995. While, the share of extra imports is 41% on average for 1985 - 1995 period, it is recorded as 30% for the 1995 - 2005 period. The reform of the sugar market is a recent event, and it will be completed by 2013.

Within this framework, the EU-15's major trade partners are given in Table 3.12 and 3.13. As can be seen from the Table, the MEDA, EFTA, NAFTA and Eastern European countries, the traditional partners of the EU-15 in agricultural exports, are the key partners in sugar exports as well. When the partners' share in extra EU-15 sugar exports in 2005 is compared with their share in 1995, it can be seen that the former Soviet states, ASEAN, Japan and Turkey have experienced the most radical change. While the share of Turkey and the former Soviet states decreased, the share of ASEAN and Japan increased.

Table 3.12: Extra EU-15 Sugar and Honey Exports			
<i>Main Partners</i>	<i>EU Exports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	2,738	100%	100%
MEDA	582	20%	21%
EFTA	299	8%	11%
NAFTA	238	7%	9%
Eastern Europe	211	8%	8%
ACP	177	9%	6%
ASEAN	116	1%	4%
Europe Former USSR	75	8%	3%
Japan	69	1%	3%
Australia	32	0%	1%
Turkey	28	5%	1%
Other	911	33%	33%
<i>Source: Comtrade</i>			

Table 3.13: Extra EU-15 Sugar and Honey Imports			
<i>Main Partners</i>	<i>EU Imports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	2,801	100%	100%
ACP	1,155	49%	42%
Eastern Europe	515	4%	19%
MERCOSUR	202	5%	8%
NAFTA	123	5%	4%
EFTA	69	3%	2%
China	63	2%	2%
Turkey	41	0%	1%
ASEAN	40	1%	1%
India	16	1%	1%
Other	577	28%	20%
<i>Source: Comtrade</i>			

As for the partners of the EU-15 in sugar imports, the ACP dominates the European sugar market having a market share of 42%. The other two major sugar suppliers, Eastern Europe and the MERCOSUR countries, have intensified their shares in extra EU-15 sugar imports since 1995.

3.5 Coffee, Cocoa, Chocolate, Tea and Spices

This group is the 7th product group listed under “Live animals and Food” group in SITC classification. The total share of this group in EU-15 agricultural trade is 5% in terms of the value of exports, and 7% in terms of the value of imports on average for the period 1985 -2005. With regard to production, the EU makes only a minor contribution to world production.

Among all the products comprising this group, chocolate is the one which accounts for the bulk of intra EU-15 trade. By quantity of trade, on average for the 1985 - 2005 period, chocolate amounts to 52% and 55% of intra EU-15 exports and imports in this group respectively (Figure 3.24). Exporting 215,000 tonnes, and importing 190,000 tonnes on average, Germany plays a key role in intra EU-15 chocolate trade. Belgium, the Netherlands and France follow

Germany, exporting 195,000, 145,000, and 156,000 tonnes of chocolate, respectively within the borders of EU-15. Where intra chocolate imports are concerned, France is the largest importer accounting for 22% of intra EU-15 chocolate exports with 210,000 tonnes.

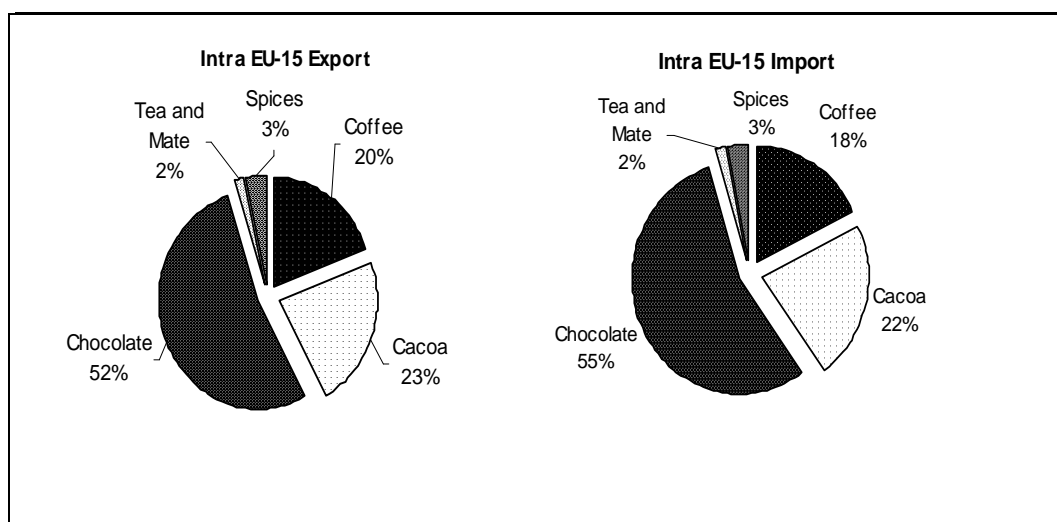


Figure 3.24: Shares in Intra EU-15 Export and Import of Seventh Group Products of SITC Rev.1 Classification by quantity of trade (Av. 1985 – 2005)

Source: Comtrade

On the other hand, with regard to coffee, the European Union is relatively more specialized in roasted coffee than in green coffee. Intra coffee exports amount to 20% of the exports of this group. Belgium and Germany dominate the intra coffee trade, respectively trading 138,000 and 163,000 tonnes within the Union. These countries are followed by France and the United Kingdom with 115,000 and 57,000 tonnes of trade quantity respectively.

As far as the cocoa is concerned, Spain is by far the largest exporter among the EU-15 countries. Cocoa exports of Spain to the members of EU-15 are 231,000 tonnes and account for 56% of intra EU-15 cocoa export for the 1985 - 2005 period on average. France and Germany follow Spain with 16% and 14% shares in intra cocoa export. Since the EU is not a cocoa producer, these export

amounts actually consist of re-exports. The EU-15 processes the exported cocoa and re-exports the processed products to the Union or to the rest of the world.

Compared to the shares of chocolate, coffee and cocoa, the remaining products, tea and spices, constitute a small share in intra-trade. In view of the fact that tea has a traditional value for the English, the United Kingdom is the largest exporter of tea. Exporting 13,000 tonnes of tea on average for the 1985 -2005 period, it accounts for 43% of intra tea exports, and is followed by the Netherlands which has a 20% share.

The final product listed under this group is spices. Spices cover mainly vanilla, cinnamon, cloves, nutmeg and mace, seeds of anise and badian, thyme and saffron according to the classification used in this analysis. The average amount of total spices produced in the EU-15 between 1985 and 2005 is 60,000 tonnes. Germany and Spain together constitute more than 85% of the average EU-15 spices production, producing 33,000 and 18,000 tonnes respectively. In accordance with their dominance in production, they are among the biggest exporters of spices as well. Together they account together for 33% of intra exports of spices. Despite being a relatively small producer of spices, the Netherlands, surprisingly plays a key role in the spices trade, accounting for 32% of average intra-exports. On the import side, Germany, Belgium and the United Kingdom are the main importers of intra trade spices. The general view of the intra EU-15 export of coffee, cocoa, chocolate, tea and spices indicates that the EU has seen a growing trend in exports in the period concerned.

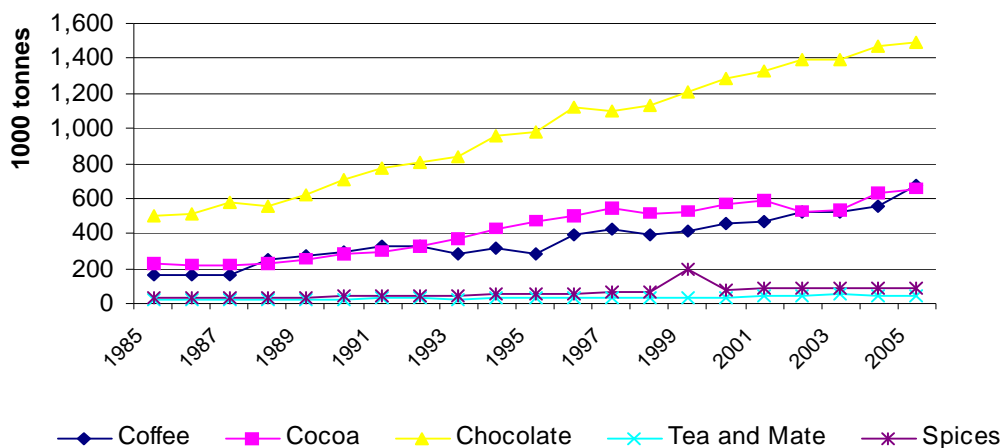


Figure 3.25: The Evolution of the EU-15 Exports in 7th Group of SITC

Source: Comtrade

As is seen in Figure 3.25 above, chocolate, cocoa and coffee exports increased considerably between 1985 and 2005. The reduction in export subsidies, which was introduced in 1995 by the URAA, has not made a radical change in the quantity of exports of the products within this group.

As with most of the other agricultural products, in this group as well, there is a dominance of intra exports in total EU-15 exports. Products originating from Europe dominate the European market with a 71% share on average. Nevertheless, in respect of import in this group as a whole, extra imports have a supremacy over intra imports. On average, world products have a 60% share in the European market. In fact, in the late 1980s, the share of extra imports in total imports was more than 70%. Over the years, self sufficiency in this group has been improved (Figure 3..26).

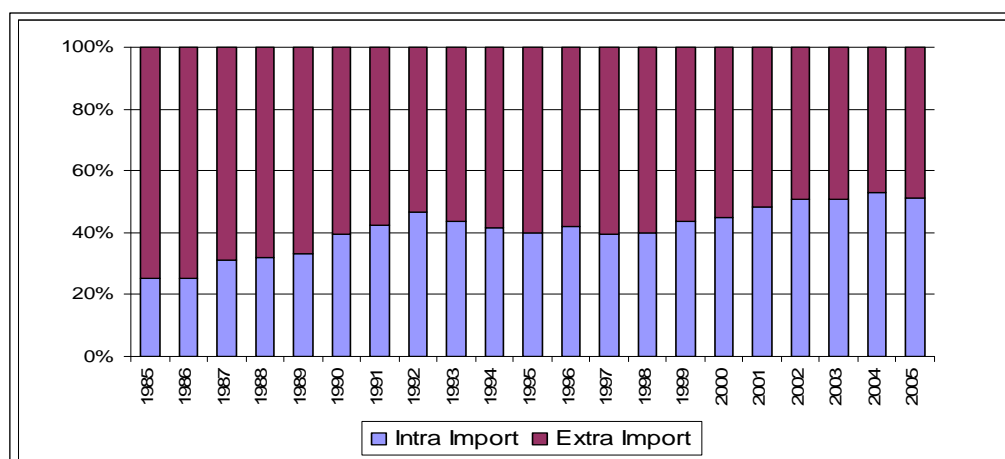


Figure 3.26: Intra and Extra EU-15 Imports in the 7th Group as a whole
Source: Comtrade

Table 3.14: Extra EU-15 Coffee, Cocoa, Tea and Spices Exports			
<i>Main Partners</i>	<i>EU Exports</i>		
	<i>Million US\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	4,743	100%	100%
NAFTA	1,136	19%	25%
Eastern Europe	885	12%	20%
EFTA	575	9%	12%
Europe Former USSR	557	27%	12%
Japan	250	4%	5%
Australia	195	3%	4%
MEDA	150	3%	3%
ACP	107	1%	2%
Turkey	77	1%	2%
Other	811	24%	15%

Source: Comtrade

As the values of extra exports and imports given in the Table 3.14 and 3.15 show, the EU-15 is a net importer in this group, having a 5 billion US dollar trade deficit. NAFTA and Eastern Europe countries together accounted for 45% of the extra EU-15 exports in 2005. Interestingly, the former Soviet states, which were the key partners of the EU-15 in 1995 with 27%, accounted for 12% in 2005.

The ACP countries, which dominate the European sugar market as mentioned above, have a market share of 38% in extra EU-15 imports in this group. They are followed by the MERCOSUR and ASEAN states, which have 17% and 14% shares respectively. Since the market shares of the major suppliers are almost the same for 1995 and 2005, it can be concluded that the import patterns in this group have not faced a remarkable change since the URAA of 1995.

Table 3.15: Extra EU-15 Coffee, Cocoa, Tea and Spices Imports			
<i>Main Partners</i>	<i>EU Imports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	9,825	100%	100%
ACP	3,700	38%	38%
MERCOSUR	1,699	13%	17%
ASEAN	999	8%	10%
EFTA	532	2%	5%
Eastern Europe	302	1%	3%
India	294	3%	3%
China	170	1%	2%
Other	2,129	34%	22%

Source: Comtrade

3.6 Beverages and Tobacco

3.6.1 Beverages

Beverages have special importance in European agriculture since the EU, as a big producer, exporter and importer, has a considerable influence in the world beverages market. The share of beverages in extra EU-15 total agricultural exports is 26% by quantity on average for the period 1985 - 2005. The average share of the “beverages” group for the same period in intra EU-15 agricultural trade is 9%, and beverages are the fifth most traded products within the borders of the EU.

By value of trade, France is the largest exporter of beverages, with a 32% share in intra EU-15 beverage exports, followed by the United Kingdom, Italy and Germany with 13%, 11%, and 9% shares respectively. With regard to intra EU-15 beverage imports, the United Kingdom, Germany and France are the three leading importers, accounting together for more than 50% of intra imports.

The “beverages” group is divided into alcoholic and non-alcoholic beverages. Non-alcoholic beverages, with a 70% share, account for the bulk of the intra beverage trade by quantity of trade. However, by value of trade, the share of alcoholic beverages in the overall beverage group is 60%. The two major products that fall within the alcoholic beverages group are beer and wine. By quantity of trade, wine and beer account for 55% and 32% of European exports in alcoholic beverage export respectively. Being processed products, they are relatively more valuable than the other agricultural products. Wine accounted for almost 5.7% of the total value of agricultural output in 2004. Apparently, this share is considerable when taking into account the fact that the share of wheat in the total value of agricultural output is 6.7%. As regards the percentage share in world wine production, the EU accounts for almost 60% by 2005. Besides being the leading producer, exporter and importer of wine, the EU is the biggest consumer of wine owing to the traditional and spiritual value of wine for European people.

The Mediterranean countries - France, Italy and Spain - are the three major producers of wine as they are specialized in vine growing (Figure 3.27). By the year 2005, 80% of the 17 million tonnes of EU-15 wine production was produced by France, Italy and Spain. In accordance with their dominant position in wine production, these states are the leading exporters of wine. However, their shares in intra EU-15 wine exports differ according to the trade units. Although France is the largest exporter, having a share of almost 50% in intra EU-15 wine exports by value of trade on average for the 1985 - 2005 time period, it comes after Italy, which has a share of 36% by quantity of trade. In

terms of quantity of trade, Italy is the largest contributor to intra EU-15 wine exports composing 40% of intra EU-15 wine exports. As a consequence of the fact that France has shifted its production from table wine to quality wine, it constitutes the highest share in terms of value of trade. Spain is the third biggest producer and exporter of wine in the EU-15, and it has a share of 11% in intra EU-15 wine exports by quantity of trade and 12% by value of trade on average for the 1985 - 2005 time period.

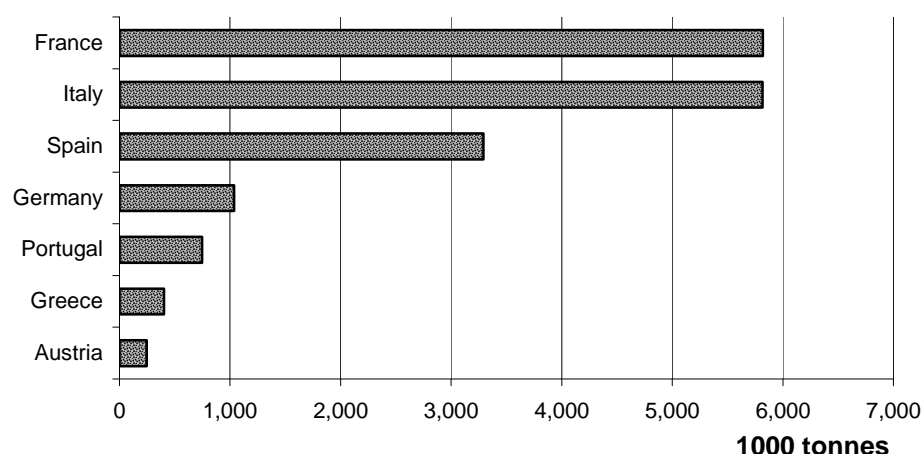


Figure 3.27: Wine Production by Member States (Av. 1985 – 2005)

Source: Faostat

Another traditional product of Europe, beer, is also essential in the intra EU-15 beverage trade. On average, for the 1985-2005 period, 11% of the total intra EU-15 beverage exports is comprised of beer exports. In addition, the share of beer in intra alcoholic beverage exports is 32%. Being the largest producer of beer, Germany is the leading exporter in the intra EU-15 beer trade. The member states which are relatively less specialized in beer production meet their inner market demand mostly from Germany, the Netherlands, Belgium, Ireland and the United Kingdom. For the period from 1985 to 2005, Germany had a 27% share, on average, in intra EU-15 beer exports, whereas Belgium, the Netherlands, Ireland and the United Kingdom had 18%, 13%, and 10% shares

respectively. In terms of intra EU-15 beer imports, it is seen that the imports of the United Kingdom account for 28% by value of trade. The other major importers of beer are Italy and France, accounting for 19% and 16% of intra beer imports respectively.

As for the extra EU-15 beverage trade, the dominance of alcoholic beverages is seen as well. While the share of non-alcoholic beverages in total extra EU-15 beverages exports is recorded only as 11%, its share in extra EU-15 beverage import is 8%. Wine, which accounts for 38% of extra EU-15 alcoholic beverage exports, constitutes almost 70% of extra EU-15 alcoholic beverage imports, and 62% of extra EU-15 beverage imports.

Intra EU-15 beverage exports account for more than half of the total beverage exports with a 54% share, while intra EU-15 beverage imports account, on average, for 87% of the total beverage imports for the period 1985 - 2005. Unsurprisingly, intra trade rules the beverage trade of the EU-15. However, it is worth noting that extra EU-15 beverage exports constitute a significant amount in terms of the EU-15's total beverage exports.

The beverage sector is one of the sectors that is most influenced by the URAA. In particular, it is the extra-imports level that is highly influenced by the liberalization process. Figure 3.28 helps to make the issue more concrete. As can be seen from the figure, although the share of intra exports is still considerably high compared to the share of extra imports, the share of extra imports started to increase in the period of 1995 - 2005. The share of intra imports, which was 88% in 1995, diminished to 79% in 2005. As the tariffs were reduced following the URAA, the world beverages producers had the chance to enter the EU market more easily. When the analysis is elaborated, the same pattern can be observed for wine and beer as well (Figure 3.29).

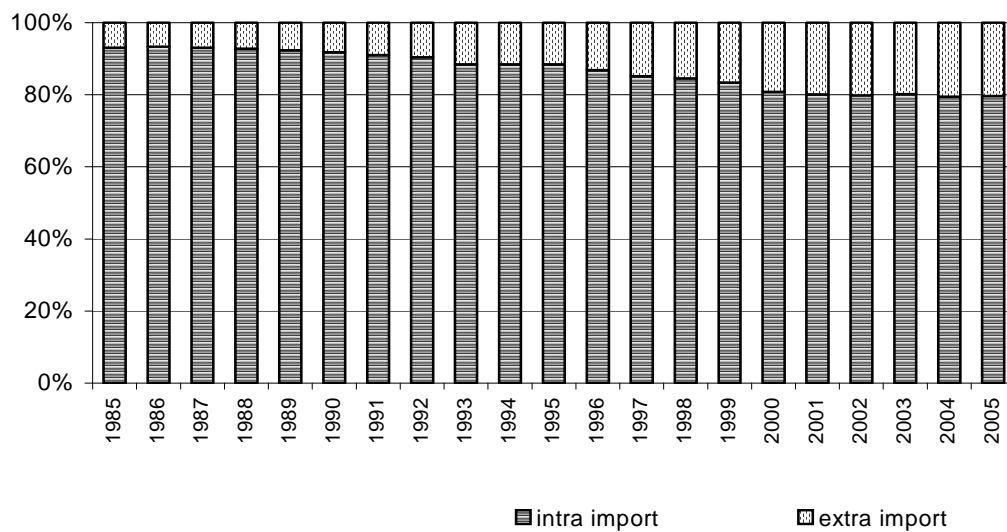


Figure 3.28: Share of Intra and Extra Imports in Beverage Imports of the EU-15 by value

Source: Comtrade

The EU-15, which had an 11 million US dollar trade surplus in alcoholic beverages, and a 1.5 million US dollar trade surplus in non-alcoholic beverages, is a net exporter of both alcoholic and non-alcoholic beverages. In terms of the EU-15's beverage exports to third countries, the NAFTA countries, especially the USA, have special importance. NAFTA has increased its share in EU-15's beverage exports compared to its level in 1995. In 2005, NAFTA was by far the biggest importer of European non-alcoholic and alcoholic beverages, having a share of 39% and 51% in extra EU-15 non-alcoholic and alcoholic beverage exports respectively. Japan, being the third main destination of European beverages, is the country that draws attention the most (Table 3.16).

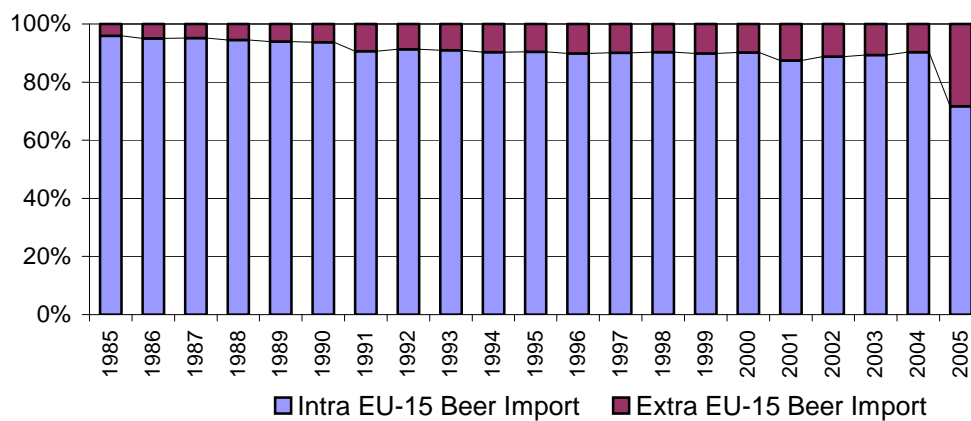
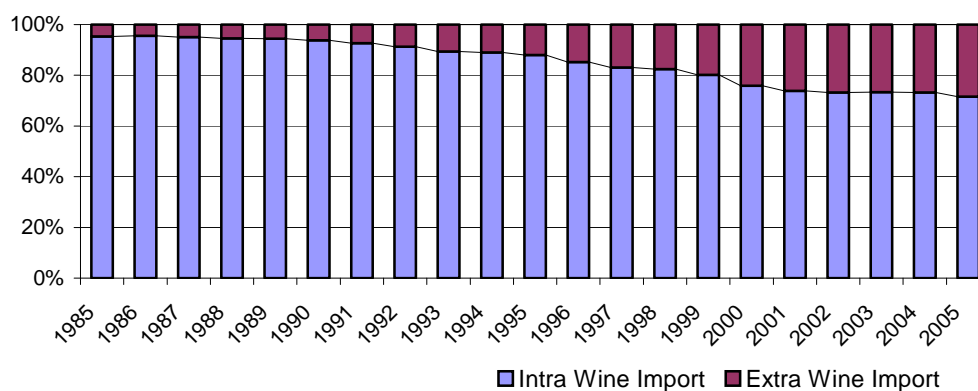
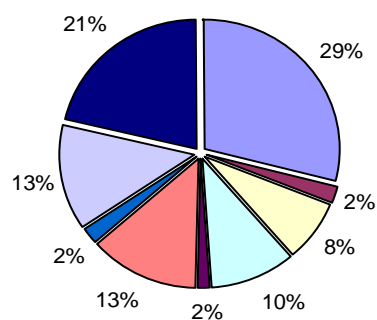
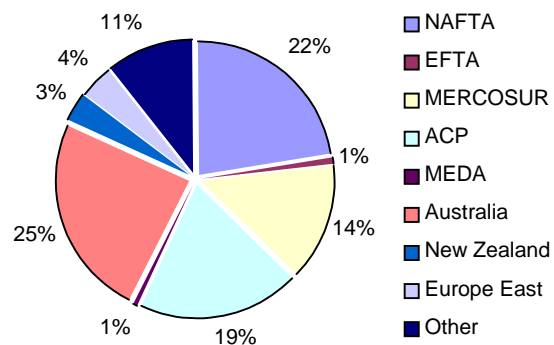


Figure 3.29: Shares of Intra and Extra Wine and Beer Imports by value
Source: Comtrade

Table 3.16: Extra EU-15 Beverage Exports

<i>Main Partners</i>	<i>Non-Alcoholic Beverages</i>			<i>Alcoholic Beverages</i>		
	Million\$ 2005	% of Total 1995	% of Total 2005	Million\$ 2005	% of Total 1995	% of Total 2005
Extra EU-15	2,118	100%	100%	15,990	100%	100%
NAFTA	809	20%	39%	7,916	33%	51%
EFTA	237	12%	11%	1,164	8%	8%
Japan	182	10%	9%	1,034	10%	6%
Eastern Europe	165	7%	8%	446	2%	3%
ACP	96	5%	5%	712	3%	4%
Europe Former USSR	50	17%	2%	680	9%	4%
Australia	46	1%	2%	280	2%	2%
MEDA	46	2%	2%	201	1%	1%
Turkey	22	0%	1%	79	1%	0%
ASEAN	21	2%	1%	704	6%	4%
Other	444	27%	21%	2,774	15%	17%

Source: Comtrade

Extra EU-15 Alcoholic Beverage Import, 1995**Extra EU-15 Alcoholic Beverage Import, 2005****Figure 3.30: Extra EU-15 Alcoholic Beverage Imports in 1995 and 2005 by value**

Source: Comtrade

As is mentioned above, one of the agricultural markets where market access conditions have been improved since the URAA of 1995 is the alcoholic beverages market. Market share of world alcoholic beverages has reached almost 25% progressively (Figure 3.30). This evolution of extra EU-15 alcoholic beverages can also be observed from Figure 3.30 in a different way. The main partners of the EU-15 in respect to extra alcoholic beverage imports have remained the same since 1995. However, some of them have increased their market share in the European alcoholic beverages market. Australia, the ACP and the MERCOSUR states are the ones which have achieved a strong position in the European market.

3.6.2 Tobacco

The aggregate outlook shows that the European Union is a net importer of raw tobacco and a net exporter of processed tobacco. Recently, in 2005, the EU-15 accounted for 6.5% of world raw tobacco production. With this share, the EU is the world's fifth largest producer, following China (38%), Brazil (9%), India (8%) and the USA (7%). Production of tobacco in the EU varies among the different geographies of the EU. Since the Mediterranean climate is suitable for growing raw tobacco, Italy and Greece are the main tobacco producers in the EU-15, each producing almost 145,000 tonnes on average per annum. Furthermore, 56% of intra EU-15 tobacco exports, by quantity, consist of processed tobacco. However, the tobacco group represents only 0.4% of the EU agricultural output, and it constitutes 4% of the overall EU-15 trade (European Commission, 2006).

Although the share of tobacco in European trade is relatively unremarkable, the leading European countries in tobacco exports are Germany and the Netherlands, on average for the 1985 – 2005 period. They account together for more than 60% of intra EU-15 tobacco export.

Table 3.17: Production of Unmanufactured Tobacco in the EU-15 (tonnes)

	1985	1995	2005
<i>Austria</i>	451	370	247
<i>Belgium-Luxembourg</i>	1,864	1,253	777
<i>France</i>	35,790	26,304	22,947
<i>Germany</i>	13,768	6,836	10,888
<i>Greece</i>	150,600	148,543	125,503
<i>Italy</i>	166,490	124,492	
<i>Portugal</i>	3,885	4,945	4,749
<i>Spain</i>	42,200	42,915	40,251
<i>World +</i>	7,054,379	6,283,506	6,580,828

Source: Faostat

As is seen from Table 3.17 and Figure 3.31, there is a discrepancy between the amount of production and exportation. Italy and Greece, the two main producers, are net importers of tobacco, whereas Germany and the Netherlands, relatively smaller producers, are net exporters. Since the tobacco group covers both manufactured and unmanufactured tobacco, the leading producers and exporters of tobacco differ. Within this context, although Germany and the Netherlands are not the largest producers of raw tobacco, they are the net exporters of tobacco, and they supply tobacco manufactures and cigarettes to the Union.

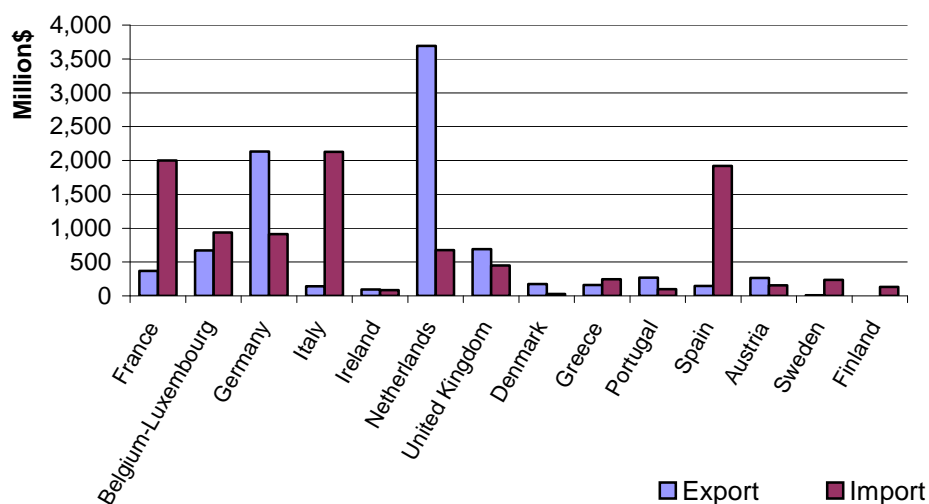


Figure 3.31 : Intra Tobacco Trade, 2005

Source: Comtrade

Table 3.18: Extra EU-15 Tobacco Exports

Main Partners	EU Exports		
	Million\$	% of Total	
	2005	1995	2005
Extra EU-15	3,251	100%	100%
Eastern Europe	529	7%	17%
Europe Former USSR	363	12%	11%
Turkey	263	2%	8%
MEDA	251	4%	8%
ACP	239	7%	7%
EFTA	178	6%	5%
NAFTA	162	4%	5%
Japan	142	3%	4%
ASEAN	76	14%	2%
Other	1,048	39%	33%

Source: Comtrade

As for the percentage shares of intra and extra trade in the total tobacco trade of the EU-15, intra exports and imports account for the majority of the total exports and imports. While intra EU-15 tobacco exports constitute 71% of EU-15's total tobacco exports, intra EU-15 tobacco imports account for 65% of EU-15's total tobacco imports on average for the period 1985-2005. Although there has not been any major change in the share of intra exports, the share of intra

imports has risen from 50% to 70% over the period from 1985 to 2005. Meanwhile, the share of extra imports has diminished. The unexpected decrease of the market share of world tobacco in European market shows that the self-sufficiency in tobacco has been improved.

Table 3.18 shows the main partners of the EU-15 in tobacco exportation. The EU-15 mainly exports tobacco to its neighbors. Eastern European countries, the former Soviet states, Turkey and the MEDA countries are the major partners of the EU-15 according to the data from 2005. In this table, the most striking change is seen in Turkey's share in extra EU-15 tobacco exports. While Turkey had a negligible share in tobacco exports of the EU-15 in 1995, it has recently become one of the key partners of the EU-15.

Table 3.19: Extra EU-15 Tobacco Imports			
<i>Main Partners</i>	<i>EU Imports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	2,495	100%	100%
NAFTA	523	40%	23%
MERCOSUR	509	19%	20%
ACP	476	19%	19%
Eastern Europe	288	1%	10%
Turkey	148	5%	6%
ASEAN	134	6%	5%
India	63	2%	3%
China	48	1%	2%
Other	306	7%	12%
<i>Source: Comtrade</i>			

As far as the main suppliers of tobacco to the European market are concerned, NAFTA comes first with the greatest market share, followed by the MERCOSUR and ACP states (Table 3.19). Although Turkey had a negative trade balance in its trade with the EU-15, it is ranked as the fifth biggest partner after Eastern European countries.

3.7 Textile Fibres Provided from Agricultural Sector

Silk, animal hair, and cotton will be examined under this group. Animal hair, especially wool, and silk are related to livestock, whereas cotton is related with crop production. First, the European cotton production and trade will be examined, and then the analysis will be continued with silk and animal hair.

3.7.1 Cotton

The average world cotton lint production for the 1985 - 2005 period is 19 million tonnes, and the share of EU-15 in this amount is only 1.6%. By the year 2004, cotton contributes only 0.5% to the total value of EU-15 agricultural output (European Commission, 2004). The EU-15 has been the net importer of cotton since the establishment of the Union. Among the EU-15 member states, Greece, Portugal and Spain are the only producers. Although cotton is relatively less important for the EU, it is a key product of Greek agriculture, accounting for 9% of the total value of agricultural output. Greece, which produces 320,000 tonnes of cotton lint on average for the 1985-2005 period, accounts for 80% of European cotton production.

The cotton is mainly divided into raw cotton, in other words unginned cotton, and cotton lint. The average share of cotton, including the raw and ginned cotton, as a percentage of the total value of EU-15 world trade is 0.3%. In terms of cotton exports, it is Greece that dominates the export trade occurring between the member states of the EU-15. As can be seen from Figure 3.32, cotton exports from Greece have experienced sharp decreases and increases between 1985 and 2005. In 1996 and 2001, for example, the amount of intra cotton exports rose to 128,000 and 133,000 tonnes. Exporting 76,000 tonnes on average, Greece accounts for 34% of intra EU-15 cotton exports. Despite not being a cotton producer, Germany follows Greece with 48,000 tonnes of intra EU-15 exports. Like Germany, France also exports more than it produces.

Cotton exports from France within the EU-15 account for 12% of intra EU-15 cotton exports including the export of raw and ginned cotton.

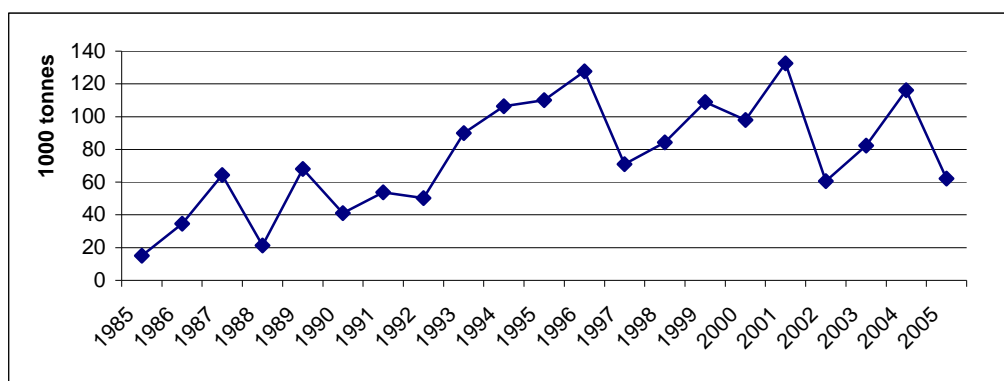


Figure 3.32: Cotton Export of Greece to the EU-15

Source: Comtrade

As far as imports are concerned, the data show that Italy, Germany and France together account for 60% of intra EU-15 cotton imports. Among these member states, Italy is the leader. On average, for the period from 1985 to 2005, Italy imported 52,000 tonnes of cotton. In view of the fact that Italy is the textile leader of the EU, it is not surprising that Italy is by far the largest cotton importer. It can be inferred that Italy meets its cotton demand mainly from the Greek market.

When intra and extra EU-15 cotton trade is compared, it is seen that extra trade rules the European cotton trade. Unlike many other agricultural products, the extra EU-15 cotton exports constitute 47% of the EU's total cotton exports on average. In fact, the share of extra cotton exports reached its peak level with more than a 55% share between 2000 and 2005.

As is mentioned above, the EU-15 is not self-sufficient in terms of cotton production. Thus, it is not surprising that the share of world cotton production in the European cotton market is 87% on average for the period 1985 - 2005. Cotton is the only agricultural product of which 80% of the import need is met

from third countries. While the EU had been more dependent on imports during the 1980s with a 90% share of extra imports, it has become less dependent on imports since 1990.

Table 3.20: Extra EU-15 Cotton Exports			
<i>Main Partners</i>	<i>EU Exports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	384	100%	100%
Turkey	158	19%	41%
MEDA	85	14%	22%
Eastern Europe	49	28%	13%
China	21	0%	6%
EFTA	9	6%	2%
Japan	8	1%	2%
ASEAN	6	13%	2%
NAFTA	4	4%	1%
Other	44	15%	11%
<i>Source: Comtrade</i>			

Table 3.20 shows that the main destination of European cotton is Turkey, which accounted for 41% of extra EU-15 cotton exports in 2005. In fact, compared to 1995, Turkey doubled its share in extra EU-15 cotton exports in 2005. It was followed by the MEDA and Eastern Europe countries. While Eastern Europe played a key role in extra EU-15 cotton exports in the 1990s, its share had diminished by 15% by the year 2005. In addition to the Eastern European countries, ASEAN has also experienced a sharp decrease in its share in extra EU-15 cotton exports.

Table 3.21: Extra EU-15 Cotton Imports			
<i>Main Partners</i>	<i>EU Imports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	696	100%	100%
ACP	173	17%	25%
MEDA	97	11%	14%
Turkey	85	3%	12%
NAFTA	70	12%	10%
MERCOSUR (Plus Chile)	66	7%	9%
Australia	13	2%	2%
India	8	1%	1%
China	7	1%	1%
Europe Former USSR	5	5%	1%
Other	172	41%	25%
<i>Source: Comtrade</i>			

However, in respect of extra EU-15 cotton imports, the ACP region, which had a 25% market share in 2005, is the key partner of the EU-15 (Table 3.21). The MEDA countries, Turkey and NAFTA are the other major suppliers of cotton. The most radical change is seen in Turkey's market share. While Turkey constituted only 3% of extra EU-15 cotton imports in 1995, it accounted for 12% in 2005.

3.7.2 Silk and Wool

Among all the textile fibers that are examined in this analysis, wool is the one which is widely produced throughout the Union. Every member state that is specialized in livestock produces wool and other types of animal hair as well. However, silk is a rarely produced product, and its usage in the textile sector is more limited compared to wool and cotton.

The average world silk production for the 1985 - 2005 period amounts to 389,000 tonnes, and the EU-15 has a very limited contribution to this amount with 200 tonnes of production. Spain, Italy, Greece and France are the only producers of silk in the EU-15. When EU-15 silk exports are considered,

Germany is by far the leader exporter, accounting for 74% of intra EU-15 silk exports. However, Italy, the textile leader in the EU, accounts for almost 70% of intra EU-15 silk imports.

Wool is the main animal hair used in the textile industry. The average world wool production is 2.5 million tones, and the contribution of the EU-15 to world wool production is 6.7% (Figure 3.33).

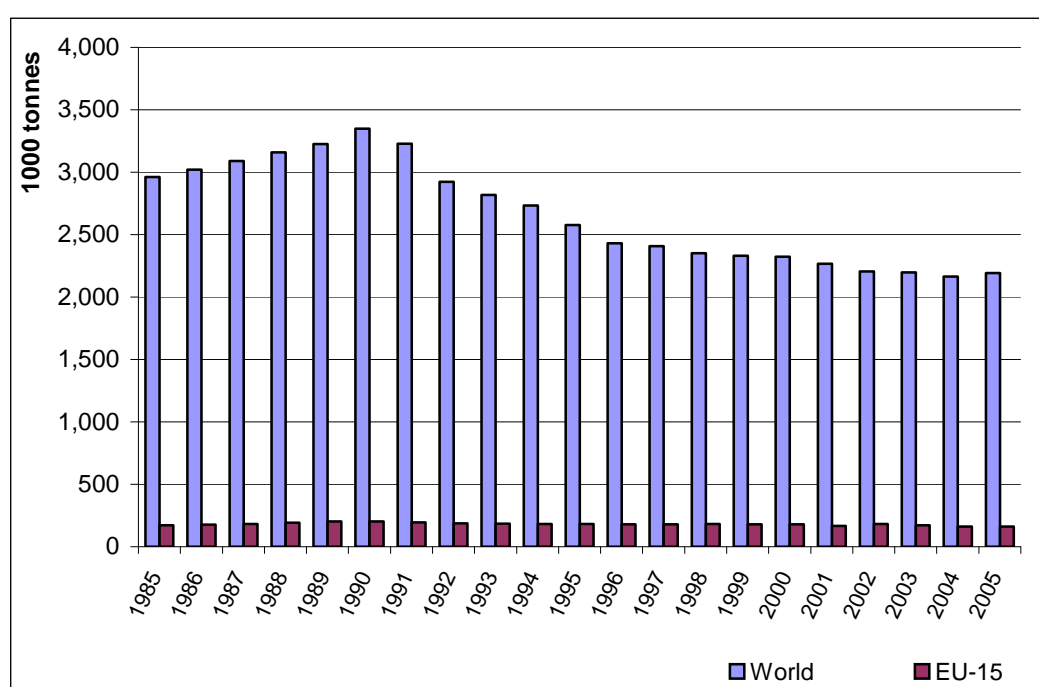


Figure 3.33: Wool Production in the EU-15 and in the World

Source: Faostat

In accordance with its dominance in livestock production and export livestock, France is the third biggest producer of wool, following the United Kingdom and Spain. The United Kingdom is the leading wool producer in the EU-15, accounting for 35% of the total wool production of the EU-15.

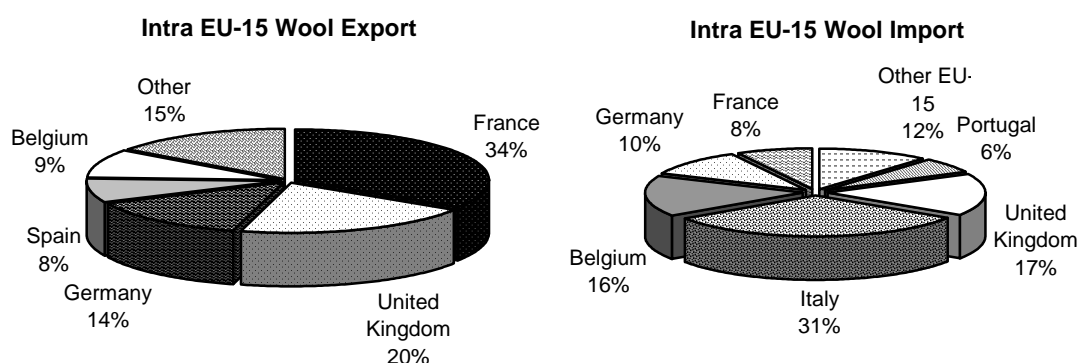


Figure 3.34: Shares of Member States in Intra EU-15 Wool Trade by quantity (Av. 1985 – 2005)

Source: Comtrade

According to the SITC classification, wool and other animal hair are categorized together under the same group. Thus, the trade data of wool includes other animal hair as well. As is shown in Figure 3.34, France is the largest exporter of wool, having an average share of 34% in intra EU-15 wool exports for the 1985-2005 period. The United Kingdom, Germany, Belgium and Spain are the other main exporters of intra EU-15 wool exports.

However, the picture is quite different on the import side. Italy, the leading importer of silk and cotton, is the largest wool importer from the EU-15 wool market. The average share of Italy in intra EU-15 wool imports amounts to 31%. The United Kingdom (17%), Belgium(16%), and Germany(10%) follow Italy.

3.8 Animal and Vegetable Oils and Fats

Animal and vegetable oils and fats are listed together as the fourth main commodity group under the SITC classification. In intra EU-15 trade of the group as a whole, animal oils and fats have only an 18% share, while vegetable oils and fats account for the majority of the intra EU-15 trade by quantity for the period of 1985 - 2005. Undoubtedly, the member states which are dominant in

livestock production and exports have greater shares in animal oil exports compared to the other members. As can be seen from Figure 3.35, France, Germany, Belgium and the Netherlands comprise the bulk of the intra EU-15 animal oil exports by quantity.

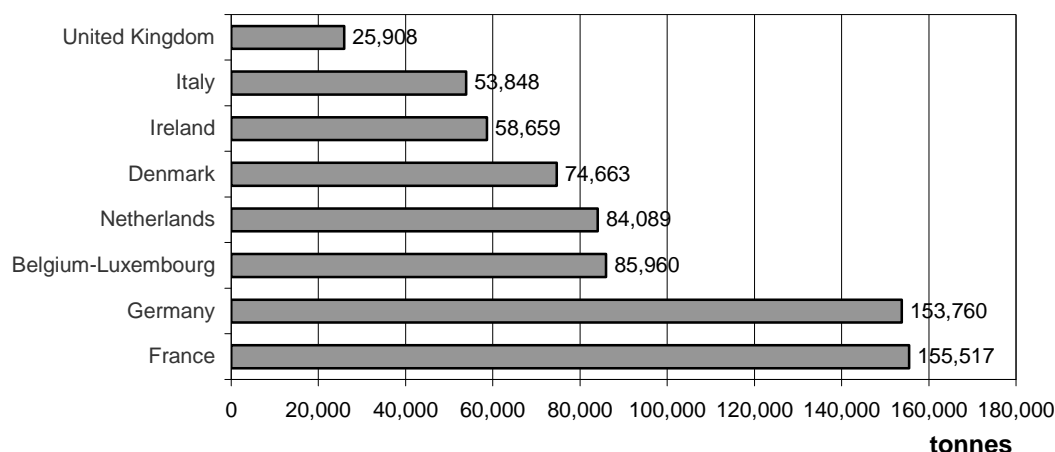


Figure 3.35: Intra EU-15 Animal Oil Exports by quantity (Av. 1985 - 2005)

Source: Comtrade

Vegetable oils are far more important for EU-15 member states than animal oils both in terms of production and external trade. The vegetable oils group is categorized as “fixed vegetable oils” and “other vegetable oils” according to the SITC classification. “Fixed vegetable oils” consist of cottonseed oil, groundnut oil, olive oil, soybean oil and sunflower oil, whereas “other vegetable oils” covers linseed oil, palm oil, coconut oil and castor oil. The total amount of EU-15 intra vegetable oil export is 3.5 million tonnes on average for the 1985-2005 period, and 80% of that is composed of fixed vegetable oils. In particular, the EU-15 is highly specialized in soybean, sunflower and olive oil production. Figure 3.36 shows that, on average for the period between 1985 and 2005, soybean oil is the most common vegetable oil produced in the EU-15, reaching almost 2.5 million tonnes of production. With this amount, soybean oil accounts for 40% of the EU-15 vegetable oil production. Sunflower oil (29%) and olive oil (28%) are the other products having a large share in total vegetable

oil production. With regard to intra EU-15 trade, the vegetable oil group as a whole amounts to 3% of intra EU-15 agricultural exports.

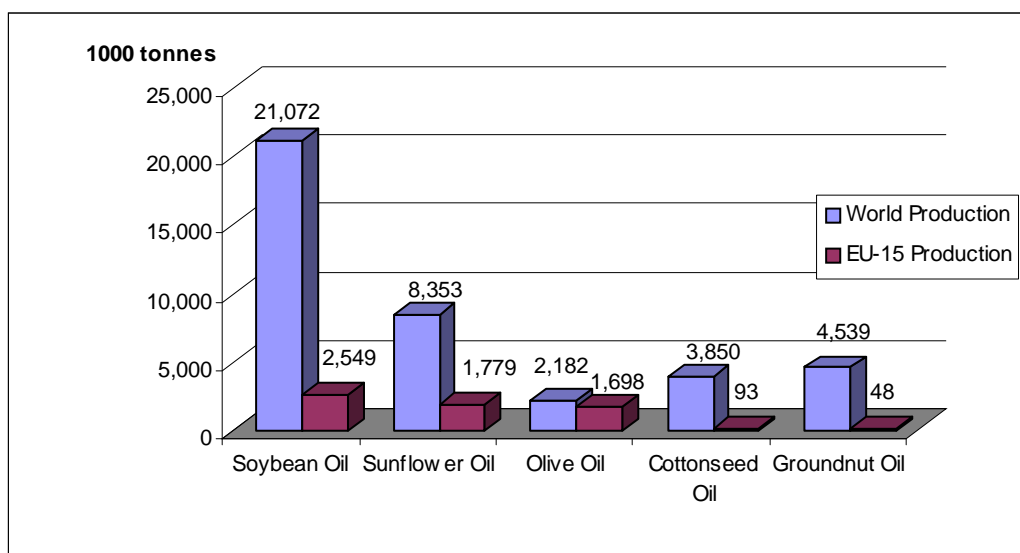


Figure 3.36: Vegetable Oil Production in the World and EU-15 (Av. 1985 - 2005)

Source: Faostat

As with most of the other agricultural products, intra trade is highly dominant in the vegetable oil trade. Nearly 60% of total EU-15 vegetable oil trade occurs within the borders of the EU-15. When the development of intra and extra vegetable oil trade is considered, it is seen from Figure 3.37 that the CAP reforms and the URAA of mid 1990s have a limited influence on increasing the share of extra vegetable oils exports and imports.

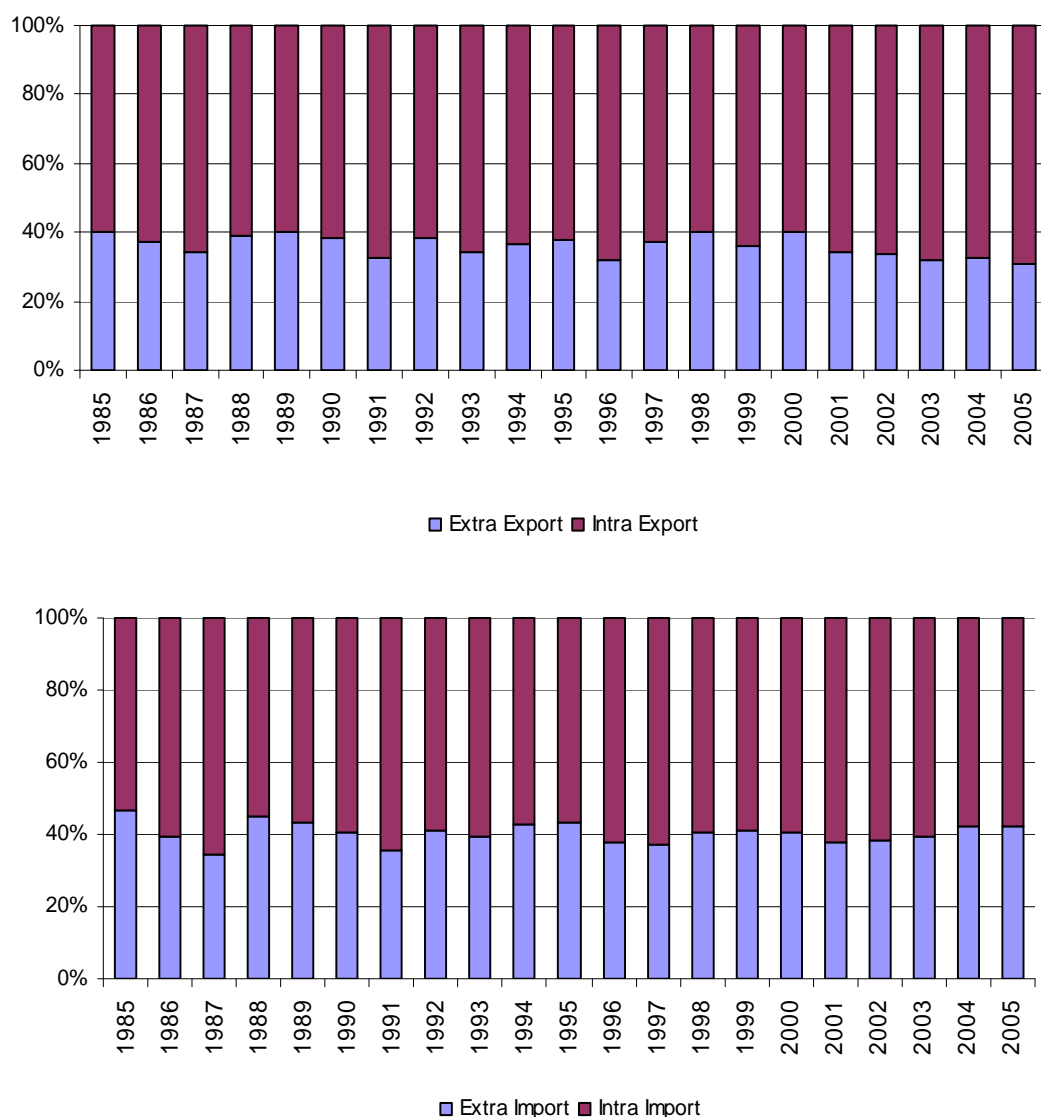


Figure 3.37: Intra and Extra Vegetable Oil Trade by value

Source: Comtrade

3.8.1 Soya bean Oil

The average world soya bean oil production is 21.5 million tonnes for the period 1985 - 2005, and the contribution of the EU-15 to this amount is 12%. Producing 656,000 tonnes, the Netherlands accounts for 26% of the EU-15 soya bean oil production. The other major producers of soya bean oil are

Germany(24%), Spain (16%), and Italy(11%). Among all the types of vegetable oil, soya bean oil is the one most traded within the borders of the EU-15. The supremacy of the Netherlands in production is also seen in intra EU-15 soya bean oil exports. With an average share of 44%, the Netherlands accounts for almost half of the intra soya bean oil exports. The other major soya bean oil producers, Germany and Belgium, follow the Netherlands with shares of 26% and 16% respectively. However, on the import side, Germany, Belgium and the United Kingdom are the top three states importing soya bean oil from the EU-15 member states.

3.8.2 Sunflower Oil

The EU-15 is one of the biggest producers of sunflower oil accounting for 20% of the 8.5 million tonnes of world sunflower oil production on average for the 1985 - 2005 period. Sunflower oil is produced throughout the Union except for Ireland. Among all the EU-15 member states, France and Spain are the major producers of sunflower oil, accounting together for more than 50% of EU-15 sunflower oil production.

As far as intra sunflower trade is concerned, the data show that the Netherlands is the largest exporter. Although having only a 12% share in EU-15 sunflower oil production, the Netherlands dominates the intra EU-15 sunflower oil trade with a 34% share in intra exports in terms of quantity. France (27%) and Belgium(18%), being the other major exporters, follow the Netherlands. Surprisingly, Spain, which contributes to the sunflower oil production in the EU-15 by a share of 25%, only accounts for 6.5% of intra EU-15 sunflower oil exports. Therefore, it can be inferred that there is a high consumption in Spain. The exports of the above-mentioned countries are mainly addressed to Germany, Belgium and the United Kingdom, which are the major importers of sunflower oil.

3.8.3 Olive Oil

Olive oil is one of the agricultural products in which the EU has a great dominance. Since olive cultivation needs specific climate conditions, olive oil production is not possible throughout all regions of the world. Olive is identified mainly with the Mediterranean region. The Mediterranean region of the EU-15 constitutes 80% of world olive oil production which amounts to 2.5 million tonnes on average over the last twenty years. Besides the EU, Tunisia, Morocco, Syria and Turkey are the other main olive oil producers in the world, providing the remaining 20% of world olive oil production (European Commission, 2004).

In 2000, the land area under olive growing was 4% of the total agricultural area of the EU, and Spain (48%) and Italy (22%) accounted for the great majority of this (European Commission, 2002). For the period concerned, Spain is by far the biggest producer in the EU-15 producing roughly 757,000 tonnes on average. The average amount of production in the EU-15 by each olive oil producer is shown in Figure 3.38.

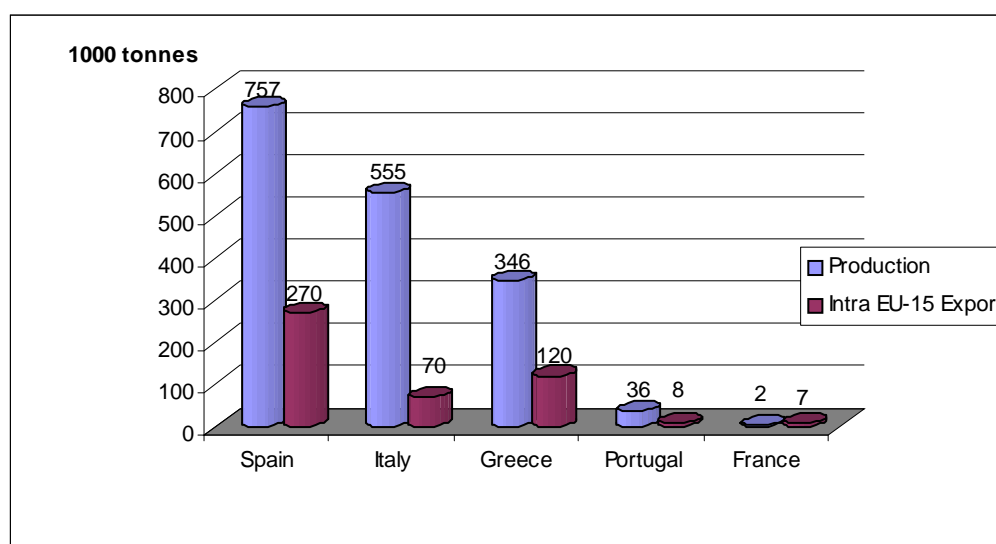


Figure 3.38: Quantity of Olive Oil Production and Export in Producer Countries
Source: Faostat and Comtrade

3.9 Fish and Fish Preparations

Fisheries in the EU is ruled under the Common Fisheries Policy (CFP), which has the same objectives as the CAP. The CFP has the goal of protecting stocks from being overfished, guaranteeing fisherman their livelihoods, and ensuring that consumers have regular supplies of fish at reasonable prices (European Commission, 1998). Although the CFP has its roots in the late 1950s, a community-wide agreement, which introduced a system for conserving and managing fish stocks, was made in 1983. Like the CAP, the CFP has also been influenced by various enlargement rounds. In particular, the accession of Spain and Portugal in 1986, and Finland and Sweden in 1995 have had the greatest impact on European fisheries because the number of fishermen in the EU increased with their membership. Today, the CFP mainly focuses on preventive measures related to environmental factors that affect the fishing industry.

The EU-15 is an important player in world fisheries. With an annual production of 5 million tonnes of fish, and a share of 5.3% in world fish production, the EU-15 is the second biggest producer after China. There is no doubt that the geographic conditions plays a key role in the amount of output, and the quantity of exports and imports in the fisheries category. Therefore, some countries are relatively better positioned compared to the others. Denmark, Spain, the United Kingdom, the Netherlands and France are the largest fish producers in the EU-15. Denmark and Spain, especially, dominate the European fish market, contributing to fish production in the EU-15 by 18% and 15% respectively.

Unsurprisingly, in intra EU-15 fish exports, the Mediterranean and Northern European states, which are the leaders in fish production, are dominant as well. As is shown in Figure 3.39a, on average, Denmark accounts for 23% of intra EU-15 fish exports for the period 1985-2005, followed by Spain (15%), the United Kingdom (12%), the Netherlands (11%) and France (10%). In terms of intra EU-15 fish imports, Italy, France, Spain and Germany are the largest

importers, having shares of %22, %17, %15 and %12 respectively (Figure 3.39b).

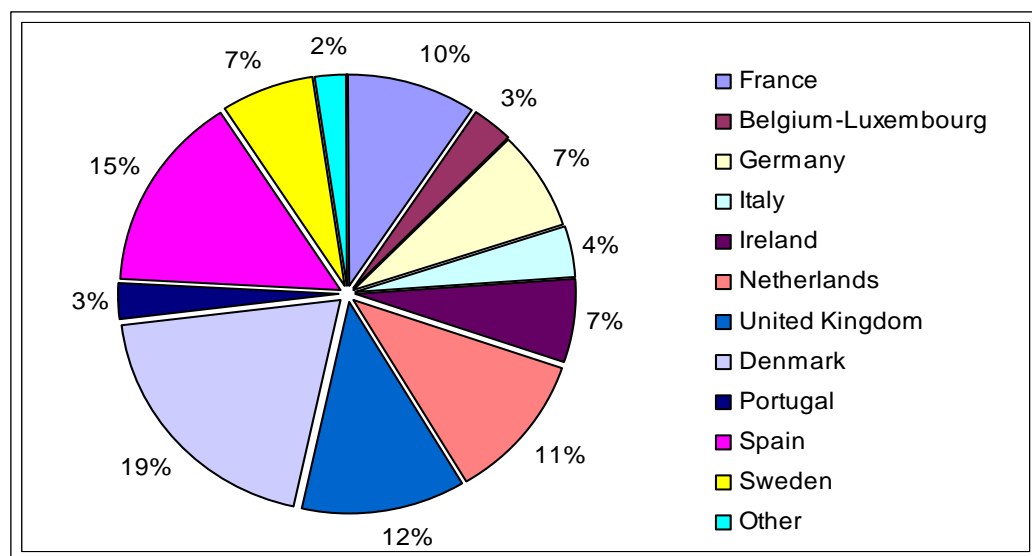


Figure 3.39a: Share of Member States in Intra EU-15 Fish and Fish Preparations Exports by quantity (Av. 1985 – 2005)

Source: Comtrade

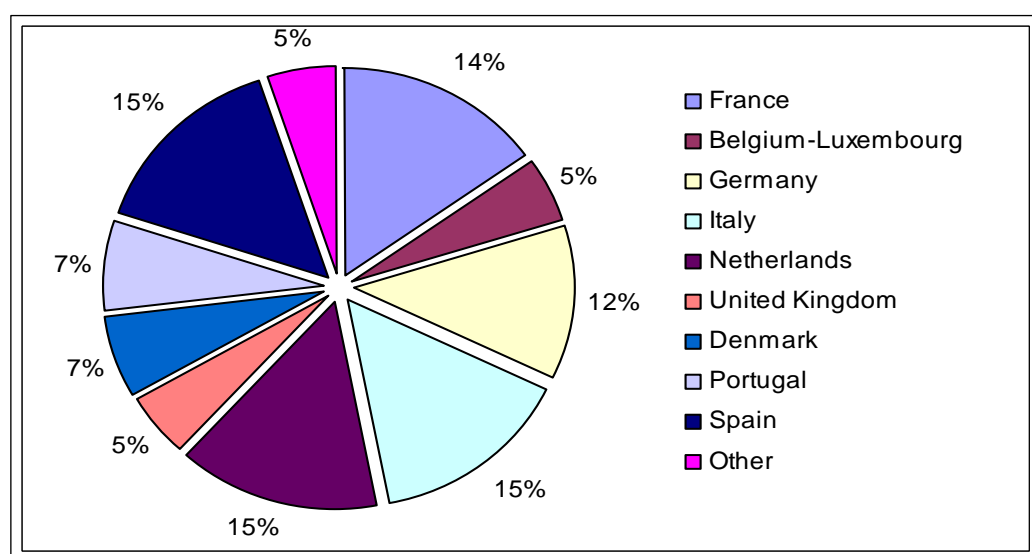


Figure 3.39b: Share of Member States in Intra EU-15 Fish and Fish Preparations Imports by quantity (Av. 1985 – 2005)

Source: Comtrade

The European fish market is one of the agricultural markets in which the share of world products is high. On average for the period 1985 - 2005, the share of extra EU-15 fish imports in terms of total fish imports of the EU-15 is 58%.

The EU-15, which had a 14 million US dollar trade deficit in 2005, is a net importer in fish products. Although the EU is a key player in world fisheries, it mainly exports fish within its own territory. Intra EU-15 fish exports constitute 80% of total fish exports of the EU-15. Intra exports have maintained their dominance since 1985 and have not experienced a major change since 1995.

Table 3.22: Extra EU-15 Fish and Fish Preparations Exports

<i>Main Partners</i>	<i>EU Exports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	3,265	100%	100%
ACP	473	13%	15%
Eastern Europe	470	7%	15%
EFTA	432	14%	13%
Europe Former USSR	349	7%	11%
China	310	1%	9%
Japan	300	24%	9%
NAFTA	211	10%	6%
MEDA	198	5%	6%
ASEAN	65	4%	2%
Other	457	21%	13%

Source: Comtrade

Table 3.23: Extra EU-15 Fish and Fish Preparations Imports

<i>Main Partners</i>	<i>EU Imports</i>		
	<i>Million\$</i>	<i>% of Total</i>	
	2005	1995	2005
Extra EU-15	17,323	100%	100%
EFTA	3,790	28%	22%
ACP	3,307	16%	19%
ASEAN	1,566	10%	9%
NAFTA	1,333	8%	8%
MERCOSUR	1,330	5%	8%
MEDA	1,007	5%	6%
China	979	2%	6%
Europe Former USSR	549	3%	3%
India	476	3%	3%
Other	2,989	20%	18%

Source: Comtrade

Being a big consumer of fish, the EU-15, which had a 14 million US dollar trade deficit in fish products, is a net importer of fish. Table 3.22 and Table 3.23 show the trading partners of the EU-15 in the fisheries industry. Unlike other agricultural products, the composition of European fish exports is quite homogeneous. In 2005, the EU-15 exported fish to almost every region in the world. The ACP, Eastern European and EFTA countries were the ones which accounted for higher shares in extra EU-15 fish exports. When the major partners' share in 1995 and 2005 are compared, it is seen that Japan, which was the biggest importer of European fish in 1995 with a 24% share, experienced a sharp decrease in its share in extra EU-15 fish exports with 9% share. On the other hand, on the import side, the EFTA, ACP, ASEAN, NAFTA and MERCOSUR countries account for the majority of the extra EU-15 fish imports. The URAA of 1995 made no major change in the ranking of the major fish suppliers.

CHAPTER 4

INTRA AND EXTRA EU-15 AGRICULTURAL TRADE BY MAJOR COUNTRIES

The previous chapter analyzed intra and extra EU-15 agricultural trade on the basis of agricultural products. However, the main concern of this chapter is to make an analysis which is more focused on countries rather than products. In accordance with the main point of the study, the evolution of intra and extra agricultural trade after the CAP reform and the URAA of 1990s will be examined for the EU-15 and for some of the member states which are relatively more significant in European agriculture. Among the EU-15 member states, France, Italy, Germany, the Netherlands, Spain, Belgium and the United Kingdom dominate intra EU-15 agricultural trade. They together constitute 88% of the total volume of intra EU-15 agricultural trade on average for the 1985-2005 period (Appendix1). As for the intra EU-15 agricultural imports, the dominance of these states can also be observed. Therefore, the analysis in this chapter will concentrate on these states. However, in order to provide a better understanding, the developments in the EU-15 agricultural trade will be given first.

Table 4.1 shows the shares of intra and extra exports in total agricultural exports of the EU-15 for 1995 and 2005. Apparently, since 1995, intra exports have remained dominant with a 72% share of total agricultural exports. Extra exports increased by large amount only in the wool, cotton and animal oil sectors. However, because of the fact that these sectors do not account for more than 1% of total extra exports of the EU-15, the increase in the share of extra exports in these sectors is not decisive (Table 4.2). With regard to imports, one observes the same pattern. Although intra imports are less dominant than intra exports, they are still high enough compared to extra imports. In 1995 and 2005, intra imports constituted more than 67% of total agricultural imports. The CAP reform and liberalization process which was initiated by the URAA have made

no major change in the share of total agricultural extra imports. Nevertheless, when the product groups are examined individually, it is seen from Table 4.3 that beverages and wool are the sectors which were liberalized the most in the decade between 1995 and 2005. The share of extra imports increased by 9% and 14% for beverages and wool respectively.

Considering the fact that the shares of these products in total agricultural imports are relatively low (Table 4.4), it is hard to evaluate these increases in the share of extra imports as important achievements. In fact, the percentage share of wool in extra imports diminished to 1.5% from 3.3% between 1995 and 2005 and became less important for agricultural imports of the EU-15. On the other hand, in sectors such as sugar, tobacco and animal oils, the percentage share of extra imports has decreased, and self-sufficiency in the EU-15 has increased over the course of time. Moreover, the principal agricultural imports of the EU-15, which have always been the most liberal sectors in European agricultural market because of the high share of extra import, were influenced by the liberalization process in a limited way. In conclusion, intra and extra agricultural imports did not develop in a way that had been expected, and the agricultural market of the EU-15 did not liberalize.

Table 4.1: Shares of Intra and Extra Exports in Total Agricultural Exports of the EU-15, 1995 and 2005 (by value)

	1995			2005		
	Intra Export %	Extra Export %	Total Export %	Intra Export %	Extra Export %	Total Export %
Live Animals	82.0	18.0	100.0	80.2	19.8	100.0
Meat	80.8	19.2	100.0	77.9	22.1	100.0
Dairy Products	76.6	23.4	100.0	78.0	22.0	100.0
Fish and Fish Prep.	79.8	20.3	100.0	79.9	20.1	100.0
Cereals	68.2	31.8	100.0	70.8	29.2	100.0
Fruits and Vegetables	83.8	16.2	100.0	82.3	17.7	100.0
Sugar and Honey	55.2	44.8	100.0	65.2	34.8	100.0
Coffee, Cocoa, Tea etc.	68.7	31.3	100.0	70.2	29.8	100.0
Feeding Stuff	76.2	23.8	100.0	74.1	25.9	100.0
Miscellaneous Food	69.3	30.7	100.0	62.3	37.7	100.0
Beverages	54.0	46.0	100.0	53.7	46.3	100.0
Tobacco	66.2	33.8	100.0	73.1	26.9	100.0
Wool	68.7	31.3	100.0	45.2	54.8	100.0
Cotton	57.2	42.8	100.0	34.5	65.5	100.0
Animal Oils	80.9	19.1	100.0	56.7	43.3	100.0
Vegetable Oils	62.0	38.0	100.0	67.3	32.7	100.0
Processed Oils	77.6	22.4	100.0	77.3	22.7	100.0
Total	72.3	27.7	100.0	72.0	28.0	100.0

Source: Comtrade

Table 4.2: Share of Products in Total Extra Exports for 1995 and 2005

	1995 Extra Export	2005 Extra Export	Minimums
Live Animals	1.8	1.7	1.7
Meat	9.0	9.8	9.0
Dairy Products	10.1	8.1	8.1
Fish and Fish Prep.	3.4	4.2	3.4
Cereals	13.1	10.9	10.9
Fruits and Vegetables	9.2	10.8	9.2
Sugar and Honey	6.0	3.5	3.5
Coffee, Cocoa, Tea etc.	6.3	6.1	6.1
Feeding Stuff	3.4	3.5	3.4
Miscellaneous Food	6.3	8.0	6.3
Beverages	20.1	23.3	20.1
Tobacco	4.8	4.2	4.2
Wool	0.9	0.6	0.6
Cotton	0.5	0.5	0.5
Animal Oils	0.2	0.5	0.2
Vegetable Oils	4.1	3.8	3.8
Processed Oils	0.7	0.6	0.6
Total	100.0	100.0	91.6

Source: Comtrade

Table 4.3: Shares of Intra and Extra Imports in Total Agricultural Imports of the EU-15, 1995 and 2005 (by value)

	1995			2005		
	Intra Import %	Extra Import %	Total Import %	Intra Import %	Extra Import %	Total Import %
Live Animals	87.0	13.0	100.0	83.8	16.2	100.0
Meat	83.8	16.2	100.0	79.5	20.5	100.0
Dairy Products	95.2	4.8	100.0	92.1	8.9	100.0
Fish and Fish Prep.	42.1	57.9	100.0	42.1	58.9	100.0
Cereals	85.5	14.5	100.0	81.5	18.5	100.0
Fruits and Vegetables	61.2	38.8	100.0	58.3	41.7	100.0
Sugar and Honey	64.9	35.1	100.0	69.6	30.4	100.0
Coffee, Cocoa, Tea etc.	39.9	60.1	100.0	52.1	48.9	100.0
Feeding Stuff	47.3	52.7	100.0	50.6	49.4	100.0
Miscellaneous Food	87.8	12.2	100.0	84.2	15.8	100.0
Beverages	88.5	11.5	100.0	79.7	20.3	100.0
Tobacco	69.8	30.2	100.0	80.2	19.8	100.0
Wool	33.5	64.5	100.0	21.9	78.1	100.0
Cotton	15.6	84.4	100.0	19.0	81.0	100.0
Animal Oils	54.2	45.8	100.0	70.3	29.7	100.0
Vegetable Oils	56.8	43.2	100.0	57.5	42.5	100.0
Processed Oils	75.3	24.7	100.0	70.3	29.7	100.0
Total	67.7	32.3	100.0	67.5	32.5	100.0

Source: Comtrade

Table 4.4: Share of Products in Total Extra Imports for 1995 and 2005

	1995 Extra Import	2005 Extra Import	Minimums
Live Animals	0.9	1.0	0.9
Meat	5.7	7.3	5.7
Dairy Products	1.4	2.3	1.4
Fish and Fish Prep.	15.6	18.3	15.6
Cereals	3.8	4.8	3.8
Fruits and Vegetables	24.4	27.0	24.4
Sugar and Honey	3.3	3.0	3.0
Coffee, Cocoa, Tea etc.	16.4	10.4	10.4
Feeding Stuff	9.2	7.6	7.6
Miscellaneous Food	1.5	2.3	1.5
Beverages	2.4	5.5	2.4
Tobacco	3.6	2.6	2.6
Wool	3.3	1.5	1.5
Cotton	3.2	0.7	0.7
Animal Oils	0.6	0.2	0.2
Vegetable Oils	4.0	4.9	4.0
Processed Oils	0.7	0.7	0.7
Total	100.0	100.0	86.4

Source: Comtrade

Looking at Tables 4.2 and 4.4, one may say that the commodity composition of extra imports and extra exports has changed little. Comparing the 1995 and 2005 figures, one may also say that 91.6% of extra export commodities in both years were in the same product categories. Respectively, 86.4% of extra imports were in the same product categories.

4.1 France

Having a share of 27% in intra EU-15 agricultural export by volume on average for the period 1985-2005, France dominates agriculture in the European Union. Although France is by far the biggest producer and exporter of agricultural products in quantity terms, its share in total value of intra EU-15 agricultural export is very close to that of the Netherlands and Germany. In 2005, France accounted for 16% of the total value of intra EU-15 agricultural exports, following Netherlands and Germany both of which had a 17% share.

As the composition of French agricultural trade is considered, the cereals group has a crucial role both in value and quantity terms. In the period from 1985 to 2005, cereals accounted for 50% of total agricultural exports of France to the EU-15. However, beverages group outreaches cereals when the value of exports is concerned. In 2005, the beverages group had a share of 19% in total value of French agricultural exports to the EU-15 (Figure 4.1). Beverages, of which 67% is composed of wine, was followed by cereals (18%), dairy products (12%) and fruits and vegetables (12%) in terms of trade value. The beverages group dominates not only the intra EU-15 exports from France, but also the extra EU-15 exports of France. With a share of 41%, beverages are the strongest export product of France in its trade with third countries (Figure 4.1).

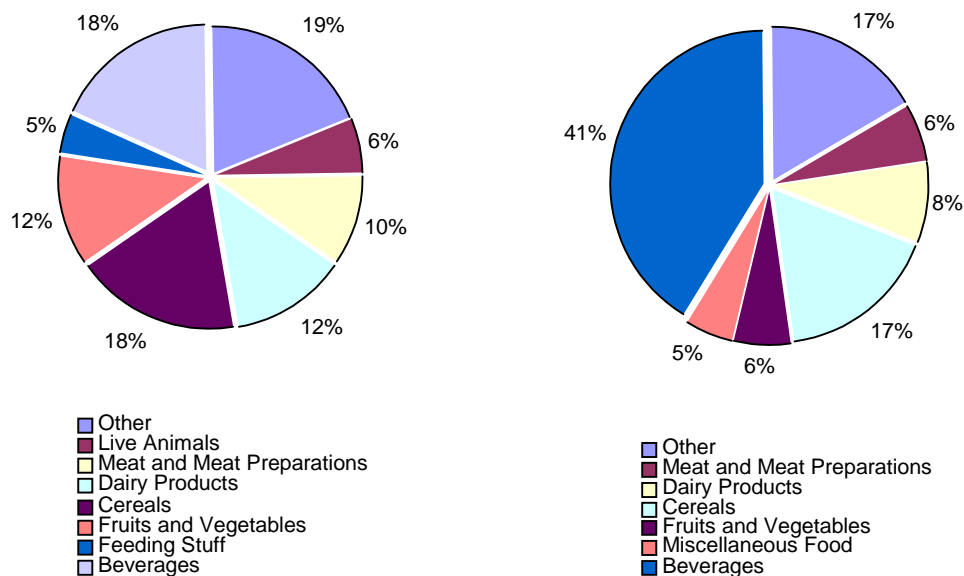


Figure 4.1: Composition of Intra and Extra Exports of France by value, 2005
Source: Comtrade

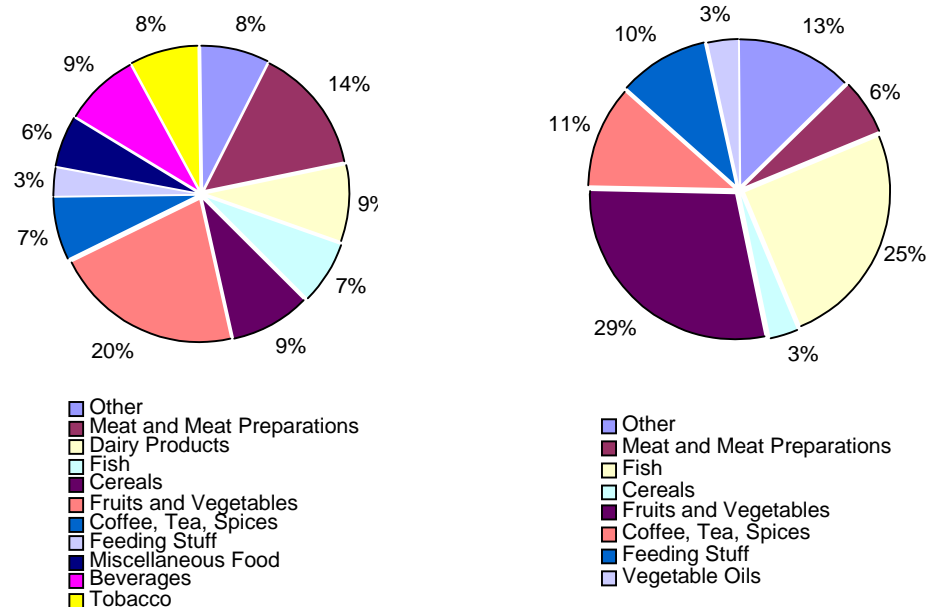


Figure 4.2: Composition of Intra and Extra Imports of France by value, 2005
Source: Comtrade

As far as the agricultural imports of France are concerned, Figure 4.2 illustrates that the principal imports of France from the EU-15 region are fruits and

vegetables (21%), meat (14%), fish (9%) and beverages (9%). Having a share of 29% and 25% respectively, fruits and vegetables and fish dominate the importations that France makes from third countries. As in many other EU-15 countries, intra trade constitutes a relatively high share of the agricultural trade of France. France, one of the largest agricultural producers and exporters in the EU-15, has always exported mainly within the borders of the EU-15. While intra exports account for 73% of total exports, intra imports constitute 70% of total imports. As is seen from Table 4.5, the sectors from which France imports, from third countries are fish, feeding stuff, wool and cotton. In these sectors extra imports account for more than 50% of total imports.

The liberalization process which started with the new regulations made under the URAA did not ease the dominance of the agricultural trade occurred between France and other EU-15 countries. Compared to 1995, no major increase occurred in the share of extra agricultural imports. Table 3.5 shows the relative shares of intra and extra imports for the years 1995 and 2005 and indicate the same issue for intra and extra exports as well. In contrast to expectations, the URAA made only negligible increases in the share of importation from third countries. The sectors in which the share of extra EU-15 imports has increased as the years passed from 1995 to 2005 are animal and vegetable oils, tobacco and livestock. Among these products, the most striking increase in the share of extra imports has occurred in vegetable oils (by 11%). Since the share of these products in the composition of French extra imports did not face a major change in the decade between 1995 and 2005, it is proper to make a comparison between the shares of extra imports of these products in 1995 and 2005 (Table 4.6). In addition, when the similarity between the composition of total extra imports in 1995 and 2005 is analyzed, it is seen from Table 3.6 that the composition of extra imports in these two years is similar. 88.5% of the commodities are in the same product categories.

As has already been mentioned in the previous chapter, the livestock sector has always been one of the most protectionist sectors in the European agricultural market. Shares of world livestock products in the French market make no exception to this general tendency. The liberalization process that began with the URAA of 1995 made only a minor contribution to the increase in the market share of world products in the French market. The share of extra imports of live animals, meat and dairy products increased only by 8%, 5% and 3% respectively compared to their percentage in 1995.

Table 4.5: Share of Extra Trade in Total Trade of France, by value for 1995 and 2005*

	<i>Extra Export</i>		<i>Extra Import</i>	
	1995	2005	1995	2005
Live Animals	7%	9%	5%	13%
Meat	22%	20%	11%	16%
Dairy Products	20%	21%	4%	7%
Fish and Fish Prep.	25%	20%	59%	60%
Cereals	28%	27%	15%	12%
Fruits and Vegetables	15%	16%	40%	37%
Sugar and Honey	26%	24%	40%	19%
Coffee, Cocoa, Tea etc.	19%	24%	48%	41%
Feeding Stuff	15%	19%	59%	55%
Miscellaneous Food	29%	32%	16%	15%
Beverages	47%	47%	12%	12%
Tobacco	35%	47%	6%	12%
Wool	19%	32%	85%	77%
Cotton	18%	31%	78%	76%
Animal Oils	11%	25%	19%	27%
Vegetable Oils	49%	12%	22%	33%
Processed Oils	13%	20%	13%	7%
Total	27%	28%	31%	30%

Source: Comtrade

*Shares of Intra Export and Import are not given in order to save space

However, although the share of extra imports has increased in some sectors, these increases are not particularly effective for the reason that they did not contribute to the increase in the share of total agricultural extra import. Since these sectors have relatively low shares in the composition of total extra imports, the weight of their change did not matter much in terms of the total composition of the agricultural sector. (Table 4.6)

Table 4.6: Share of Products in Total Extra Exports and Imports of France for 1995 and 2005 (by value)

	<i>Extra Export</i>			<i>Extra Import</i>		
	1995	2005	Min.	1995	2005	Min
Live Animals	1.3	1.4	1.3	0.3	0.3	0.3
Meat	9.2	6.2	6.2	5.1	6.2	5.1
Dairy Products	8.7	8.4	8.4	1.0	1.6	1.0
Fish and Fish Prep.	2.2	2.3	2.2	20.4	24.8	20.4
Cereals	19.1	16.5	16.5	3.1	3.0	3.0
Fruits and Vegetables	5.0	6.0	5.0	27.6	28.7	27.6
Sugar and Honey	5.4	3.1	3.1	3.5	1.5	1.5
Coffee, Cocoa, Tea etc.	2.9	3.0	2.9	15.6	11.5	11.5
Feeding Stuff	1.8	2.7	1.8	9.6	9.8	9.6
Miscellaneous Food	5.8	4.8	4.8	1.8	2.5	1.8
Beverages	34.1	41.5	34.1	2.0	2.7	2.0
Tobacco	0.8	2.5	0.8	1.2	2.4	1.2
Wool	1.0	0.4	0.4	3.9	0.7	0.7
Cotton	0.1	0.1	0.1	2.6	0.6	0.6
Animal Oils	0.1	0.3	0.1	0.2	0.2	0.2
Vegetable Oils	2.4	0.6	0.6	1.8	3.4	1.8
Processed Oils	0.1	0.1	0.1	0.4	0.2	0.2
Total	100.0	100.0	88.4	100.0	100.0	88.5

Source: Comtrade

As can be seen from Table 4.5, for most of the products, the relative shares of intra and extra exports did not experience a major change from 1995 to 2005 either. When the years 1995 and 2005 are compared, the most remarkable change is observed in the relative shares of intra and extra exports of animal and vegetable oils, and tobacco. Compared to 1995, the share of intra exports of animal oils increased by 15% in 2005. As for vegetable oils, the change in the relative shares of intra and extra exports is much more concrete. In 2005, the share of intra EU-15 vegetable oils increased by 37% compared to its base in 1995, and accounted for 88% of total vegetable oil exports. In respect of the shares of intra and extra exports of tobacco, it is seen that France started to export tobacco to third countries more than it did in 1995.

4.2 Italy

In Italy, where agriculture contributes 3% to the GDP, the land is suitable for fruit and vegetable cultivation, and these are the principal agricultural exports. In the period 1985-2005, Italy produced on average 8.7 million tonnes of agricultural products. Italy trades 7% of the total volume of intra EU-15 agricultural export, with fruits and vegetables at 35%, non-alcoholic beverages at 28%, and cereals at 7%. These are the major intra export products of Italy. When Italy's exports are compared in value terms for the year 2005, it is observed that fruits and vegetables are the principal agricultural exports of Italy in intra trade. Beverages are leading Italy's extra trade. Figure 4.3 illustrates the composition of Italy's intra and extra exports. Regardless of the difference between their shares in intra and extra exports, fruits and vegetables, beverages, and cereals are the mostly exported agricultural products of Italy. The product group share which differs most radically due to the classification of intra and extra exports is vegetable oils group. While vegetable oils constitute only 4% of intra exports of Italy, they account for 11% of extra exports.

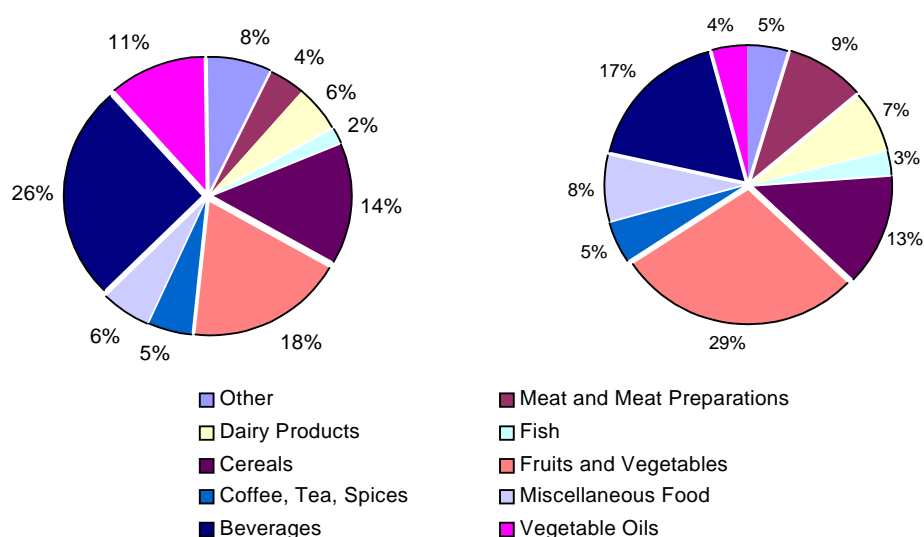


Figure 4.3: Composition of Extra and Intra Exports of Italy by value, 2005

Source: Comtrade

In terms of agricultural imports, it is seen from Figure 4.4 that Italy mainly imports livestock products from the EU-15 countries and fruits and vegetable, and fish from the rest of the world. It does not come as a surprise that it imports meat, dairy products and live animals mainly from the Union, especially considering the fact that EU member states have always had some food security concerns about consuming meat from third countries. While livestock products together account for 37% of Italy's intra agricultural imports, they constitute only 13% of its extra agricultural imports. Unlike livestock products, fruits and vegetables, and fish dominate the imports of Italy from third countries.

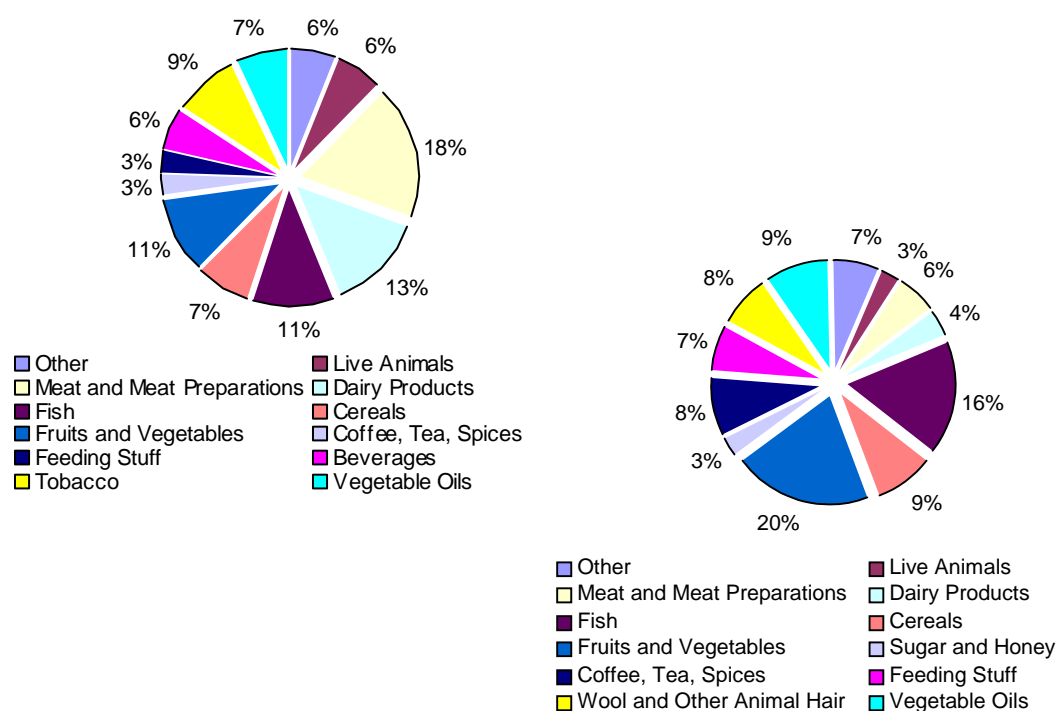


Figure 4.4: Composition of Intra and Extra Imports of Italy by value, 2005

Source: Comtrade

In order to understand to what extent the URAA has affected the agricultural trade of Italy, it is useful to compare the shares of intra and extra trade for each product group for the years 1995 and 2005. In aggregate terms, for the cumulative value of agricultural imports, it is seen that the liberalization process initiated with the URAA had a limited impact on the share of world products in the Italian agricultural market. The share of extra imports increased by only 2% from 1995 to 2005. However, on an individual basis, extra imports increased their relative shares in many product groups. As is shown in Table 4.7, meat and dairy, fish, cereals, fruits and vegetables, sugar, beverages and wool are the sectors in which the share of extra imports increased in 2005 compared to their base in 1995.

Table 4.7: Share of Extra Trade in Total Trade of Italy, by value for 1995 and 2005*

	<i>Extra Export</i>		<i>Extra Import</i>	
	1995	2005	1995	2005
Live Animals	52%	35%	19%	16%
Meat	18%	21%	9%	13%
Dairy Products	28%	31%	6%	11%
Fish and Fish Prep.	22%	26%	34%	40%
Cereals	44%	39%	19%	34%
Fruits and Vegetables	21%	27%	39%	46%
Sugar and Honey	54%	32%	15%	36%
Coffee, Cocoa, Tea etc.	51%	36%	74%	58%
Feeding Stuff	65%	35%	48%	51%
Miscellaneous Food	23%	31%	8%	11%
Beverages	34%	47%	6%	11%
Tobacco	60%	42%	8%	6%
Wool	45%	84%	58%	83%
Cotton	59%	66%	87%	82%
Animal Oils	12%	32%	48%	20%
Vegetable Oils	50%	61%	43%	37%
Processed Oils	19%	27%	10%	30%
Total	32%	35%	28%	30%

Source: Comtrade

*Shares of Intra Export and Import are not given in order to save space

Table 4.8: Share of Products in Total Extra Exports and Imports of Italy for 1995 and 2005 (by value)

	<i>Extra Export</i>			<i>Extra Import</i>		
	1995	2005	Min.	1995	2005	Min.
Live Animals	0.5	0.2	0.2	4.2	2.7	2.7
Meat	3.3	4.3	3.3	4.9	6.0	4.9
Dairy Products	5.0	5.6	5.0	2.5	3.9	2.5
Fish and Fish Prep.	1.5	1.7	1.5	11.3	16.3	11.3
Cereals	20.6	14.6	14.6	6.0	8.7	6.0
Fruits and Vegetables	20.4	18.4	18.4	15.1	20.4	15.1
Sugar and Honey	2.4	2.1	2.1	2.1	3.0	2.1
Coffee, Cocoa, Tea etc.	8.2	5.0	5.0	14.8	8.5	8.5
Feeding Stuff	3.0	1.2	1.2	8.5	7.1	7.1
Miscellaneous Food	3.5	6.0	3.5	0.6	0.8	0.6
Beverages	19.0	26.7	19.0	0.7	1.5	0.7
Tobacco	2.4	1.2	1.2	1.3	1.3	1.3
Wool	0.8	1.5	0.8	10.9	7.9	7.9
Cotton	0.5	0.2	0.2	9.9	2.4	2.4
Animal Oils	0.1	0.2	0.1	0.5	0.1	0.1
Vegetable Oils	8.7	11.7	8.7	7.6	9.0	7.6
Processed Oils	0.3	0.3	0.3	0.2	0.4	0.2
Total	100.0	100.0	84.1	100.0	100.0	80.0

Source: Comtrade

As is illustrated in Table 4.7 above, the most radical change is seen in extra wool, sugar, and cereals imports, the shares of which increased by 25%, 21%, and 15% respectively. When the shares of these products in composition of extra imports are analyzed, it is seen from the Table 4.8 that the cereals and sugar sectors increased their share of total agricultural extra imports in 2005. Apart from these products in which the share of extra import has increased since 1995, there are some products in which the share of extra import has diminished, such as live animals, coffee and tea group, tobacco, animal and vegetable oils.

With regard to exports, the dominance of intra exports has not experienced any major change since 1995. The share of intra exports decreased by only 3% in 2005 compared to its share in 1995.

4.3 Germany

Being the second biggest exporter after France, Germany accounts for 20% of the total volume of intra EU-15 agricultural exports on average for the period 1985 - 2005. It is one of the largest exporters not only in volume terms but also in value terms. In 2005, Germany's agricultural exports within the borders of the EU-15 accounts for 16.5% of the total value of intra EU-15 agricultural exports, following the Netherlands which has a 17% share. Germany outperforms France when their shares are compared in value terms. Besides being an important player in intra EU-15 agricultural exportation, Germany dominates intra EU-15 agricultural imports as well. In 2005, Germany's share of the total value of intra EU-15 agricultural imports is 18%, followed by the United Kingdom (15%) and France (13%).

Like other EU-15 countries, intra trade dominates the agricultural trade of Germany. While intra exports account for 69% of the total value of all exports, intra imports account for 64% of total value of all imports (Table 4.9). In its trade with the EU-15 member states, Germany mainly exports livestock products, especially dairy products and meat.

Among dairy products, milk has a special importance. Its share in Germany's intra dairy exports for the period 1985-2005 is, on average, 88%. Germany is by far the leading milk exporter in intra EU-15 exports. Its share reaches 43% in the EU-15 milk market. "Tobacco, coffee and tea", cereals and beverages are the leading extra export products of Germany (Figure 4.5).

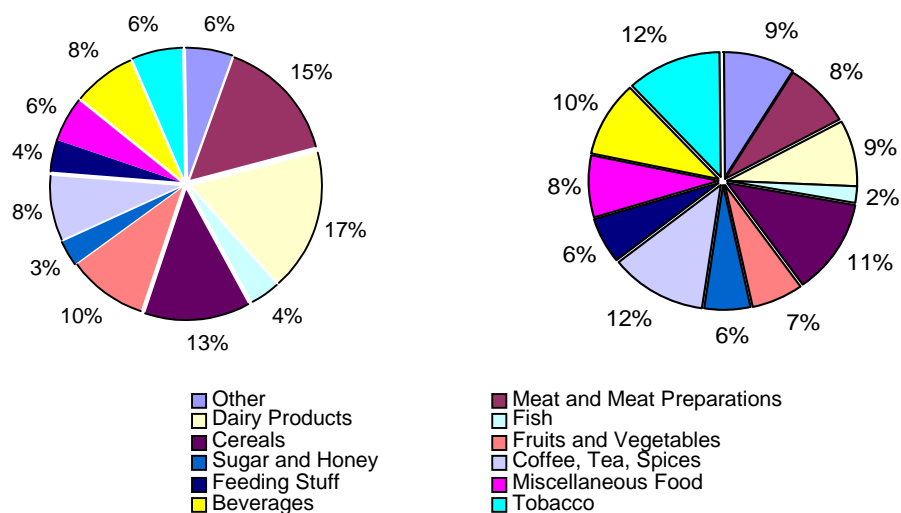


Figure 4.5: Composition of Intra and Extra Exports of Germany by value, 2005
Source: Comtrade

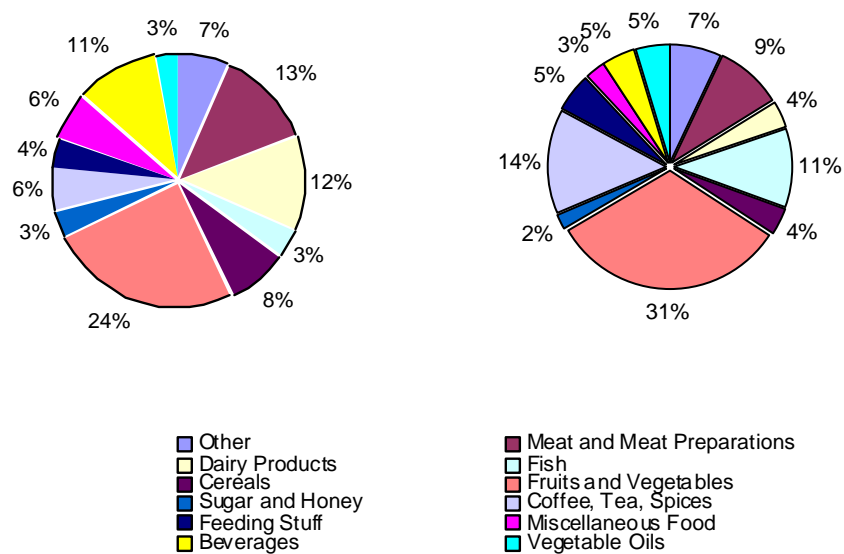


Figure 4.6: Composition of Intra and Extra Imports of Germany by value, 2005
Source: Comtrade

Figure 4.6 illustrates that Germany most commonly imports fruits and vegetables both from the EU-15 and from the rest of the world. While the fruit and vegetables group is followed by meat and dairy products in intra importation, it is followed by the coffee and tea group, and fish and fish preparations in extra importation.

Table 4.9: Share of Extra Trade in Total Trade of Germany, by value for 1995 and 2005*

	<i>Extra Export</i>		<i>Extra Import</i>	
	1995	2005	1995	2005
Live Animals	38%	27%	12%	6%
Meat	19%	15%	21%	29%
Dairy Products	16%	15%	4%	14%
Fish and Fish Prep.	18%	15%	60%	65%
Cereals	33%	24%	12%	22%
Fruits and Vegetables	25%	18%	39%	42%
Sugar and Honey	59%	40%	27%	29%
Coffee, Cocoa, Tea etc.	34%	33%	74%	59%
Feeding Stuff	34%	34%	51%	43%
Miscellaneous Food	37%	32%	13%	22%
Beverages	47%	30%	12%	19%
Tobacco	42%	39%	50%	46%
Wool	39%	63%	78%	89%
Cotton	24%	44%	83%	84%
Animal Oils	24%	57%	39%	25%
Vegetable Oils	28%	31%	56%	49%
Processed Oils	25%	27%	10%	30%
Total	25%	31%	35%	36%

Source: Comtrade

*Shares of Intra Exports and Imports are not given in order to save space

Table 4.9 shows the changes in the relative shares of extra imports from 1995 to 2005. According to the table, the meat, dairy, fishery, cereals, miscellaneous food, beverages and wool sectors are where trade with non-member countries has increased. Their shares increased after the URAA of 1995. The most remarkable changes in the share of world products in the German market occurred in the wool, cereals and dairy sectors with 11%, 10% and 10% increases respectively. Nonetheless, none of these product groups account for more than 5% of the total extra agricultural imports of Germany (Table 4.10).

Thus, the share of extra imports in the total agricultural imports of Germany increased by only 1% in the decade after the URAA of 1995.

As far as the share of extra exports is concerned, Table 3.9 shows that the products of which the share of extra exports increased by a large amount in the decade between 1995 and 2005 are wool, cotton and animal oils. However, these sectors do not constitute more than 2% of total extra exports (Table 4.10). Thus, the increases in the shares of extra exports of these products have a limited impact on cumulative extra agricultural exports. The share of extra exports in the total agricultural exports of Germany increased by 6%. This increase is significant, bearing in mind the fact that the share of extra exports in total agricultural export of the EU-15 increased by only 0.3% between 1995 and 2005. On this point, it is worth noting that the composition of extra exports did not see a major change between 1995 and 2005. The composition of extra exports in 1995 and 2005 is similar at almost 88%.

Table 4.10: Share of Products in Total Extra Exports and Imports of Germany for 1995 and 2005 by value

	<i>Extra Export</i>			<i>Extra Import</i>		
	1995	2005	Min.	1995	2005	Min.
Live Animals	3.2	2.4	2.4	0.4	0.3	0.3
Meat	5.0	8.3	5.0	7.8	9.2	7.8
Dairy Products	9.7	8.8	8.8	0.9	3.5	0.9
Fish and Fish Prep.	1.5	2.0	1.5	9.0	10.8	9.0
Cereals	14.6	11.9	11.9	2.0	3.8	2.0
Fruits and Vegetables	6.5	6.5	6.5	31.9	32.1	31.9
Sugar and Honey	9.1	5.9	5.9	1.7	2.3	1.7
Coffee, Cocoa, Tea etc.	10.9	11.7	10.9	22.5	14.2	14.2
Feeding Stuff	6.0	6.2	6.0	5.8	5.1	5.1
Miscellaneous Food	6.1	8.0	6.1	1.7	2.9	1.7
Beverages	11.4	9.7	9.7	2.3	4.5	2.3
Tobacco	7.3	12.0	7.3	4.4	4.0	4.0
Wool	1.8	1.5	1.5	3.3	1.4	1.4
Cotton	0.3	0.3	0.3	2.1	0.6	0.6
Animal Oils	0.2	0.8	0.2	0.3	0.1	0.1
Vegetable Oils	4.3	2.5	2.5	3.0	4.6	3.0
Processed Oils	2.1	1.4	1.4	1.0	0.5	0.5
Total	100.0	100.0	87.9	100.0	100.0	86.5

Source: Comtrade

4.4 The Netherlands

Although having an 11% share in total volume of intra EU-15 agricultural exportation on average for the period 1985 - 2005, the Netherlands is the leader in intra EU-15 agricultural exportation in value terms. In 2005, it accounts for 17% of the total value of intra EU-15 agricultural exports.

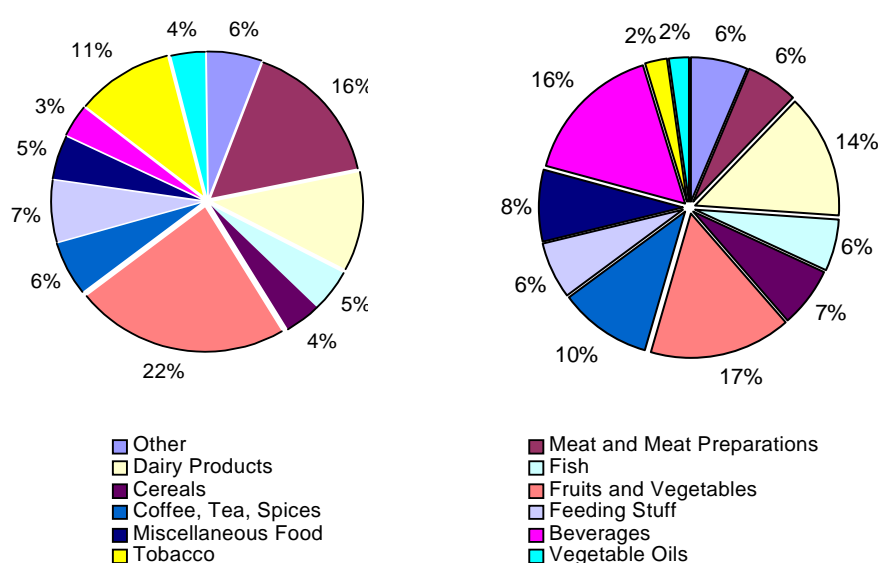


Figure 4.7: Composition of Intra and Extra Exports of Netherlands by value, 2005
Source: Comtrade

When the composition of the Netherlands' exports to the EU-15 region is considered, it is seen from Figure 4.7 that the Netherlands mainly exports fruits and vegetables to the EU-15 countries. Although the Netherlands is far behind Italy and Spain as regards fruit and vegetable production, it outperforms both of these countries in terms of value of exports. Despite contributing only 7% to the fruit and vegetable production in the EU-15, the Netherlands accounts for almost 20% of total value of intra EU-15 fruits and vegetables export as the leading country. While fruits and vegetables constitutes a 22% share of the total value of the Netherlands' intra exports, feeding stuff, which is the leading product

group in Netherlands's intra exports in quantity terms, accounts for 39% of the total volume of the Netherlands's intra exports on average for the period 1995-2005.

Dairy products follow fruits and vegetables as the second most exported product group. Milk, cheese, egg and butter account respectively for 38%, 30%, 22%, and 10% of intra dairy exports of the Netherlands in quantity terms on average for the period 1985-2005.

Table 4.11: Share of Extra Trade in Total Trade of Netherlands by value for 1995 and 2005*

	<i>Extra Export</i>		<i>Extra Import</i>	
	1995	2005	1995	2005
Live Animals	11%	25%	3%	8%
Meat	10%	10%	20%	31%
Dairy Products	30%	28%	2%	12%
Fish and Fish Prep.	20%	26%	50%	42%
Cereals	32%	35%	9%	9%
Fruits and Vegetables	13%	17%	44%	52%
Sugar and Honey	39%	29%	19%	15%
Coffee, Cocoa, Tea etc.	25%	34%	67%	68%
Feeding Stuff	15%	21%	60%	56%
Miscellaneous Food	33%	32%	20%	25%
Beverages	59%	61%	7%	16%
Tobacco	10%	6%	43%	40%
Wool	17%	47%	69%	46%
Cotton	8%	39%	57%	48%
Animal Oils	26%	27%	67%	21%
Vegetable Oils	38%	16%	60%	67%
Processed Oils	18%	16%	30%	54%
Total	21%	23%	33%	39%

Source: Comtrade

*Shares of Intra Exports and Imports are not given in order to save space

In order to find out the real effect of the URAA on the Netherlands' agricultural market, a comparison between the shares of extra imports in 1995 and 2005 is given in Table 4.11. According to this, in livestock products, in which EU-15 has always been relatively more protectionist, a remarkable increase in the market share of world products occurred after 1995.

The market shares of world products in meat and dairy sectors, which were 20% and 2% respectively in 1995, increased by almost 10% in 2005. Fruits and vegetables, miscellaneous food, beverages and vegetable oils are the other sectors which became more liberalized after 1995. Among the products which became more liberalized, the meat and vegetable oils sectors experienced an increase in their relative shares of total extra importation (Table 4.12). Hence, the increase in the share of extra importation of these products had a positive effect on the total of extra agricultural imports of the Netherlands. On a cumulative basis, it is seen from Table 3.11 that the Netherlands' agricultural market became more open to world products as a result of the 6% increase in the share of extra imports. In addition, when the composition of extra exports and imports are analyzed for 1995 and 2005, it is seen from Table 4.12 that the ranking of the products in total extra exports and imports does not differ. The composition of extra exports and imports in 2005 are similar to those in 1995 with 85.4% and 84.4% respectively.

Table 4.12: Share of Products in Total Extra Exports and Imports of Netherlands for 1995 and 2005 (by value)

	<i>Extra Export</i>			<i>Extra Import</i>		
	1995	2005	Min.	1995	2005	Min.
Live Animals	1.4	2.8	1.4	0.2	0.4	0.2
Meat	7.1	5.7	5.7	3.7	7.7	3.7
Dairy Products	20.4	14.0	14.0	2.1	3.2	2.1
Fish and Fish Prep.	4.0	5.7	4.0	7.1	5.6	5.6
Cereals	7.4	6.7	6.7	2.8	2.0	2.0
Fruits and Vegetables	13.6	15.9	13.6	28.4	30.0	28.4
Sugar and Honey	3.6	2.6	2.6	1.3	0.9	0.9
Coffee, Cocoa, Tea etc.	6.7	10.3	6.7	19.7	16.2	16.2
Feeding Stuff	4.6	6.2	4.6	15.0	9.6	9.6
Miscellaneous Food	6.3	8.2	6.3	1.9	2.6	1.9
Beverages	14.2	16.1	14.2	2.1	3.0	2.1
Tobacco	4.0	2.3	2.3	6.4	4.5	4.5
Wool	0.1	0.0	0.0	0.3	0.0	0.0
Cotton	0.0	0.0	0.0	0.3	0.0	0.0
Animal Oils	0.2	0.2	0.2	1.7	0.2	0.2
Vegetable Oils	5.3	2.3	2.3	7.5	12.0	7.5
Processed Oils	1.2	0.8	0.8	1.5	2.0	1.5
Total	100.0	100.0	85.4	100.0	100.0	84.4

Source: Comtrade

4.5 Spain

Spain, where agriculture accounted for 2.8% of the GDP in 2005, contributes 8% to the total volume of intra EU-15 agricultural exports on average for the period 1985-2005 as the fifth biggest exporter. However, in value terms, it accounts for 10% of the total value of intra EU-15 agricultural exports. In its trade with the EU-15 countries, Spain mainly exports fruits and vegetables, which constitute 47% of total value and 65% of total volume of its exports to the EU-15 (Figure 4.8). In view of the fact that Spain is the second largest producer of both fruits and vegetables after Italy, producing 14 million tonnes of fruits and 11 million tonnes of vegetables on average for the period 1985-2005, the dominance of fruits and vegetables in agricultural exports of Spain is to be expected.

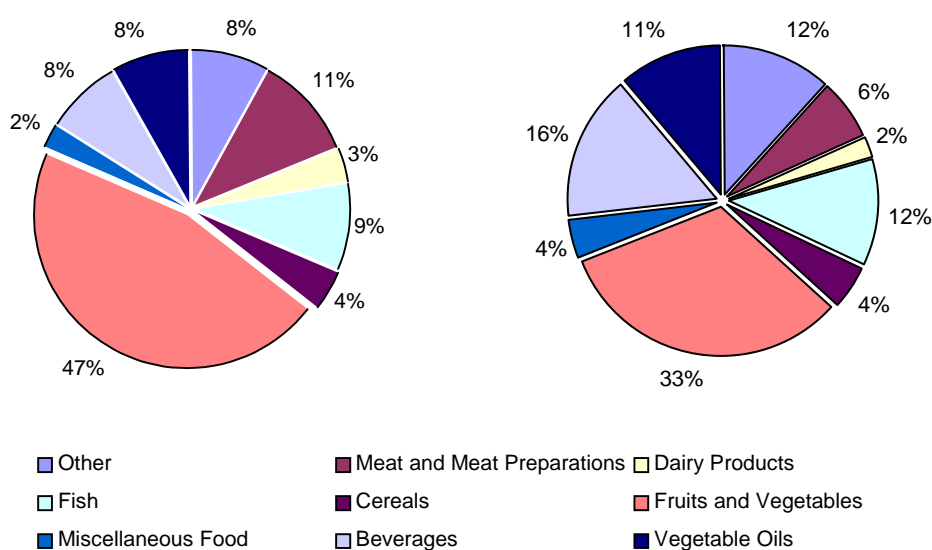


Figure 4.8: Composition of Intra and Extra Exports of Spain by value, 2005

Source: Comtrade

After fruits and vegetables, meat is the second most commonly exported product in intra exportation of Spain in value terms, and this is followed by fish and fish preparations.

With regard to the exports of Spain to countries other than the EU-15, there is again the dominance of fruits and vegetables. While beverages, 76% of which is comprised of wine, constitutes 16% of the extra agricultural exports of Spain, fish accounts for 12% (Figure 4.8). Besides these product groups, vegetable oils, in particular olive oil, are the other principal agricultural exports of Spain. 94% of vegetable oils exports is composed of olive oil, of which Spain is the leader producer in the EU-15, contributing 45% to the total production.

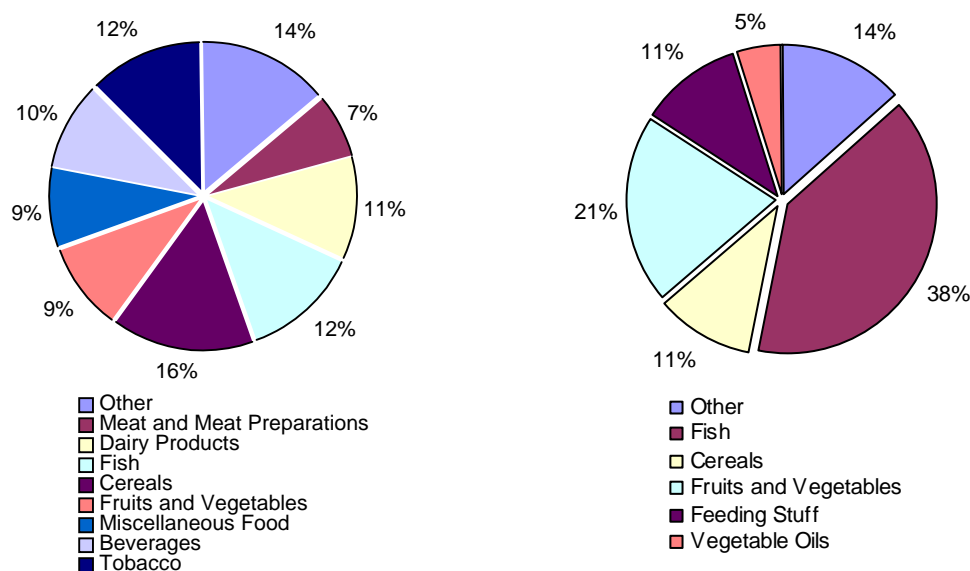


Figure 4.9: Composition of Intra and Extra Imports of Spain by value, 2005

Source: Comtrade

On the other hand, with regard to imports, Spain mainly imports fish, cereals, fruits and vegetables and dairy products. However, each of these product groups has different percentage shares in intra and extra importation. The principal import of Spain from the EU-15 is the cereals group(16%), and this is followed by fish (12%) and dairy products (11%). When the composition of extra imports is considered, fish and fruits and vegetables dominate the extra imports of Spain with a share of 38% and 21% respectively (Figure 4.9).

In order to understand the general structure of the agricultural trade of Spain, not only the product groups of intra and extra trade of Spain, but also the shares of intra and extra trade in overall trade are important. Unsurprisingly, intra trade accounts for the great majority of the total agricultural trade of Spain as it does in all other EU-15 member states. The impact of EU reforms and international agreements on Spain's trade structure has been limited, too.

Table 4.13: Share of Extra Trade in Total Trade of Spain by value for 1995 and 2005*

	<i>Extra Export</i>		<i>Extra Import</i>	
	1995	2005	1995	2005
Live Animals	4	4	2	2
Meat	11	13	19	23
Dairy Products	14	15	3	4
Fish and Fish Prep.	31	25	63	66
Cereals	45	21	29	30
Fruits and Vegetables	13	15	57	58
Sugar and Honey	66	36	17	21
Coffee, Cocoa, Tea etc.	54	35	74	55
Feeding Stuff	17	20	74	75
Miscellaneous Food	27	32	5	4
Beverages	25	33	9	19
Tobacco	61	38	41	10
Wool	27	25	55	57
Cotton	57	45	89	75
Animal Oils	35	53	42	23
Vegetable Oils	44	26	50	62
Processed Oils	19	27	36	42
Total	28%	28%	32%	33%

Source: Comtrade

*Shares of Intra Export and Import are not given in order to save space

Table 4.13 shows the changes in the relative shares of extra exports and imports for each product group. As is seen from Table 4.13, most of the sectors have experienced negligible increases in the share of extra imports. The only significant increase has occurred in the beverage and vegetable oil sectors, with 10% and 12% respectively. In fact, the share of extra imports has diminished in some products such as tobacco and animal oils. Thus, the share of extra imports increased only by 1% in the decade between 1995 and 2005.

When the shares of extra exports in 1995 and 2005 are compared, it is seen that Spain has directed its exports to the EU-15 market. In the fisheries, cereals, sugar, tobacco, cotton and vegetable oil sectors, significant decreases in the share of extra exports between 1995 and 2005 are observed (Table 4.13). As with extra imports, extra exports could not increase their relative share of total exports, and the share remained at 28% in the ten year period after 1995. In addition to the share of extra trade as a percentage of total trade for the years 1995 and 2005, it is also necessary to examine the composition of extra exports and imports for the years concerned in order to understand how the extra agricultural trade of Spain has been affected by the CAP reform and the URAA of mid 1990's.

Table 4.14: Share of Products in Total Extra Exports and Imports of Spain for 1995 and 2005 by value

	<i>Extra Export</i>			<i>Extra Import</i>		
	1995	2005	Min.	1995	2005	Min.
Live Animals	0.3	0.2	0.2	0.2	0.4	0.2
Meat	2.6	6.3	2.6	2.4	3.1	2.4
Dairy Products	1.4	2.3	1.4	0.5	0.8	0.5
Fish and Fish Prep.	11.6	11.6	11.6	32.1	36.8	32.1
Cereals	10.1	4.4	4.4	8.6	9.9	8.6
Fruits and Vegetables	28.2	32.1	28.2	16.5	19.5	16.5
Sugar and Honey	10.1	2.9	2.9	2.1	1.2	2.1
Coffee, Cocoa, Tea etc.	6.5	4.1	4.1	12.0	6.2	6.2
Feeding Stuff	0.7	1.7	0.7	10.2	10.4	10.2
Miscellaneous Food	2.4	4.3	2.4	0.5	0.5	0.5
Beverages	9.7	16.0	9.7	1.6	3.4	1.6
Tobacco	2.0	1.6	1.6	5.0	2.1	2.1
Wool	0.5	0.2	0.2	0.8	0.2	0.2
Cotton	0.5	0.6	0.5	3.3	0.4	0.4
Animal Oils	0.2	0.7	0.2	0.5	0.1	0.1
Vegetable Oils	13.0	10.7	10.7	4.7	4.4	4.4
Processed Oils	0.2	0.3	0.2	0.9	0.7	0.7
Total	100.0	100.0	81.6	100.0	100.0	86.8

Source: Comtrade

As is shown in Table 4.14, the composition of extra exports and imports in 1995 and 2005 are quite similar. 80% of the commodities are in the same product categories. Among the agricultural products, the most remarkable increase occurred in the share of beverage in respect of total extra exports. While

beverages were the fifth most exported agricultural products in extra trade in 1995, with a share of 9.7%, they became the second most exported agricultural products in extra trade in 2005 with a share of 16%. The beverages sector's share in total extra imports also increased in this period. As has already been mentioned above, the share of extra exports and extra imports in the beverages sector increased by 8% and 10% respectively. However, because the share of extra export and import diminished in some other sectors, the share of extra trade in total agricultural trade of Spain did not experience a change as was expected after the URAA.

4.6 Belgium

Belgium, which accounts for 10% of the total volume of intra EU-15 agricultural exports on average for the period 1985-2005, is one of the most important players in the agricultural trade of the EU-15. Having a 12% share in the total value of intra EU-15 agricultural exports, it is the fourth biggest exporter in the EU-15 after the Netherlands, Germany and France. In its trade with the EU-15 countries, Belgium mostly exports fruits and vegetables (27%) and meat (15%), and imports cereals. Figure 4.10 shows the composition of Belgium's intra and extra exports.

As for the agricultural exports of Belgium to third countries other than the EU-15, it is shown in the figure that cereals (17%), fruits and vegetables (14%) and sugar(12%) play a central role. This dominance of fruits and vegetables is seen in the intra and extra agricultural imports of Belgium as well. In fact, almost half of the total value of Belgium's extra agricultural imports is accounted for by fruits and vegetables (Figure 4.11).

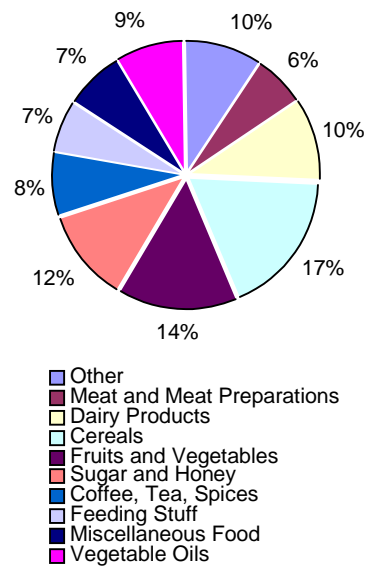
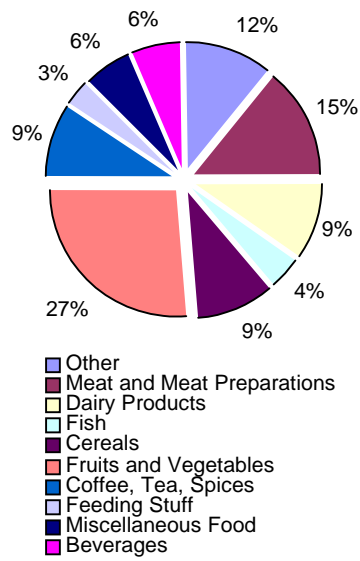


Figure 4.10: Composition of Intra and Extra Exports of Belgium by value, 2005
Source: Comtrade

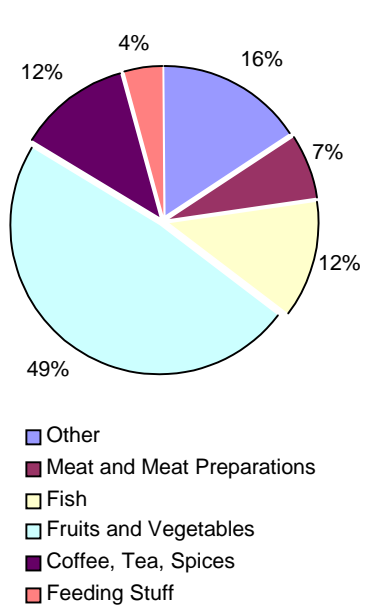
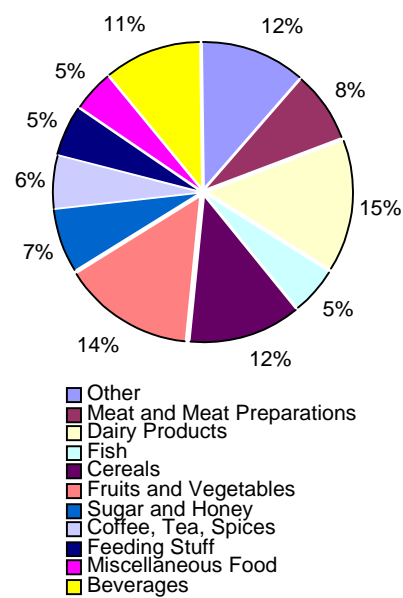


Figure 4.11: Composition of Intra and Extra Imports of Belgium by value, 2005
Source: Comtrade

Having set out a general framework for the agricultural trade of Belgium, it is useful to follow the same approach as has been taken with the previous country examples and make a comparison between the shares of extra exports and imports in 1995 and 2005 in order to find out whether the URAA is effective in changing the shares of world products in the Belgian market and the shares of Belgian products in world markets. The share of extra exports and imports in 1995 and 2005 are given in Table 4.15. Belgium is one of the member states where the share of extra agricultural trade is relatively low. Intra trade accounted for almost 80% of total agricultural trade in 1995 and 2005.

Although extra imports did not intensify in each product group, the share of total extra agricultural imports increased by 9% between 1995 and 2005. It is worth noting that this increase is striking in terms of the fact that the average increase in the share of extra imports is 0.2% in the EU-15 as a whole. While the share of extra imports increased in the decade between 1995 and 2005, the composition of the extra imports also changed significantly. The commodity composition of extra imports in 1995 and 2005 are not so similar. Only 55.6% of the commodities are in the same product categories (Table 4.16).

Apart from the aggregate level, the sectors in which the share of extra imports increased significantly are fisheries, fruits and vegetables, wool and cotton. In these sectors, the market share of non EU-15 products increased by 14%, 29%, 12%, and 14% respectively between 1995 and 2005. Since fruits and vegetables became the leading product group in extra imports of Belgium with a share of 24% (Table 4.16) in the decade after 1995, the increase in the share of extra fruits and vegetables raised the share of Belgium's total extra imports.

Table 4.15: Share of Extra Trade in Total Trade of Belgium by value for 1995 and 2005*

	<i>Extra Export</i>		<i>Extra Import</i>	
	1995	2005	1995	2005
Live Animals	2%	11%	1%	1%
Meat	7%	7%	20%	24%
Dairy Products	24%	16%	2%	3%
Fish and Fish Prep.	7%	2%	31%	45%
Cereals	22%	24%	9%	8%
Fruits and Vegetables	6%	9%	25%	54%
Sugar and Honey	61%	39%	6%	5%
Coffee, Cocoa, Tea etc.	13%	12%	34%	41%
Feeding Stuff	22%	25%	23%	21%
Miscellaneous Food	13%	17%	4%	9%
Beverages	25%	10%	2%	6%
Tobacco	7%	15%	24%	15%
Wool	25%	46%	48%	60%
Cotton	4%	5%	74%	88%
Animal Oils	22%	30%	46%	19%
Vegetable Oils	18%	40%	39%	16%
Processed Oils	18%	N/A	9%	18%
Total	18%	15%	16%	25%

Source: Comtrade

*Shares of Intra Export and Import are not given in order to save space

With regard to the agricultural exports of Belgium, Table 4.15 shows that Belgium concentrates highly on the EU-15 market. More than 85% of the agricultural exports of Belgium is directed to the EU-15 region, while the same ratio is 72% in the EU-15 as a whole. When the shares of extra exports in 1995 and 2005 are compared for each product group, it is seen from the table that dairy, fisheries, sugar and beverages are the sectors in which the shares of extra export diminished between 1995 and 2005. Not only the share of extra exports, but also the composition of extra exports has changed since 1995. The commodity composition of extra export in 1995 and 2005 are similar. 77% of commodities are in the same product categories.

Table 4.16: Share of Products in Total Extra Exports and Imports of Belgium for 1995 and 2005 by value

	<i>Extra Exports</i>			<i>Extra Imports</i>		
	1995	2005	Min.	1995	2005	Min.
Live Animals	0.4	1.0	0.4	2.7	0.1	0.1
Meat	6.7	6.0	6.0	6.0	7.8	6.0
Dairy Products	19.7	10.2	10.2	19.9	2.2	2.2
Fish and Fish Prep.	0.7	0.6	0.6	4.6	10.6	4.6
Cereals	14.5	17.6	14.5	14.7	7.1	7.1
Fruits and Vegetables	5.5	14.4	5.5	13.7	24.2	13.7
Sugar and Honey	19.6	11.7	11.7	4.6	1.6	1.6
Coffee, Cocoa, Tea etc.	6.7	7.9	6.7	6.1	16.1	6.1
Feeding Stuff	6.7	6.5	6.5	6.0	9.3	6.0
Miscellaneous Food	4.6	7.1	4.6	4.6	1.0	1.0
Beverages	8.0	4.1	4.1	10.2	2.1	2.1
Tobacco	1.0	2.8	1.0	2.5	3.9	2.5
Wool	0.9	0.6	0.6	0.6	2.9	0.6
Cotton	0.1	0.0	0.0	0.2	2.7	0.2
Animal Oils	0.1	0.6	0.1	0.6	2.7	0.6
Vegetable Oils	4.4	8.7	4.4	1.8	6.1	1.8
Processed Oils	0.5	N/A	0.5	2.1	0.5	0.5
Total	100.0	100.0	77.4	100.0	100.0	55.6

Source: Comtrade

CHAPTER 5

AGRICULTURE IN TURKEY AND POSSIBLE AGRICULTURAL DEVELOPMENTS FOR THE EU IN CASE OF TURKISH MEMBERSHIP

Relations between Turkey and the EU date back to the Ankara Agreement, which was signed in 1963. As the basis for EU-Turkey relations, the Ankara Agreement aimed to intensify economic and trade relations. Within the twenty-five-year transition period which was proposed by the Ankara Agreement, all tariffs and other trade barriers would be eliminated reciprocally. This transition process, through which relations with the EEC were strengthened, concluded with the Customs Union Agreement (CU) of 1995. The CU marked a major step forward in relations between two regions (Acar, 1994). However, the CU did not cover agricultural products except for some processed products. Thus, it is still unknown how the accession of Turkey to the EU will affect the agricultural trade of the two parties.

This chapter cannot provide an answer to this question. It is only a hypothetical exercise and is limited to the intra and extra trade issue of the EU. If Turkey does become a full member of the EU, will she cause a significant change in the intra and extra agricultural trade of the EU?

5.1 Agriculture in Turkey

Agriculture was the largest sector in the Turkish economy in terms of its share in total employment and GDP. With rapid growth in other sectors, its importance has declined in a relatively short period (OECD, 1994). Agriculture contributed 23% to the GDP in 1979, but, by 2005, this share had declined to 11%. Similarly, agriculture's share in total employment, which was recorded as 60% in 1960, has declined markedly to 33% during the period from the 1960s to 2005.

However, the share of agriculture in total employment is still high compared to the EU-15 average. In 2005, agriculture accounted for 3.7% of the total employment in the EU-15. The only EU-15 country where agriculture constitutes more than 10% of the total employment is Greece.

In respect of trade, data from the Turkish Statistical Institute indicates that 20% of Turkey's total exports were composed of agriculture in 1995, and, with the improvements in other sectors that occurred over the subsequent decade, agriculture's share in total exports has diminished to 10%. In terms of the total imports of Turkey, on the other hand, agriculture constitutes a 6% share. In Turkey's agricultural trade, the EU-15 accounted for 46% of total value of exports and 30% total value of imports in 2005. In fact, for some products the share of EU-15 is more than 50% (Table 5.1). For instance, the EU-15 has a share of 60% in Turkish fish and fruits and vegetables exportation. Live animals, dairy products, miscellaneous food and beverages are examples of the product groups in which the EU-15 has more than a 50% share in Turkey's imports. Among these products, beverages are unique. The EU-15 dominates the Turkish beverage market with a share of almost 80%.

Table 5.1 (Continued): Agricultural Exports and Imports of Turkey to the EU-15

	Exports of Turkey, \$		Share of EU-15 in Total (%)
	EU-15	Total	
Live Animals	2,004,825	5,179,715	39
Meat	3,179,118	41,315,175	8
Dairy Products	341,600	80,838,764	0
Fish	153,743,906	243,209,489	63
Cereals	63,356,161	891,872,749	7
Fruits&Vegetables	2,718,250,347	4,373,566,764	62
Sugar	62,623,964	211,427,299	30
Coffee, Cocoa, Tea etc.	47,454,690	309,356,391	15
Feeding stuff	3,151,943	17,582,500	18
Miscellaneous Food	59,605,751	337,993,392	18
Beverages	33,658,568	146,398,202	23
Tobacco	207,801,481	590,046,671	35
Textile Fibres	173,691,795	435,877,454	40
Vegetable Oils	202,316,406	358,876,168	56
Processed Oils	612,535	46,334,686	1
Total	3,731,793,090	8,089,875,419	46

	Imports of Turkey, \$		Share of EU-15 in Total (%)
	EU-15	Total	
Live Animals	9,248,940	14,074,270	66
Meat	22,746	77,791	29
Dairy Products	40,868,147	78,396,780	52
Fish	12,433,444	69,193,419	18
Cereals	66,505,240	226,296,024	29
Fruits&Vegetables	59,543,338	284,146,563	21
Sugar	17,263,312	45,987,233	38
Coffee, Cocoa, Tea etc.	68,523,349	275,446,645	25
Feeding stuff	39,895,230	341,483,820	12
Miscellaneous Food	215,273,817	280,077,966	77
Beverages	18,484,912	23,371,627	79
Tobacco	107,939,794	275,503,963	39
Textile Fibres	543,226,681	1,642,915,661	33
Animal Oils	2,065,541	73,052,542	3
Vegetable Oils	65,197,939	626,164,738	10
Processed Oils	16,251,535	45,512,940	36
Total	1,282,743,965	4,301,701,982	30

Source: Comtrade

As can be seen from Table 5.1, Turkey is a net exporter of agricultural products, both in its trade with the EU-15 and the rest of the world. On an individual basis, fruits and vegetables, fish, sugar, tobacco, vegetable oils and beverages are the agricultural sectors in which Turkey has a trade surplus in its trade with the EU-15. In contrast, cereals, feeding stuff, dairy and textile fibers are the sectors in which Turkey imports more than it exports in its trade with the EU-15.

The main destinations of Turkish agricultural exports in the EU-15 region are Germany, Italy, France, and the Netherlands, which respectively have 25%, 24% 9.5% and 8% shares in Turkey's total agricultural exports to the EU-15. There is no doubt that the intensive agricultural trade with Germany, France and the Netherlands is also a consequence of the size of the Turkish ex-patriate population living in those countries. As far as the composition of Turkey's agricultural exports is concerned, fruits and vegetables, which historically are the principal agricultural exports of Turkey, dominate Turkish agricultural exports to the EU-15 with a share of 65% in terms of quantity (Figure 5.1). In addition, the main agricultural products that Turkey imports from the EU-15 region are cotton (26%), vegetable oils (19%), and cereals (16%).

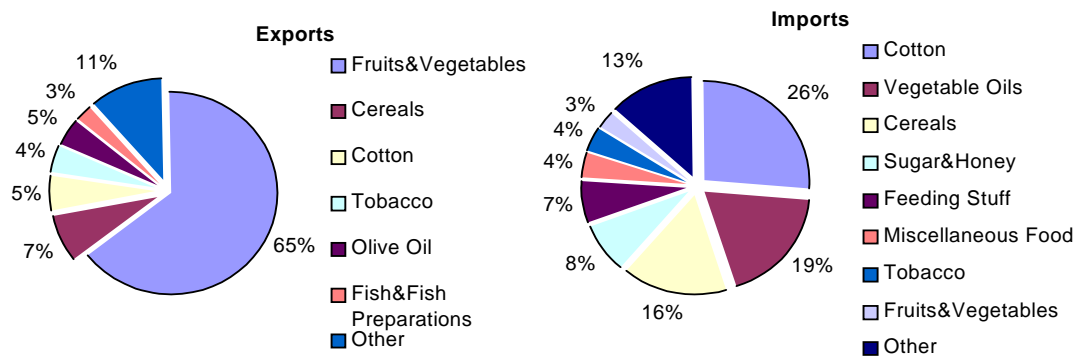


Figure 5.1: Composition of Turkey's Agricultural Trade with the EU-15 by quantity, 2005

Source: Comtrade

5.2 Possible Agricultural Developments for the EU in the case of Turkey's Membership

As has already been emphasized in the whole study, the agricultural trade of the EU-15 mainly concentrates on intra trade. Undoubtedly, this is a consequence of being a trade bloc and the geographic proximity of member states. Bearing in mind the fact that agricultural products are not included in the CU between Turkey and the EU, the question of whether Turkey's future accession to the EU will make any change in the EU's agricultural trade composition in terms of intra and extra trade is worth asking. In order to find an easy answer, for the purposes of this exercise it is assumed that Turkey has been a full member of the EU since 1985. Accordingly, the trade between EU-15 and Turkey is considered as Turkey's intra trade. This amount is added to intra agricultural trade and it is subtracted from the extra agricultural trade of the EU for the 1985 - 2005 period.

Table 5.2: Intra and Extra Agricultural Exports of the EU-15 (million tonnes)

	Intra Export	Extra Export	Intra Export*	Extra Export*	Total Export
1985	82,579	46,441	82,957	46,063	129,020
1986	90,072	43,019	90,336	42,756	133,092
1987	93,001	45,827	93,734	45,094	138,828
1988	93,262	41,000	93,633	40,630	134,263
1989	102,254	39,337	103,483	38,109	141,592
1990	103,355	43,022	105,324	41,053	146,377
1991	109,789	45,297	110,170	44,916	155,086
1992	114,022	47,164	114,347	46,839	161,186
1993	116,168	52,368	117,023	51,514	168,536
1994	121,619	49,578	122,085	49,112	171,197
1995	128,037	46,354	129,030	45,362	174,391
1996	135,376	41,480	136,493	40,363	176,856
1997	134,289	46,519	135,295	45,513	180,808
1998	145,379	46,953	146,062	46,269	192,331
1999	151,752	52,082	152,529	51,306	203,834
2000	148,753	52,478	149,635	51,596	201,231
2001	155,904	44,075	156,346	43,632	199,978
2002	148,244	41,654	148,878	41,020	189,898
2003	158,461	46,514	159,411	45,565	204,975
2004	160,491	40,035	161,077	39,449	200,526
2005	170,901	48,847	171,441	48,306	219,747

Source: Comtrade

(*) Intra Export Including Turkey

(**) Extra Export Excluding Turkey

Table 5.3: Shares of Intra and Extra EU-15 Agricultural Trade by quantity

	Intra Export(%)	Extra Export(%)	Intra Export*(%)	Extra Export**(%)	Total(%)
1985	64.00	36.00	64.30	35.70	100.00
1986	67.68	32.32	67.88	32.12	100.00
1987	66.99	33.01	67.52	32.48	100.00
1988	69.46	30.54	69.74	30.26	100.00
1989	72.22	27.78	73.09	26.91	100.00
1990	70.61	29.39	71.95	28.05	100.00
1991	70.79	29.21	71.04	28.96	100.00
1992	70.74	29.26	70.94	29.06	100.00
1993	68.93	31.07	69.43	30.57	100.00
1994	71.04	28.96	71.31	28.69	100.00
1995	73.42	26.58	73.99	26.01	100.00
1996	76.55	23.45	77.18	22.82	100.00
1997	74.27	25.73	74.83	25.17	100.00
1998	75.59	24.41	75.94	24.06	100.00
1999	74.45	25.55	74.83	25.17	100.00
2000	73.92	26.08	74.36	25.64	100.00
2001	77.96	22.04	78.18	21.82	100.00
2002	78.06	21.94	78.40	21.60	100.00
2003	77.31	22.69	77.77	22.23	100.00
2004	80.03	19.97	80.33	19.67	100.00
2005	77.77	22.23	78.02	21.98	100.00

Source: Comtrade

(*) Intra Exports including Turkey

(**) Extra Exports excluding Turkey

Table 5.2 shows the total intra and extra agricultural exports of the EU-15 in quantity terms. Furthermore, it illustrates intra exports including Turkey and extra exports excluding Turkey. In order to simplify what the table says, the shares of intra and extra exports in total exports are given in Table 5.3.

As can be seen from Table 5.3, the share of intra exports as a percentage of total exports increased by 13% between 1985 and 2005. If Turkey is assumed to be an actual member of the EU-15, on average, a 0.3% increase and decrease is seen in intra and extra agricultural exports of the EU-15 respectively. Following the same approach, the quantities and percentages of intra and extra agricultural imports of the EU-15 are given in Table 5.4 and Table 5.5. When Turkey is included in intra EU-15 imports and excluded from extra EU-15 imports, intra EU-15 imports increases by 0.5% on average, and extra EU-15 imports decrease by the same amount.

Table 5.4: Intra and Extra Agricultural Imports of the EU-15 (million tonnes)

	Intra Import	Extra Import	Intra Import*	Extra Import**	Total Export
1985	87,104	70,763	87,740	70,127	157,867
1986	90,213	68,069	91,025	67,257	158,282
1987	93,366	70,180	94,004	69,542	163,546
1988	95,899	70,321	96,717	69,503	166,220
1989	96,645	66,332	97,403	65,575	162,978
1990	100,697	72,235	101,547	71,385	172,932
1991	109,501	74,149	110,618	73,032	183,650
1992	113,461	76,773	114,399	75,835	190,234
1993	108,821	80,301	109,669	79,453	189,122
1994	117,952	85,278	119,055	84,176	203,231
1995	122,350	82,301	123,431	81,220	204,650
1996	123,699	80,323	124,750	79,272	204,021
1997	124,330	73,897	125,303	72,925	198,227
1998	138,082	76,491	139,090	75,483	214,573
1999	135,020	85,359	136,123	84,257	220,379
2000	127,501	78,128	128,760	76,869	205,629
2001	134,416	88,576	135,703	87,289	222,992
2002	124,463	84,430	125,689	83,204	208,893
2003	138,027	83,189	139,211	82,005	221,216
2004	144,849	93,051	146,009	91,891	237,900
2005	164,009	82,252	165,336	80,925	246,262

Source: Comtrade

(*) Intra Imports including Turkey

(**) Extra Imports excluding Turkey

Table 5.5: Shares of Intra and Extra Trade With and Without Turkey

	Intra Import (%)	Extra Import(%)	Intra Import*(%)	Extra Import**(%)	Total (%)
1985	55.18	44.82	55.58	44.42	100.00
1986	56.99	43.01	57.51	42.49	100.00
1987	57.09	42.91	57.48	42.52	100.00
1988	57.69	42.31	58.19	41.81	100.00
1989	59.30	40.70	59.76	40.24	100.00
1990	58.23	41.77	58.72	41.28	100.00
1991	59.63	40.37	60.23	39.77	100.00
1992	59.64	40.36	60.14	39.86	100.00
1993	57.54	42.46	57.99	42.01	100.00
1994	58.04	41.96	58.58	41.42	100.00
1995	59.78	40.22	60.31	39.69	100.00
1996	60.63	39.37	61.15	38.85	100.00
1997	62.72	37.28	63.21	36.79	100.00
1998	64.35	35.65	64.82	35.18	100.00
1999	61.27	38.73	61.77	38.23	100.00
2000	62.01	37.99	62.62	37.38	100.00
2001	60.28	39.72	60.86	39.14	100.00
2002	59.58	40.42	60.17	39.83	100.00
2003	62.39	37.61	62.93	37.07	100.00
2004	60.89	39.11	61.37	38.63	100.00
2005	66.60	33.40	67.14	32.86	100.00

Source: Comtrade

(*) Intra Imports including Turkey

(**) Extra Imports excluding Turkey

Apart from the aggregate analysis of agricultural trade, it is also useful to see the possible effects of future membership of Turkey on the key products in agricultural trade between the EU-15 and Turkey. Intra and extra trade of fruits and vegetables, and cotton are analyzed below in order to show how the intra and extra trade might be influenced by Turkey's future membership. Since it is assumed that Turkey is an actual member of the EU, Turkey's fruits and vegetables export to the EU-15 is added to the amount of intra EU-15 fruits and vegetables exports. Under such an assumption, intra EU-15 fruits and vegetable imports increase by 2% on average for the period 1985-2005 (Table 5.6). In parallel to this, extra EU-15 fruits and vegetable exports decrease by 2%.

Table 5.6: Shares of Intra and Extra EU-15 Fruits and Vegetable Imports by quantity

	Intra Import(%)	Extra Import(%)	Intra Import*(%)	Extra Import**(%)	Total %
1985	52.99	47.01	54.40	45.60	100.00
1986	53.50	46.50	55.25	44.75	100.00
1987	52.11	47.89	53.44	46.56	100.00
1988	53.52	46.48	54.98	45.02	100.00
1989	55.77	44.23	57.23	42.77	100.00
1990	56.63	43.37	58.40	41.60	100.00
1991	54.57	45.43	56.28	43.72	100.00
1992	53.66	46.34	55.19	44.81	100.00
1993	52.53	47.47	54.13	45.87	100.00
1994	55.58	44.42	57.48	42.52	100.00
1995	61.01	38.99	63.05	36.95	100.00
1996	59.58	40.42	61.56	38.44	100.00
1997	62.20	37.80	63.88	36.12	100.00
1998	63.73	36.27	65.32	34.68	100.00
1999	59.83	40.17	61.28	38.72	100.00
2000	60.65	39.35	62.10	37.90	100.00
2001	62.04	37.96	63.79	36.21	100.00
2002	63.37	36.63	65.25	34.75	100.00
2003	63.68	36.32	65.41	34.59	100.00
2004	61.22	38.78	62.99	37.01	100.00
2005	62.33	37.67	64.15	35.85	100.00

Source: Comtrade

(*) Intra Imports including Turkey

(**) Extra Imports excluding Turkey

Table 5.7: Shares of Intra and Extra EU-15 Cotton Exports by quantity

	Intra Export(%)	Extra Export(%)	Intra Export*(%)	Extra Export**(%)	Total(%)
1985	68.00	32.00	68.01	31.99	100.00
1986	79.59	20.41	80.82	19.18	100.00
1987	74.98	25.02	81.76	18.24	100.00
1988	68.19	31.81	68.74	31.26	100.00
1989	71.33	28.67	75.05	24.95	100.00
1990	67.35	32.65	71.65	28.35	100.00
1991	64.63	35.37	65.42	34.58	100.00
1992	68.61	31.39	73.48	26.52	100.00
1993	58.58	41.42	61.40	38.60	100.00
1994	63.51	36.49	67.23	32.77	100.00
1995	64.43	35.57	71.81	28.19	100.00
1996	54.27	45.73	65.18	34.82	100.00
1997	55.27	44.73	76.01	23.99	100.00
1998	63.26	36.74	76.81	23.19	100.00
1999	50.95	49.05	69.88	30.12	100.00
2000	50.73	49.27	75.95	24.05	100.00
2001	51.58	48.42	73.24	26.76	100.00
2002	45.41	54.59	72.21	27.79	100.00
2003	43.46	56.54	63.45	36.55	100.00
2004	45.16	54.84	67.23	32.77	100.00
2005	38.66	61.34	65.78	34.22	100.00

Source: Comtrade

(*) Intra Exports including Turkey

(**) Extra Exports excluding Turkey

When the same approach is followed for cotton - the main agricultural import of Turkey from the EU-15 - it is seen that, in case of Turkey's accession to the EU, intra EU-15 cotton exports increase by more than 20% for the period 2000-2005 (Table 5.7).

In conclusion, although Turkey's membership will result in a negligible increase in intra EU-15 agricultural trade, it will lead to remarkable increases in the intra trade of products which are the principal exports and imports of Turkey.

CHAPTER 6

CONCLUSION

This thesis analyzed intra and extra EU-15 agricultural trade for the period 1985 - 2005. The main aim was to examine the expected shift from intra to extra trade, and the extent to which EU-15 agricultural trade was influenced by the CAP reform and the URAA. As was emphasized repeatedly throughout the study, intra trade has always dominated EU-15 agricultural trade. The CAP reform process, which was initiated with the Mac Sharry reform package in 1992, and the establishment of the World Trade Organization (WTO), gave new impetus to European agriculture towards liberalization. However, the analysis made in this study shows that these two major events did not cause a major shift. The shares of intra trade and extra trade remained more or less stable.

The URAA has placed the EU under more serious commitments than many other countries. While the limitation of export subsidies was related mainly to the extra agricultural exports of the EU-15, the tariffication and reduction in existing tariffs were directly related to extra-importation. Since the URAA brought in reduction in tariffs for all WTO member states at different levels, the world market became more open to European agricultural products and the European market became more open to world products. Consequently, the shares of extra exports and extra imports were expected to rise. Nonetheless, except for some products and some member states, the EU-15 agricultural trade still concentrates highly on intra trade.

The impact of the CAP reform and the URAA on product groups and member states were analyzed separately. This offered an opportunity to compare products and member states within their own group. One of the main results of the study for the product groups is that it is the beverages product group in which the share of extra imports increased the most in the decade between 1995 and 2005.

Even though the beverages group accounted for more than 20% of extra exports in 1995 and 2005, its share in extra imports is far behind that of fruits and vegetables group, which accounted for 27% of total extra imports in 2005. Thus, the increase in the share of extra imports of beverages did not have a significant impact on the share of total extra agricultural imports.

On the other hand, where the evolution of member states' total extra agricultural trade is concerned, the analysis made in Chapter 3 shows that, in the period after 1995, Belgium and the Netherlands are the member states where extra agricultural trade increased by more than the EU-15 average.

After evaluating the changes in the share of intra and extra agricultural trade for the product groups and for the member states, a hypothetical analysis was made for Turkey. Almost half of the agricultural exports of Turkey are directed towards the EU-15. Since the agricultural trade relations between Turkey and the EU-15 are very intensive, Turkey's future membership will not mark a major step towards reducing the share of intra EU-15 agricultural trade. Instead, for products such as cotton, in which Turkey is the main partner of the EU-15, Turkey's future membership will strengthen the level of intra trade.

All of these observations point to the fact that it is not easy to increase the share of extra agricultural trade. Being located in the same geography as the biggest trade bloc of the world results in intensification of trade relations within the Union. In addition to the geographic proximity, the protectionist agricultural policies implemented under the CAP has made the European agricultural market isolated from world agricultural market since its beginning. It may require a long time to establish new trade relations. The impact of the reforms and new regulations need not be immediate. The attempts made under CAP reforms and the commitments given under the URAA to reshape European agriculture did not meet expectations. Their impact remained limited to only a few products and member states. In fact, it seems that the ongoing CAP reform process and

the continuing Doha Round will not be able to change the dominance or the preference given to intra agricultural trade.

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APPENDICES

Appendix 1: Intra EU-15 Agricultural Trade by Product Groups for Major Exporters

Intra EU-15 Agricultural Trade by Product Groups for Major Exporters, by volume 1000 tonnes									
	France (1)	Italy (2)	Spain (3)	Netherlands (4)	Germany (5)	Belgium (6)	United Kingdom (7)	Total (1-7)	EU-15
Live Animals	530,649	8,276	98,931	328,259	228,488	166,673	48,032	1,409,307	1,578,922
Meat and Meat Preparations	844,253	195,498	334,360	1,639,098	899,953	871,016	408,409	5,192,588	6,572,174
Dairy Products	1,710,319	165,160	211,398	1,329,311	3,586,922	1,445,316	437,840	8,886,268	10,156,982
Fish	175,478	71,970	275,045	203,501	133,920	55,594	215,880	1,131,388	1,837,216
Cereals	17,854,464	591,827	776,715	446,632	3,435,627	911,442	3,242,094	27,258,801	29,718,361
Fruits and Vegetables	3,652,022	2,976,461	6,308,279	900,492	1,534,919	3,315,806	587,888	19,275,866	24,770,082
Sugar and Honey	1,737,479	143,007	36,207	403,743	552,893	388,262	181,278	3,442,869	3,737,517
Coffee, Tea, Spices, etc.	263,053	90,976	59,164	434,109	417,295	320,967	122,563	1,708,129	1,869,626
Feeding Stuff	2,762,592	277,250	547,567	5,192,320	3,887,547	2,530,896	629,838	15,828,010	17,021,356
Miscellaneous Food	298,613	229,733	125,255	424,932	396,439	409,883	136,192	2,021,049	2,296,592
Non-alcoholic Beverages	2,798,272	2,429,025	75,225	408,066	8,587,415	637,151	189,258	15,124,412	15,439,894
Alcoholic Beverages	1,446,368	1,339,061	419,553	369,093	808,855	390,781	452,685	5,226,397	5,675,515
Tobacco	38,200	43,657	13,468	109,967	103,633	36,817	32,185	377,927	377,111
Wool and Other Animal Hair	70,908	9,490	16,316	7,375	28,603	19,138	42,027	193,856	208,269
Cotton	26,614	10,509	23,379	3,654	48,020	18,383	8,341	138,900	227,536
Animal oils	155,517	53,848	15,814	84,089	153,760	85,960	25,908	574,896	747,747
Vegetable Oils	352,220	135,471	358,904	975,894	832,960	492,744	141,272	3,289,464	3,545,673
Total	34,717,021	8,771,219	9,695,580	13,260,535	25,637,249	12,096,830	6,901,692	111,080,127	125,780,571
Shares in Intra EU-15 Exports	%27	%7	%8	%11	%20	%10	%5	%88	%100