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SPEECH BY Mr. D.F. WILLIAMSON, DEPUTY DIRECTOR GENERAL
FOR AGRICULTURE WITH THE COMMISSION OF THE EUROPEAN
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Speech by Mr D.F. Williamson, Deputy Director General

Commission of the European Communities

I would like to thank you, Mr President, and your colleagues for inviting me to join you at your Annual Congress. Your excellent secretary, Dr Bartsch, has represented your interests to me at various times during the year, visiting me with words of encouragement or occasionally - very occasionally - of mild reproach. An annual congress, however, is an opportunity to meet many more of you who are concerned with the trade in cereals and in animal feed. I am glad to do this.

I hope that you will also think it appropriate that I should speak about some questions which may go rather wider than your immediate problems. Most good business have a stocktaking at least once a year. It is worthwhile to see how our business - the Common Agricultural Policy - is progressing not only in the cereals sector but also in the other sectors which directly affect the animal feed trade. Furthermore, I have myself now been Deputy Director General for the agricultural markets for almost a year, even though after the price-fixing marathon one soon becomes a veteran.

First, I would wish to assert the importance of having a positive policy for animal feed. It is apparent that in the past we have had a clear policy for cereals (my good friend and colleague, Raymond Léondurand, is dealing with our specific objectives in this sector); a perhaps less clear policy for the so-called cereal substitutes; a livestock policy with fall-out in the animal feed business, such as the scheme for the obligatory incorporation of skimmed milk powder in animal feed or the policy of encouraging the use of liquid skim for pig feed; and a protein policy based on free entry for soya

and similar products with diverse efforts to stimulate our own production, for example of dehydrated fodder. With so many elements we cannot perhaps always be rigidly consistent. We ought nonetheless to have a policy for animal feed and to consider carefully on each occasion what is the effect of the ad hoc measures taken in the various sectors on our objectives for animal feed.

We have, therefore, to ask ourselves what should be the objective of our policy for animal feed. I think that this is very clear. The objective should be, first, the best and cheapest supply of animal feed for our livestock farmers consistently with the interests of our own producers of cereals and protein products and, secondly, the minimum interference with the manufacturers and traders in these products in line with our principle of free trade and competition within our Community. These objectives may seem self-evident but I am not so sure that this is so. Leaving aside the former scheme for disposal of skimmed milk powder by obligatory incorporation in animal feed, I can still see other pressures generated by the milk surplus. The Community's dairy herd has been reasonably stable over very many years. The present problems in this sector result from stable or declining consumption for some milk products and, more particularly, from the steady climb in milk yields, which in turn result from better breeding and feeding. Confronted with our difficulties in this sector, the Commission did consider whether an increase in the cost of feed would be justified as a temporary measure to restrain the production of milk. We have rejected this approach and adopted instead the objectives of an animal feed policy which I have set out. We thus remain committed to reconciling two difficult tasks - the restitution and maintenance of a balanced market for products in structural surplus, particularly milk, and the pursuit of an economic animal feed policy. We do not intend to lose this battle.

If these are the objectives of an animal feed policy, what are its components. First, Community decisions on livestock support and the trends in the livestock herds themselves. Since pigmeat provides the biggest share of the Community consumer's meat diet, let us begin with it. The situation here is that consumption appears to be rising at 2-3 per cent a year and production of pigmeat has risen or will rise in 1976, 1977 and again in 1978. It is even possible that we shall have four consecutive years of increasing production. The April census in Germany shows an 8 % increase in total pigs and a 10 % increase in mated sows. The similar census in Denmark shows 6 % and 9 % increases respectively. It appears that the pig cycle has been lost or mislaid. Prudently, however, we must expect to see it on the road again before too long. The main reason why there has been this sustained rise in pigmeat production is that feed prices fell sharply from mid 1977 when the classic pig cycle would have pointed towards a squeeze on profits. Thus for many Community farmers pig production has remained profitable for a good period. In making this general statement I do not underrate the special problems which the Ministers of the devaluing countries brought to the attention of the Council and which are strongly felt, for example, in this part of France. The Commission's approach remains as follows: satisfaction at the trend in consumption; prudence on price and other support, in order to do something for hard-pressed producers but not to over-stimulate production, which has recently shown such strong growth; and some satisfaction that the Council reached agreement on action which will result in a change in the calculation of the monetary compensatory amount, although the Commission would also wish to see at the right time agreement on a more general phasing out of m.c.a.'s. It is perhaps worth noting that the cost of the pigmeat

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régime in 1977 was about 2 centimes per kg or, for the benefit of our British friends about 0.1p per lb. I think that everyone can take some credit for that, including the trade who supplied the cereals and other feed.

In the cattle sector we are very much concerned about the balance in the market for milk and milk products. That is why Mr Gundelach is committed to a consistent and moderate price policy. In the further report which, as a result of the price fixing, we shall submit to the Council we hope to spell out even more clearly what our objectives are. On the one hand, we do not believe that we can master our problems without some reduction in the size of the dairy herd. We expect to get a better result from the improved scheme of premiums for non-marketing of milk and beef conversion. It seems to us, however, that other measures are certainly required. We are not looking for revolution but for measures, possibly of limited duration and with a greater impact on increases in production or intervention. I see no reason why these should not be in line with the spirit of co-responsibility which the producers have shown in the implementation of the measures so far taken. On the other hand, we have to deal with the existing surplus. We intend to pursue an active disposal policy both for fresh products for animal feed and for our existing stock of skimmed milk powder in intervention. Our stock is too large. We can see good reasons, fully consistent with our animal feed policy, to aim for a good offtake of milk protein, whether through schemes bypassing intervention or from our stocks.

To complete the livestock picture, beef consumption and production will show a slight increase next year but we shall remain below self-sufficiency. The Community's poultry and egg market is well supplied and we are hopeful that at least some extra export business can now be won,

although competition is extremely fierce for such business.

So much for the livestock picture and the policies which will affect the consumption of animal feed. I turn now to the second element - the supply of cereals. Here we do not foresee any significant further changes in our internal support arrangements. Mr Gundelach has made very clear the importance which he attaches to a prudent price policy in this sector, as the basis on which so much of our agricultural price structure is built. We have created the new system of support-the "silo" or "cathedral" system - and we are satisfied with it. This year it has enabled a large crop of cereals to move into consumption at above intervention price levels but also at prices satisfactory to livestock feeders. We have disposed of a record crop of barley and a good crop of feed wheat without significant intervention purchases. We have maintained a good export performance for products with added value, in particular flour and malt. We have had no general export refund for wheat throughout the campaign. We intend to complete and sustain the "silo" system. Some small changes in our view remain to be made, for example for rye. We are not dissatisfied with the decisions taken this year on the reference price for breadmaking wheat, since no "cathedral" can be completed in less than a few years, but our own view is that in the longer term the reference price can be supported very adequately without fixed provision for intervention at the beginning of the campaign. We have no problems about continuing provision for carry-over payments, where these are required.

For the next cereals campaign the "silo" system will very probably be required to deal with a different situation and will do so successfully.

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Our carry-over stock of wheat is expected to be slightly above average at about 6 million tonnes. If, as we expect, the barley harvest is down by about 2 million tonnes and the wheat harvest up by about 3 million tonnes, the trade will be handling a good deal of wheat. Of course, it is too soon to make firm predictions. For the longer term we must not be complacent, as Mr Specht has rightly pointed out, about our ability to handle larger quantities as yields increase.

The third element in our animal feed policy is the so-called cereal substitutes. You will know that in the price package the Commission has undertaken

"to accelerate its study of the "cereal substitutes", including manioc, with a view to an early decision on any necessary measures, if appropriate."

I do not intend to prejudge the report which we shall submit to the Council. Mr Gundelach is considering these issues now and in our ship the captain makes the decisions. I am very ready, however, to analyse the problem as we see it. Since the beginning of the 1960's compound animal feed production in the Member States of the Community has tripled from about 22.5 million tonnes to about 67.5 million tonnes. About 20 million tonnes of this increase has been in two Member States, the Federal Republic of Germany and France. More importantly, the increase has not been parallel in the various livestock sectors. For pigmeat, after taking account of the famous pig cycle, the increase has been fairly steady and substantial at about 1 million tonnes a year. For poultry there was a steady increase in the first part of this period up until about 1973 but thereafter usage has been almost static. For cattle there was an exceptional increase in 1976 and 1977, which reflects partly but not wholly the effects of the drought.

Nonetheless, it is worth noting the additional use of compound feed for dairy cattle between 1975 and 1978 was about 2.5 million tonnes. This is equivalent to about 5 million tonnes of milk or approximately 4 to 5% of our milk production. When we consider the major efforts which we are having to make in order to achieve a better balance in the milk sector, it is absolutely clear that an animal feed policy is an important element for us.

Despite the total picture of increasing use of animal feed, the usage of cereals in animal feeding has shown a slight fall in recent years, from about 70 million to about 67 million tonnes. The so-called cereal substitutes, as you all know well, have increased their share of the market. Nonetheless, it is essential to see the increase of the import of such products in the light of the recent developments in the production of animal feed which I have just described. The very rapid increase in the production of cattle feeds did provoke a sharp increase in the import of the products which are used almost entirely in this sector - those for which the cellulose content is high such as citrus pulp or beet pulp. Broadly speaking these products do not replace cereals, although they have been broadly classified in recent discussions as falling within the so-called cereal substitutes. Certain other products such as the cereal brans are used in both the cattle and pig sector; these, therefore, substitute in certain cases for cereals. Finally there is manioc which is used in combination with soya in the pig sector and can perhaps be defined as a genuine cereal substitute. In the Commission, as you will see, we do think it essential to distinguish between the effects of uses of the various so-called cereal

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substitutes, as the first step to our consideration of the policy for these products.

To recapitulate, the products such as ~~cereal~~^{citrus} pulp, beet pulp and cereal brans do not in our view broadly replace cereals in animal feed but they do, of course, contribute to a continuing increase in milk production. It is in that context that we need to keep their use under review. Manioc, on the other hand, is in effect a new basic product used in animal feed.

Imports of manioc increased between 1974/75 and 1976/77 from 1.6 million tonnes to 3.4 million tonnes. For 1977/78 imports until the end of April were about 3.3 million tonnes. If imports in the last three months of the campaign are comparable with those of the preceding year, the total quantity imported would be about 3.95 million tonnes - an increase of about 15 to 20%. Imports of cereal brans in 1977/78 are estimated at about 1.5 to 1.7 million tonnes, which is a reduction compared with 1976/77. Taken together our imports of manioc and of cereal brans will probably be about 5.5 to 6 million tonnes in 1977/78 which would be somewhat below the figure of last year. We should thus have for the first time a status quo or a slight reduction in our imports of these products.

Of course, at the present time the prices of manioc and of soya together are an important stimulant for the increased incorporation of these products in animal feed. In our view this would remain true at somewhat higher prices for these products. The factor which limits an increased use of

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manioc is the supply, including the production and the facilities for export. From the information which we have obtained in Thailand the Commission takes the view that the production of manioc in that country could still increase between 1978 and 1980 by about 20 to 25% in total. From 1980 we cannot rule out the possibility of some fall in production. At the present time production of manioc in other countries such as Indonesia, Malawi Brazil and so on does not seem to be developing at all significantly. I would like to emphasize that the Commission does now have these issues under very close review including the effects on our own cereals production and on the increase in milk production. We shall take decisions on this consistently with the whole animal feed policy which I have outlined and will comply with the undertaking to the Council in May, namely to accelerate our study of these questions and to let the Council know our conclusions.

Finally, I must refer briefly to our overall policy for proteins. It is self evident that the Community's policy in this area is dominated by our import arrangements for soya. We attach considerable importance, however, in the Commission to the various lesser measures which we have been able to take in order to stimulate production of useful protein products for animal feed within the Community itself. For that reason we have revised the dried fodder scheme this year, in order to make it more effective. This has been accepted by the Council. We put forward in the Mediterranean package the new scheme of support for peas and beans for animal feed, which the Council as also accepted. In presenting that proposal

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to the Member States we stressed that, although it had importance as part of a broad policy of seeking to encourage certain products in the southern areas of the Community, it was also part of our measures to encourage the efficient use of our own resources of protein. Schemes such as this may not make very great difference to the total picture but we shall continue to support and develop them, where it can be shown that the cost/benefit is worth while for us.

I have ranged rather widely over the elements of livestock, cereals and protein policy with some analysis of our present approach to the cereal substitutes. Your organization itself brings together a wide range of interests. I hope that within the Commission we can be equally successful in combining these various interests in a policy for animal feed and that the achievement over the next few years of our Community objectives will help to provide an interesting and prosperous *future* ~~future~~ for all of you.