

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 221 final.

Brussels, 5 October 1977.

REPORT BY THE COMMISSION TO THE COUNCIL
ON THE RESPECTIVE MERITS OF THE SYSTEMS OF PREMIUMS
AND INTERVENTION MEASURES IN THE BEEF AND VEAL SECTOR

COM(77) 221 final.

This report discusses the respective merits of the systems of premiums and intervention measures applied in the Community between 1974 and 1977.

The report is submitted to the Council as an Annex to the communication on the amendment of the common organization of the market in beef and veal. (1)

(1) COM (77) 220 of 5 October 1977

I. ONLY INTERVENTION MEASURES HAVE A REALLY POSITIVE IMPACT ON MARKET PRICES

1. In the short-term intervention measures provide effective support for the Community market

Graph 1 shows the movement of market prices in the Member States and of the Community average since intervention was resumed.

Below the graph is shown the amount of intervention each month⁽¹⁾ (in tonnes/months) for comparison with the movement of market prices;

(a) In 1974 - the rate of buying-in accelerated until it reached 82 000 t/months in October; thanks to this measure market prices dropped only slightly despite the considerable increase in production (+20% compared with 1973) and the rise in the self-supply rate from 85.6% in 1973 to 99.9% in 1974.

(b) in 1975 - there was a clear correlation between the movement of market prices and intervention buying-in. Thus, under the influence of substantial buying-in (up to 70 000 t in March 1975) the Community market price rose to 100 u.a./100 kg in April/May 1975. Then, buying-in having declined (to 10 000 t in June) the market price dropped by 5%. From August, however, under the impact of renewed intervention buying-in (40 000 t/month in October and November 1975) the Community market price picked up slowly but steadily.

(c) in 1976 - the year when the production cycle began to show signs of downswing (minus 2.2% compared with 1975) substantial intervention buying-in (40 000 t/month) offset the abnormally high slaughter rate in spring and summer (drought) and thus prevented a drop in the market price. The truth of this statement was clearly demonstrated in July, when following a pause in intervention buying-in there was for a while a sharp drop in market prices.

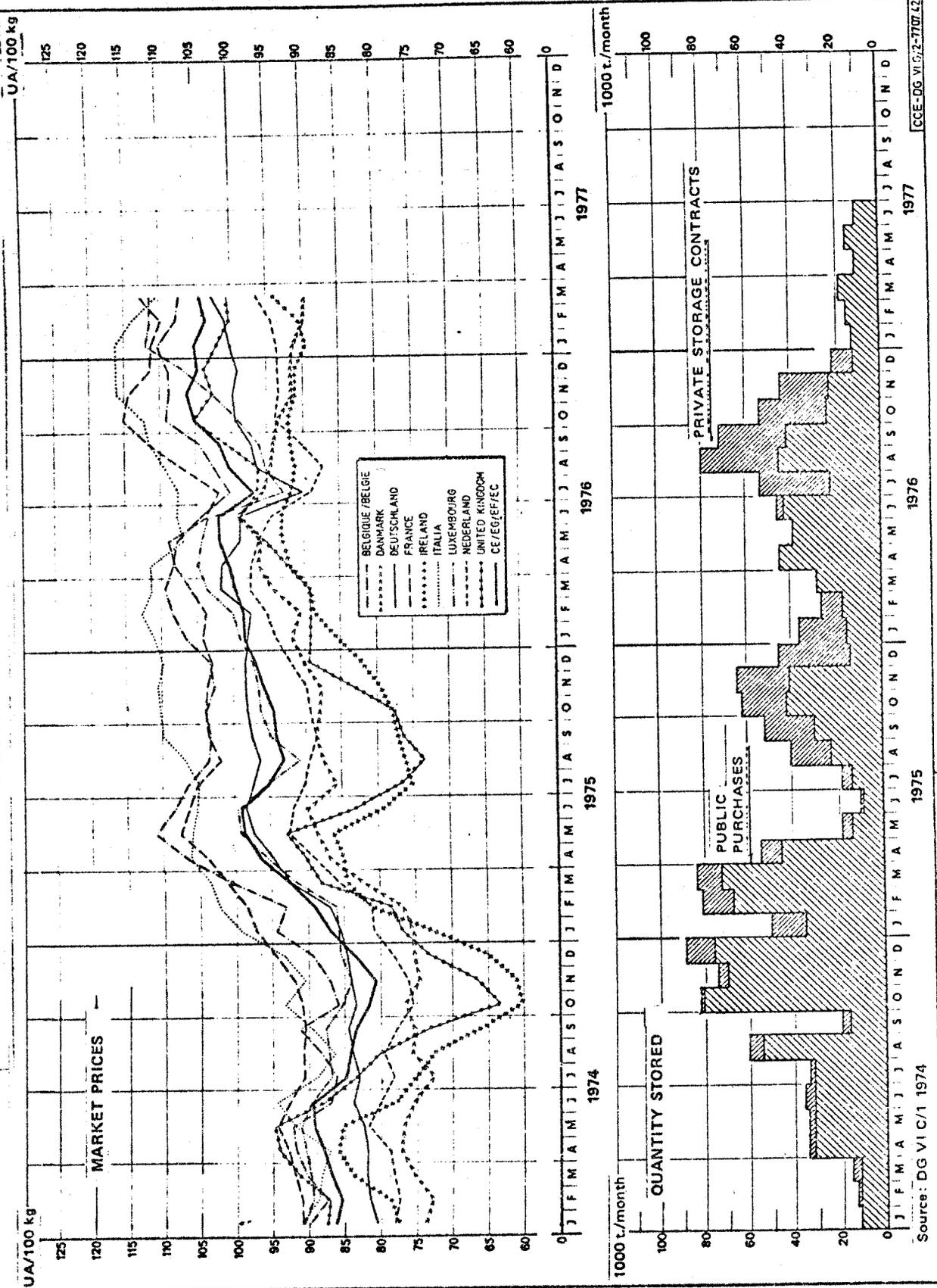
The graph shows more acute fluctuations in Ireland and the United Kingdom.

In the United Kingdom this is accounted for by the very limited recourse to intervention (1.6% of Community buying-in) which confirms the effectiveness of intervention as a price support measure.

In Ireland, despite massive recourse to intervention, prices were always aligned with United Kingdom prices: intervention in this Member State was unable to play the role expected of it as a price support measure.

(1) Public buying-in and private storage aid contracts concluded.

EEC: MOVEMENT OF MARKET PRICES AND INTERVENTION IN THE BEEF AND VEAL SECTOR

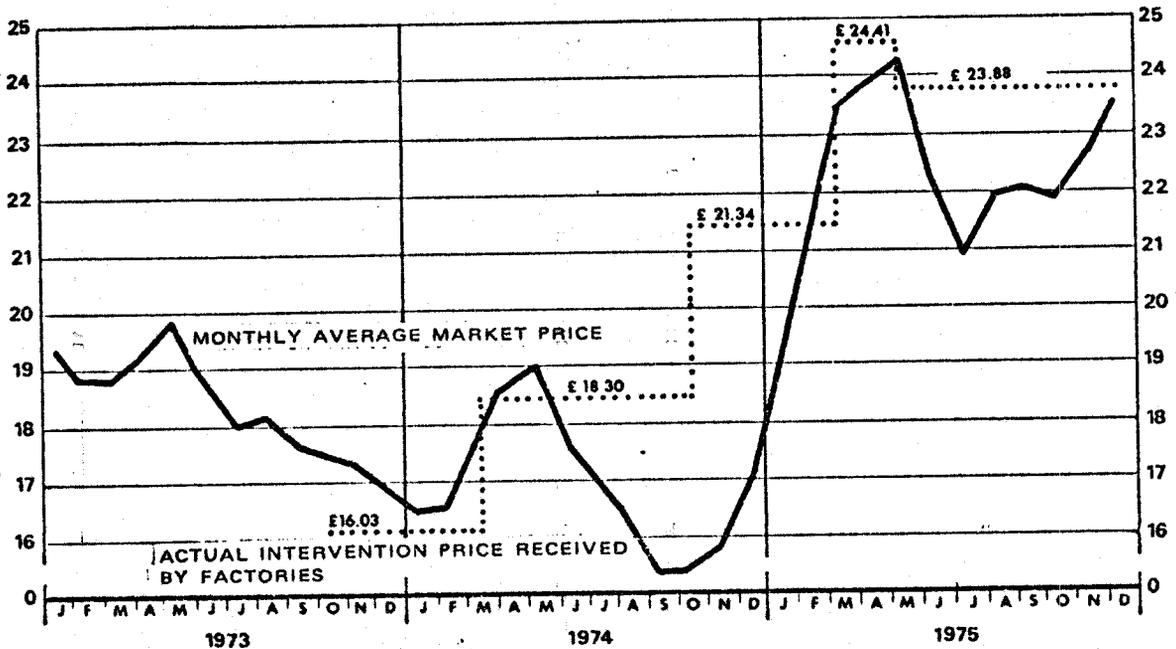


Source: DG VI C/1 1974

CCE-DG VI C/2-7107-42

GRAPH 1

IRELAND: EFFECT OF THE INTERVENTION BUYING-IN PRICE ON THE MARKET PRICE (STEER 1, £ per live cwt.)



SOURCE: REPORT OF REVIEW BODY ON BEEF INTERVENTION AND CATTLE SLAUGHTER PREMIUM SYSTEMS
-DUBLIN - JULY 1976

CCE-DG VI G/2-7707-52

GRAPH 2

In March 1975, the Irish Minister of Agriculture set up a review body to study the consequences for Ireland of the combined implementation of beef intervention and slaughter premiums decided on at Community level. This body has submitted its report⁽¹⁾.

The report recognizes that intervention buying-in prices were always much higher than market prices, but that market prices would have dropped more if intervention had not taken place.

The firms authorized to buy-in did not reflect intervention prices at producer level (see Graph 2). The report proposes that in future firms that fail to observe the intervention buying-in price fixed by the Community for the qualities in question should be excluded from intervention.

2. Without intervention, market prices in France would have been very disturbed

The method used to analyse the effects of intervention measures entailed assessment of what the position would have been on the beef and veal market without them, and comparison with actual past performance and the most likely future development (basic scenario).

The econometric model of the beef and veal market in France was applied for the analysis and the results are given in Graphs 3 and 4.

The price level can be assessed from the difference between production and consumption shown on the graphs. The model shows that without intervention, prices would have collapsed in 1974-1975-1976, there would have been an extremely firm market in 1977-1978, another collapse in 1979-80 and a strong recovery in 1981-82.

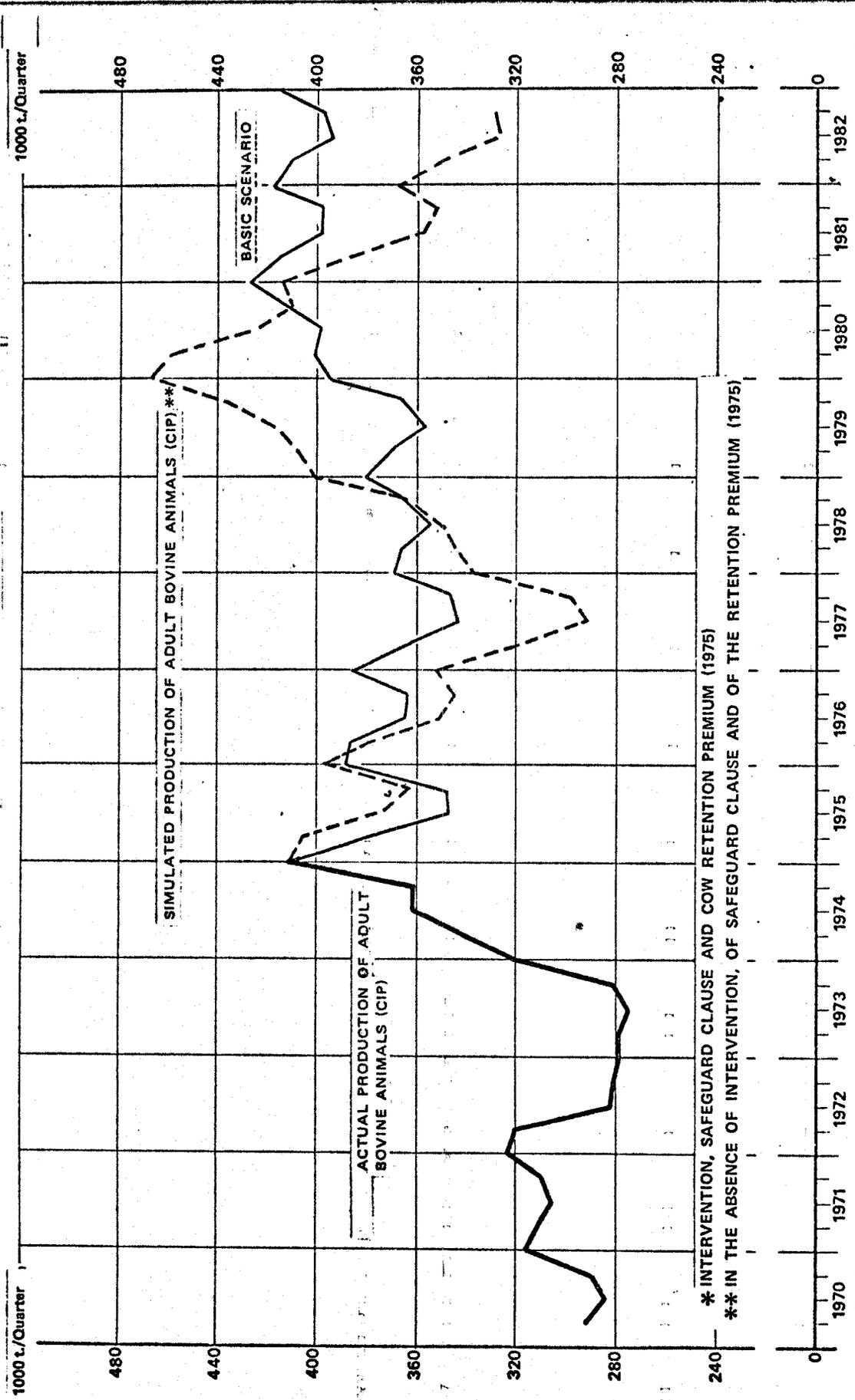
(a) prices paid to producers would have plunged by 18% in 1974 and by 14% in 1975 on average, with very abrupt drops over two quarters: 35% less when animals were coming off grass in 1974, and 25% less in early spring 1975, which are the critical periods.

(b) retail prices for beef and veal would have declined less, with a 7% drop in 1974, 9% in 1975 on average, and sharper drops in the fourth quarter of 1974 and the first quarter of 1975 (10%).

The level of prices paid to producers and at retail level would have reverted to the basic scenario in 1976, and gone far beyond it in 1977.

(1) Report of Review Body on beef intervention and cattle slaughter premium systems - July 1976.

FRANCE: INFLUENCE ON THE PRODUCTION OF MEASURES TAKEN IN THE BEEF AND VEAL SECTOR*

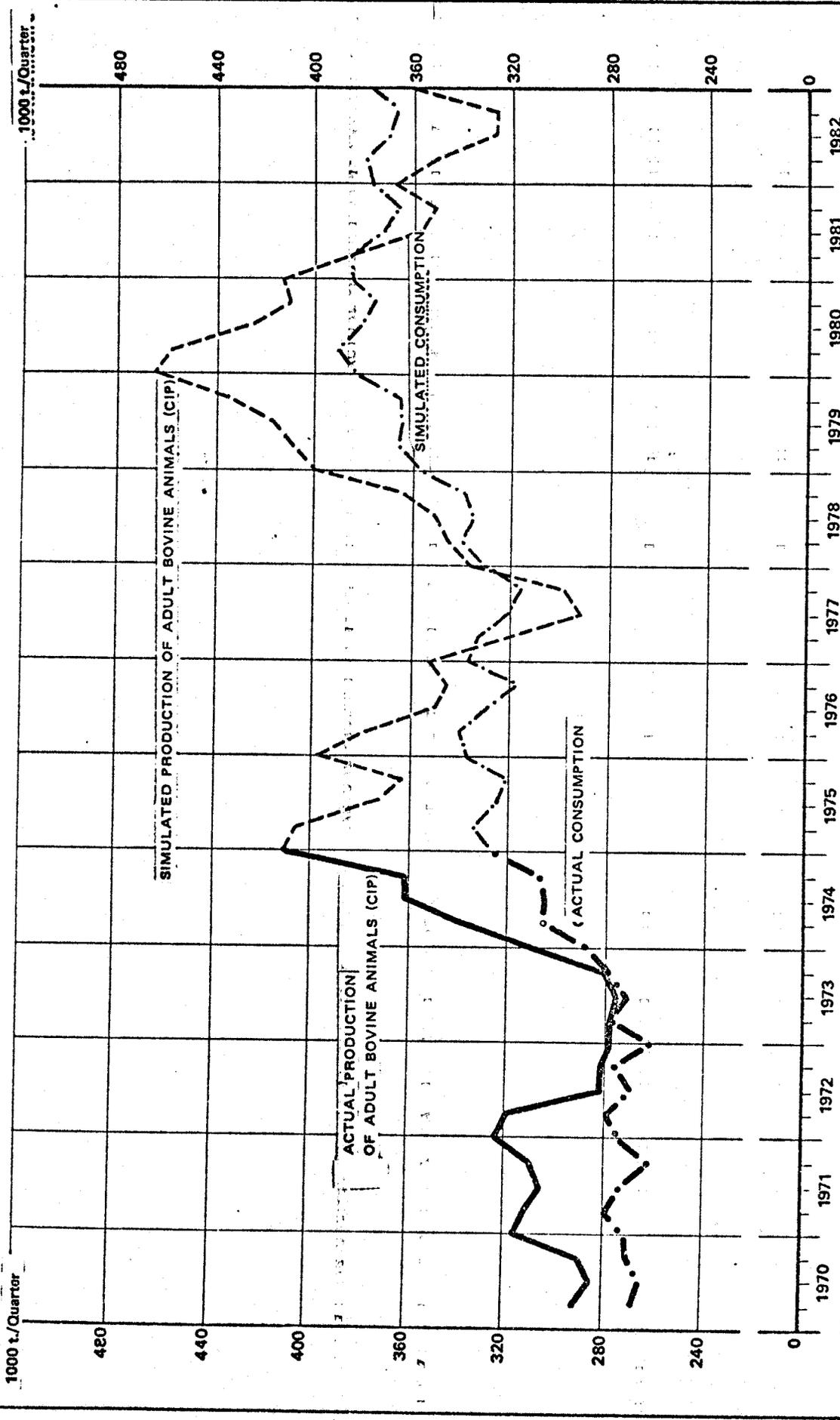


* INTERVENTION, SAFEGUARD CLAUSE AND COW RETENTION PREMIUM (1975)
 ** IN THE ABSENCE OF INTERVENTION, OF SAFEGUARD CLAUSE AND OF THE RETENTION PREMIUM (1975)

SOURCE: MODELE ECONOMETRIQUE D'EQUILIBRE DU MARCHÉ FRANÇAIS DE LA VIANDE BOVINE

GRAPH 3

FRANCE: PRODUCTION/CONSUMPTION BALANCE IN THE ABSENCE OF INTERVENTION
SAFEGUARD CLAUSE AND OF COW RETENTION PREMIUM



SOURCE : MODELE ECONOMETRIQUE D'EQUILIBRE DU MARCHÉ FRANÇAIS DE LA VIANDE BOVINE

CGE-DG VI 6/2-7707.48

GRAPH 4

3. In the medium-term, thanks to meat held in intervention, the Community has the means of regulating the market better

Table 1 in the Annex summarises intervention buying-in in the Member States. In Denmark, the Netherlands and Germany, 1976 levels appear surprising unless they can be accounted for by the drought, and in Germany by a deviation from the general price movement. In the United Kingdom, intervention buying-in in 1976 was abnormally high and must be due to poor adjustment of the intervention buying-in price at the beginning of the market year compared with the seasonally adjusted target price.

On the other hand, the relatively large quantities that continue to be bought-in in 1977 despite a degree of firmness in prices can be explained by :

- the effect of the application of permanent intervention,
- the under valuation of strong currencies in terms of "green rates" which makes buying-in prices attractive compared with actual market prices (Germany).

The continuation of intervention buying-in at a time when the market is again entering a period of shortage presents budgetary problems; on the other hand, the existence of relatively large stocks makes it possible to influence prices whenever production begins to decline which would prevent excessive rises in prices, particularly in the event of a sharp rise in world prices (as in 1973).

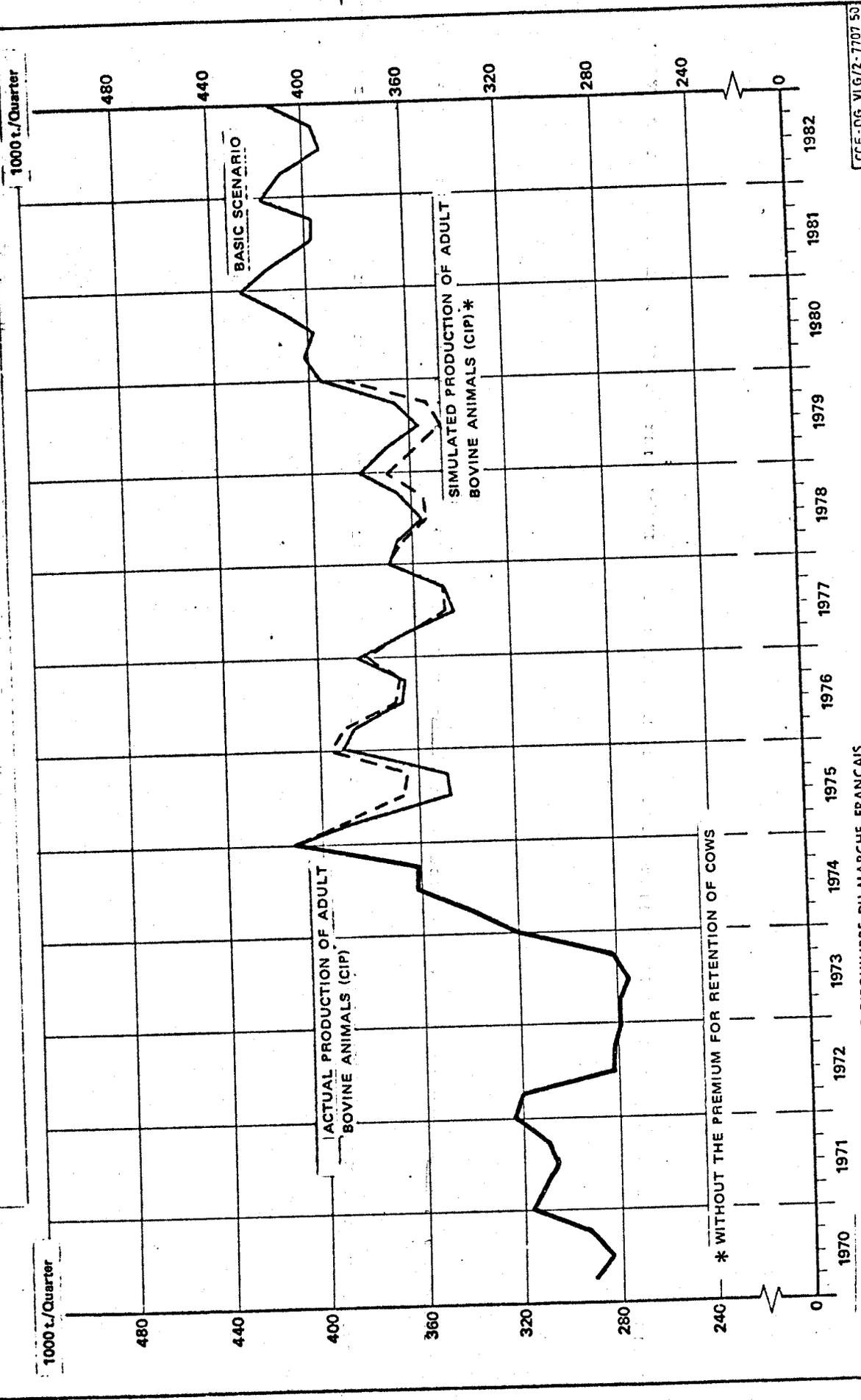
This shows the part played by stock management as a method of regulating market prices. In this connection, the destination of the stock is crucial. If intervention meat is exported there is no braking effect on rising prices; but, if the meat is placed on the internal market at the right time, it has the maximum effect.

4. Positive action on market prices of the premium for the retention of cows (France 1975)

In 1975, premiums amounting to 230 M u.a. were paid out (of which 80 M u.a. were financed by the EAGGF), equivalent to an increase of 7% or 14.4 u.a./100 kg in the market price for beef and veal.

(1) Market price and deficiency payments.

FRANCE: INFLUENCE OF THE COW RETENTION PREMIUM (1975) ON BEEF AND VEAL PRODUCTION



SOURCE: MODELE ECONOMETRIQUE D'EQUILIBRE DU MARCHÉ FRANÇAIS DE LA VIANDE BOVINE

GRAPH 5

CCE-DG VI/G/2-7707.50

Graph 5 shows that the premium had a definite effect on the retention of animals. Without it production would have risen by about 50 000 tonnes in the second, third and fourth quarters of 1975 and the first quarter of 1976.

Thus, a two-fold benefit accrued to producers' incomes.

- direct, through the premium (implicit effect of 7%)
- indirect, as a result of retention which led to an estimated price rise of 5% to 7%.

For those who received the premium (80% of the cows qualified for the premium) the cumulative effect of 12 to 14% was significant.

Following the price increase, retail prices rose by 2 to 3% , reducing consumption by 1 to 1.5%. The slight rise in retail prices was due to the fact that the distribution system absorbed some of the increase. Losses entailed by the price increase due to granting the premium were mainly borne by the distribution system whose profit margin shrank.

From 1977, as a result of payment of the premium in 1975, prices were slightly lower than they would have been without the premium.

Premiums thus had a certain regulatory effect on market prices.

5. Positive effect on market prices of the calving premium granted in Italy since 1974

The amounts of the premium paid out (entirely borne by the EAGGF) were as follows ⁽¹⁾ in each marketing year :

- (i) 1975/76: 140 M u.a. equivalent to an increase of 11 % or 11.7 u.a./100 kg in the market price for beef and veal,
- (ii) 1976/77: 61.6 M u.a. equivalent to an increase of 4.4% or 4.9 % u.a./100 kg
- (iii) 1977/78: 77 M u.a. equivalent to an increase of 5.5 % or 6.3% u.a./100kg.

(1) Including the effect of the dual rate.

Information collected to date (see Annex A below) suggests that this premium also had :

- an effect on the retention of herds (fewer cow slaughtering, greater number of young fattening animals),
- a direct effect on the income of producers who received the premium and an indirect effect on beef and veal producers in general, the retention of herds having resulted in higher prices.

It is difficult to estimate the economic aspect of the twofold effect with any precision since no econometric model similar to that used for France was available.

If account is taken of the fact that retail prices in Italy remained among the lowest in the Community while the premium was in application, whereas market prices were the highest in the Community, it may be concluded that the rise in market prices caused by granting the premium was absorbed by the distribution circuit.

Likewise, in 1977 market prices in Italy rose less than in the other Member States which would seem to confirm the regulatory effect of this type of premium.

6. The system of variable premiums applied in the United Kingdom had a stabilizing effect on producers' incomes but not on market prices

Table II annexed shows that the monthly fluctuations in market prices in the United Kingdom were on average twice as high as in the continental Member States.

The greater fluctuation of market prices in the United Kingdom is also shown by Graph N° 1.

The system of variable premiums failed to stabilize market prices in the United Kingdom which had been strongly affected by world prices before accession and by changes in Community production since accession.

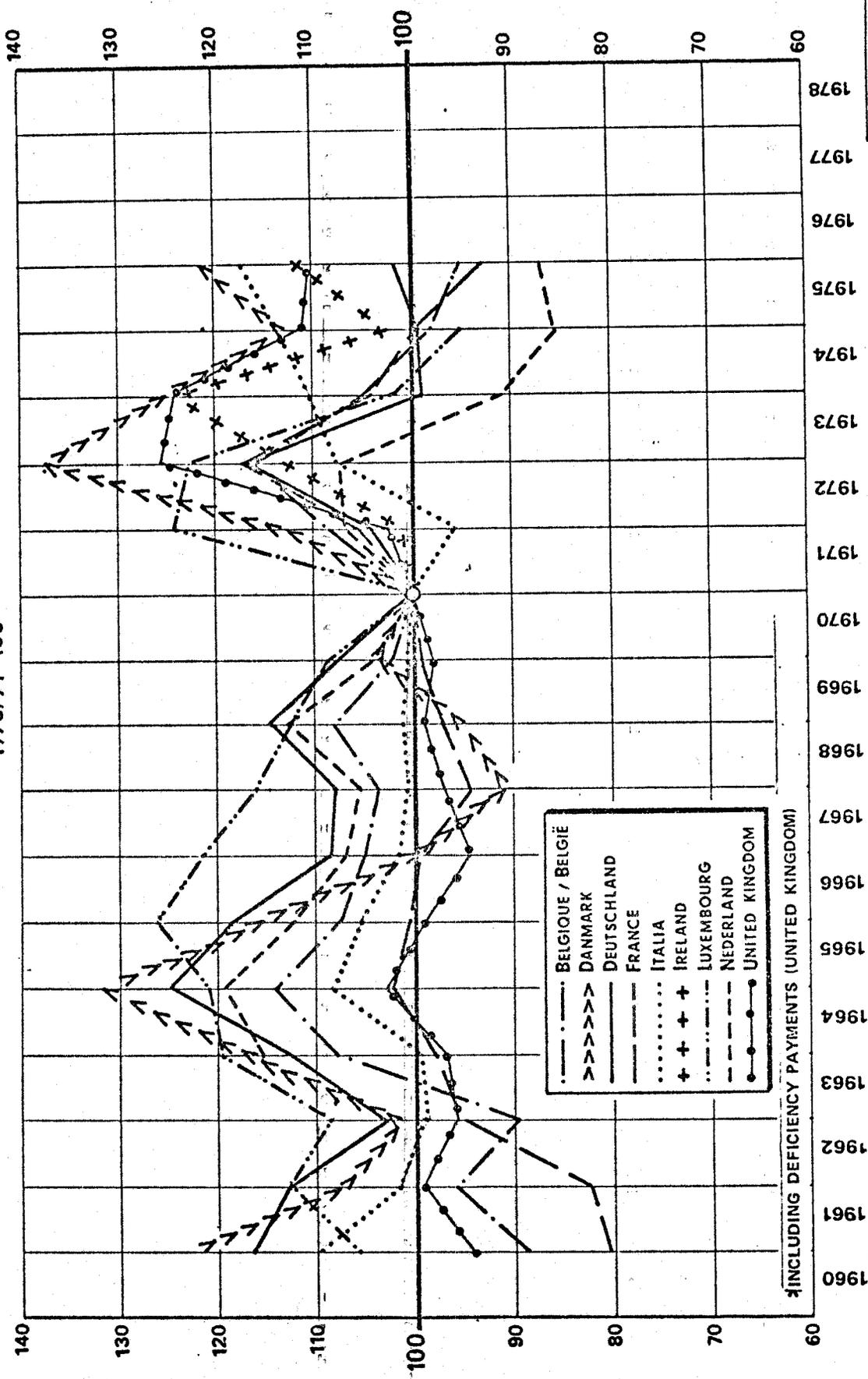
It is true that the system of variable premiums⁽¹⁾ effectively protected producers' incomes in the United Kingdom as shown in Graph N° 6.

However, the system of guaranteed prices can not prevent excessive price rises, as happened in 1973 under the impact of the very sharp upsurge in world prices, or prior to accession at which time the outlook was considered very favourable, nor can it prevent a fall in income in a period of crisis (Graph N° 6).

(1) "Deficiency payments" before accession.

EEC: DEVELOPMENT OF THE INDEX OF PRICES OF ADULT BOVINE ANIMALS RECEIVED BY AGRICULTURAL PRODUCERS IN REAL TERMS*

1970/71 = 100



CCE-DG VI G/2-7707.47.

SOURCE: : DG VI "MARCHES AGRICOLES"

GRAPH 6

II. INTERVENTION MEASURES AND THE SYSTEM OF VARIABLE PREMIUMS CAN SERVE TO FLATTEN THE PRODUCTION CYCLE

7. Conclusions of the report on premiums granted in the 1974/75 marketing year

In the report⁽¹⁾ concerning the short-term consequences for the beef and veal market, the Commission concluded that :

- (a) The system of orderly marketing premiums had achieved its purpose. Slaughtering had been postponed from the difficult period (October-November 1974 : animals coming off grass) to an easier period (December 1974, January, February 1975). This delay in slaughtering was all the more significant in that the date of slaughter of the animals (heifers and bullocks) could be chosen to suit the market.
- (b) implementation of the system of variable premiums in the United Kingdom had enabled certain slaughtering to be postponed from autumn 1975 to spring 1976, from a more difficult to an easier period.
- (c) On the other hand, it was not possible to discern the effect of the slaughtering premium scheme (premium fixed at 28 u.a.) on producers' short-term behaviour; it is true that the main purpose of the scheme was income compensation.

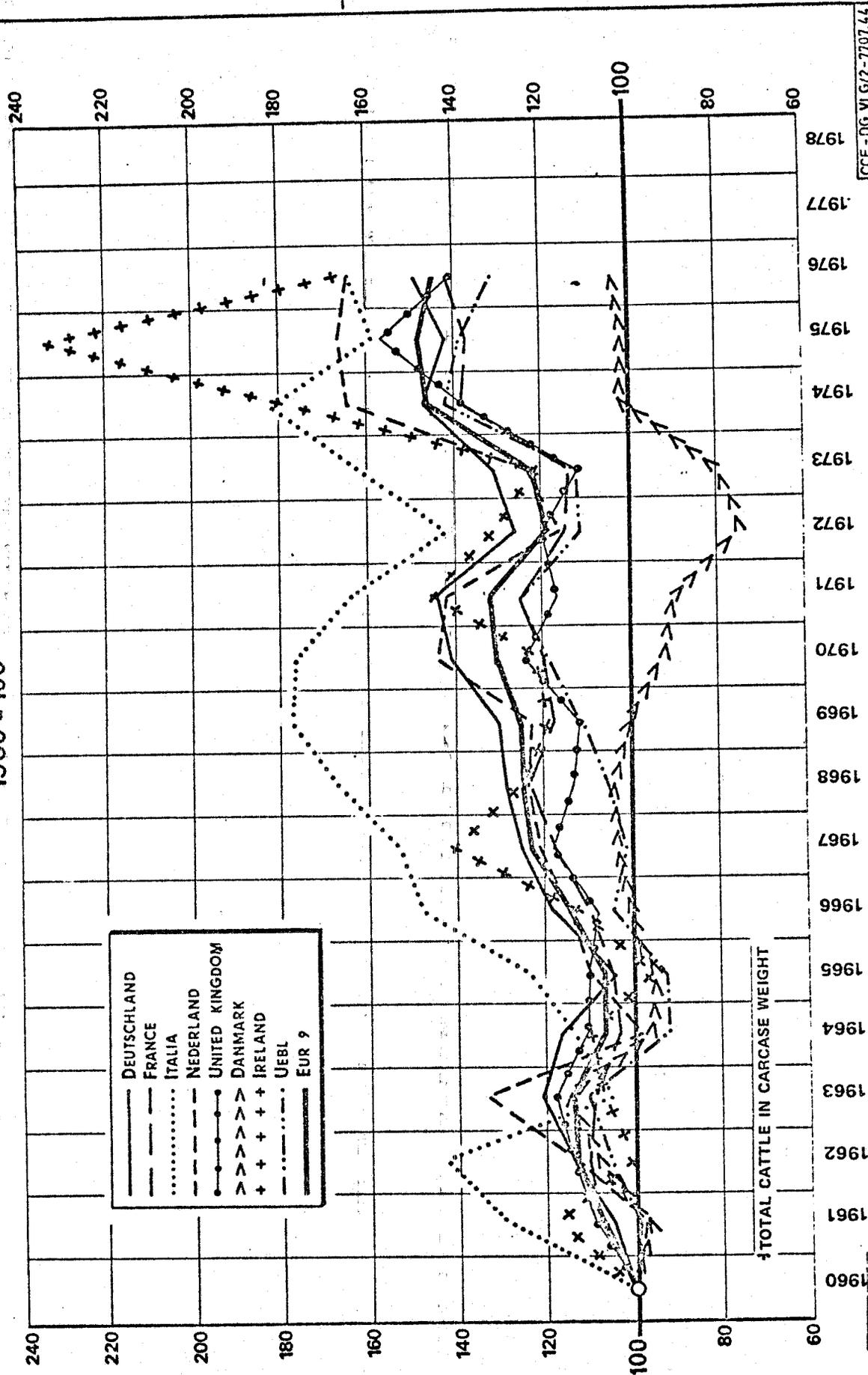
In the very short-term, however, the number of slaughtering went up at the end of each month when there was a substantial increase in the unit amount of the premium. Producers anticipated these changes. (For example, February 1975). The sudden fluctuations in slaughtering affected market prices, partly negating the benefits of the premium and leading to increased intervention buying-in (February 1975, with 80 000 t bought-in, was a record month).

- (d) implementation of the calving premium in Italy which came into effect in summer 1975 coincided with a marked decline in fluctuations in cow slaughtering from that time.

⁽¹⁾ Report from the Commission to the Council on the application in the Member States of the systems of premiums for the orderly marketing of certain adult bovine animals for slaughter and of systems of premiums for producers of bovine animals (Doc. COM(76)131, final, 7 April 1976).

EEC: DEVELOPMENT OF THE GROSS INDIGENOUS PRODUCTION INDEX OF BEEF AND VEAL*

1960 = 100



CCE - DG VI G/2 - 7707.44

SOURCE: 1960 - 1970 - OCDE 1971 - 1976 - EUROSTAT

GRAPH 7

8. In the medium-term, the grant of a variable premium, by guaranteeing producers' incomes, helped to stabilize the production cycle in the United Kingdom

The conclusions of the above-mentioned report relate to the short-term which is the only period of observation available for the Community premiums system.

In the medium term, the variable premium system (deficiency payments before accession) implemented in the United Kingdom had an undeniable stabilizing effect on the cycle (see Graph N° 7).

The graph shows that the production cycle dips less in the United Kingdom than in Ireland where producers do not benefit from national price support measures⁽¹⁾.

The question arises as to whether production in the United Kingdom fluctuates in a markedly different way from that of continental Member States.

With regard to this question (see Graph N° 8) it has been noted that deviations from the production trend have been much the same since 1950 in Germany, France and the United Kingdom. The most that can be said is that since accession the United Kingdom has seen one deviation exceeding the previous highest in 1962/63.

9. Intervention measures, by supporting market prices have also had a stabilizing effect on the production cycle

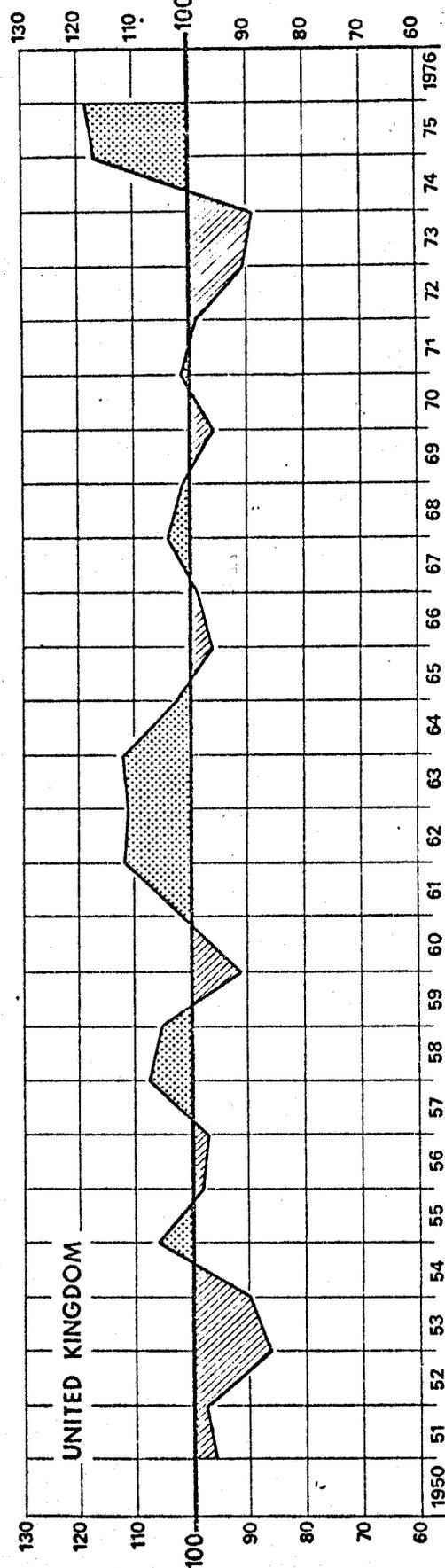
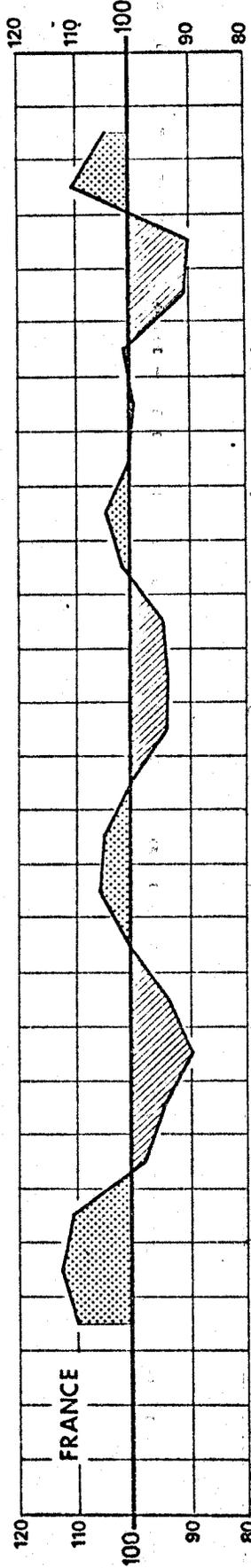
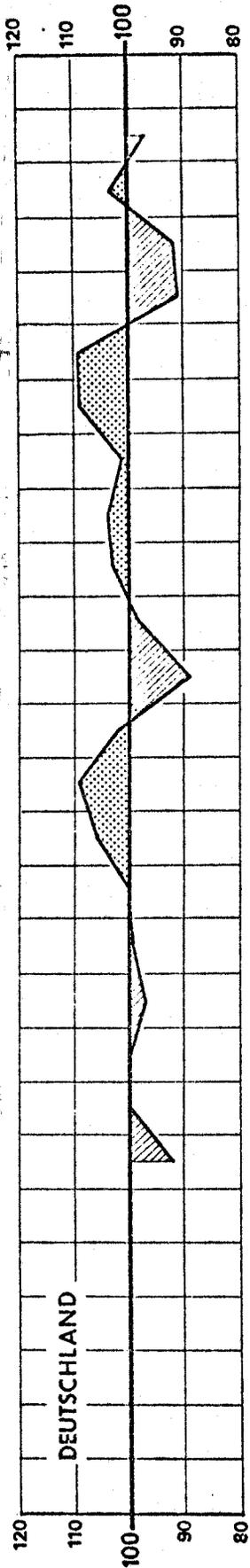
Based on the econometric model of the market in beef and veal in France a detailed analysis was carried out for France which accounted for 30% of Community buying-in between 1974 and 1976. Without intervention measures :

(a) Beef and veal production would have risen in 1974 and 1975 by 70 000 t through a substantial running down of herds due to falling prices in 1974/75. Production would then have dropped sharply as a result of the running down of herds in previous years and the decline in production inputs of all types of animals in 1974-75-76 due to very low prices. Then, suddenly, very high prices in 1977/78 resulting from the low production level would have induced a strong recovery in production in 1979/80 resulting in a surplus that would have been greater than it was in 1974/75. This would have been followed by a drop in production in 1982. These ups and downs are shown in Graph N° 4.

(1) Only meat exported to the United Kingdom qualifies for deficiency payments.

7a

DEVIATIONS FROM THE PRODUCTION TRENDS IN BEEF AND VEAL



SOURCE : DG VI C/1

CCE - DG VI G/2 - 7707 - 43

(b) The cycle would have been both deeper and shorter :

- deeper because surpluses would have been much greater and shortages much more severe;
- shorter because periods of high production would have occurred one year sooner that is in 1979 rather than in 1980. The production low would have occurred in 1977 instead of 1978.

(c) There would have been the following effects on the milk products market:

- a phenomenon comparable to a disorderly slaughtering of dairy cows in 1974-75-76, leading to a severe decline in milk production from 1975 to 1978;
- in 1977-78 there would have been substantial build-up of herds which combined with the improvements in herd productivity due to the heavy slaughtering in 1974-75-76 would have produced surpluses in 1980/81.

In addition, the general uncertainty concerning beef and veal production and the absence of support measures would have accelerated the changeover to milk production of a proportion of stock farms and thereby increased milk production in the short-term.

What would probably have happened had there been no support measures in France in 1974-75-76 is an indication that the measures were effective: both in supporting producers' incomes in 1974-75-76 (see Chapter I) and in stabilizing beef and veal production in the short and medium term.

III. THE SHORT TERM IMPACT ON CONSUMPTION OF THE VARIABLE PREMIUM SYSTEM AND INTERVENTION DEPENDS ON THE DIFFERENT REACTIONS TO PRICE CHANGES IN THE DIFFERENT MEMBER STATES

10. In the short term the variable premium system had the effect of boosting consumption in the United Kingdom

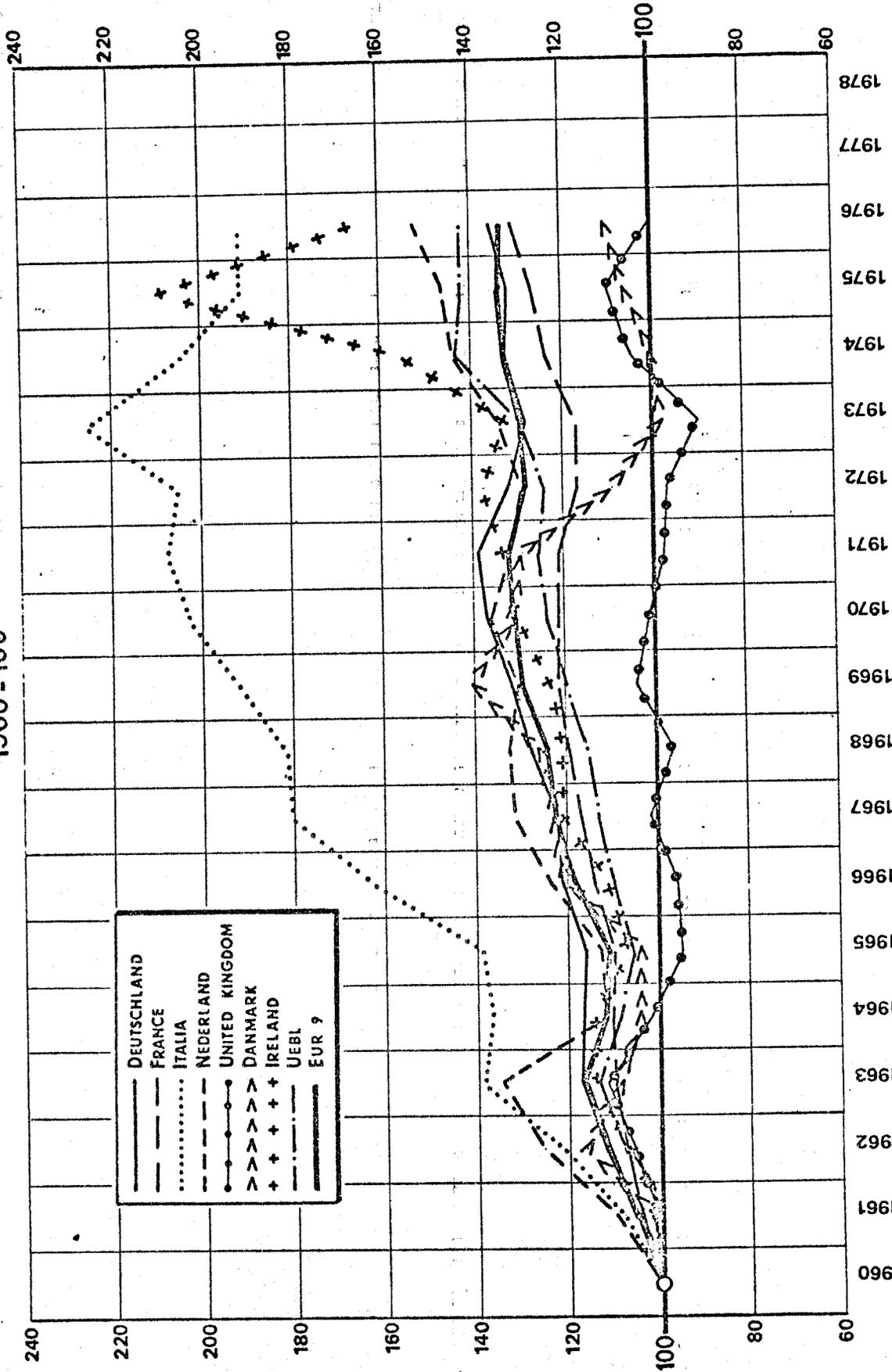
Apart from the cyclical variations, production follows a similar path in all Member States (excluding Denmark) but consumption fans out widely the lower extreme being found in the United Kingdom (Graphs N° 9 and 10).

Deficiency payments did not help to expand beef and veal consumption in the medium and long term. In the short term, however, implementation of the variable premium system boosted the consumption of beef and veal in the United Kingdom.



EEC: DEVELOPMENT OF THE CONSUMPTION INDEX FOR BEEF AND VEAL

1960 = 100

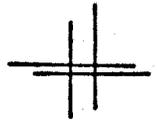


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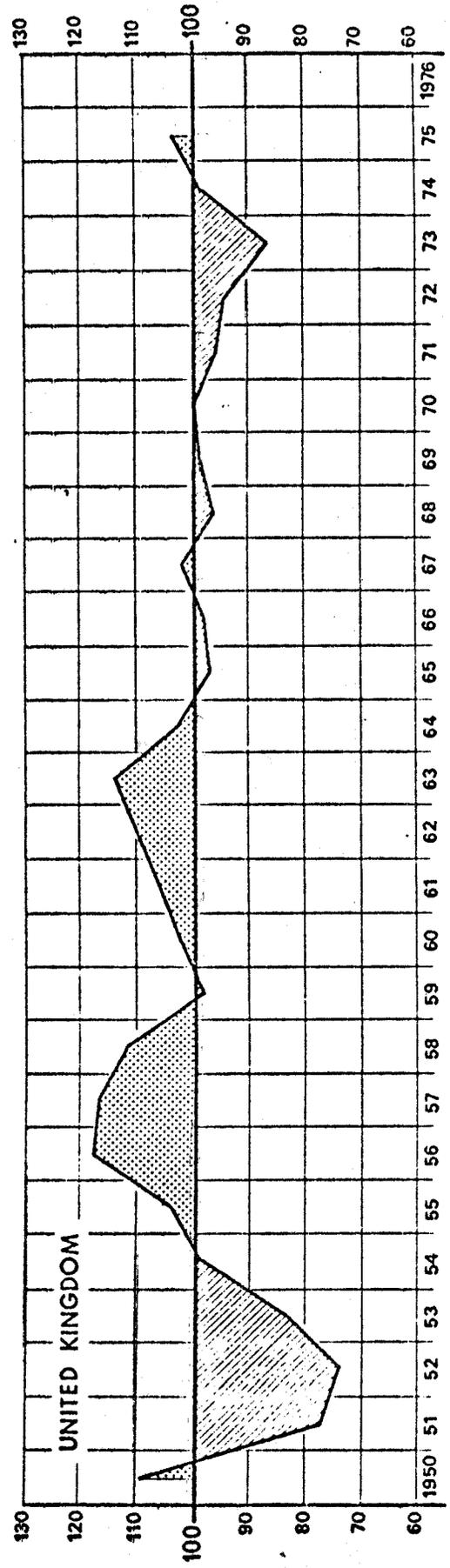
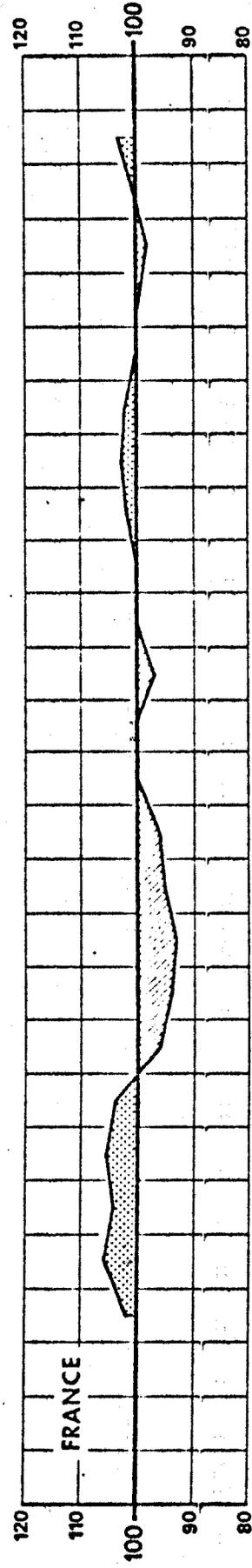
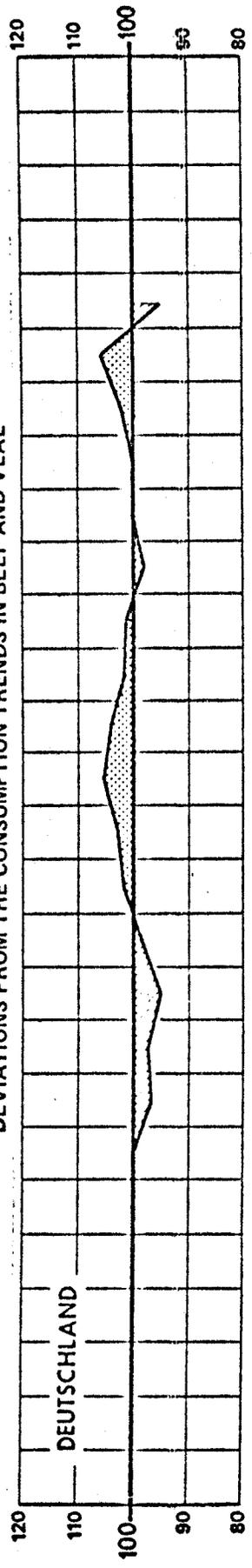
SOURCE: 1960-1972 - OCDE / 1973 - 1975 - EUROSTAT / 1976 - ESTIMATIONS

GRAPH 9





DEVIATIONS FROM THE CONSUMPTION TRENDS IN BEEF AND VEAL



SOURCE: DG VI C/1

CCCE-DG VI C-1-1976-10

- (a) a fall in market prices has more repercussions on retail prices in the United Kingdom than in the other Member States;
- (b) there is great elasticity between consumption and the price of beef and veal (over -1);
- (c) price relationships between the different kinds of meat at the retail stage have a decisive effect on the housewife's buying decisions.

The high degree of sensitivity of consumption to changes in market prices in the United Kingdom can be seen in Graph N° 10 which shows the deviations from the trend; in the short term, consumption deviates from the general trend by \pm 25% in the United Kingdom compared with \pm 5% in Germany and France.

This difference is accounted for by the income support system (variable premiums) in the United Kingdom which acts as a lever on the other factors mentioned above that make consumption more elastic in this Member State.

A comparison of the table in Annex B with Graph N° 10 shows that in marketing years in which the compensatory payment was more than 10% of the market price, namely in 1962/63, 1963/64, 1967/68 and 1975/76⁽¹⁾, consumption of beef and veal went up in the short term without radically changing the long-term tendency to stagnation as shown in Graph N° 9. The stimulatory effect of the premium on short-term consumption had the effect of correcting a short-term imbalance between supply and demand. Thus the United Kingdom authorities estimate that intervention buying-in was reduced by about 140 000 t in 1975/76 and by 7 300 t in 1976/77 through the granting of the slaughter premium⁽²⁾.

11. Without intervention, consumption in France would have absorbed a smaller proportion of the surpluses

A quantitative analysis was carried out for France using the econometric model of the beef and veal market in France, the results of which are given in Graph N° 11.

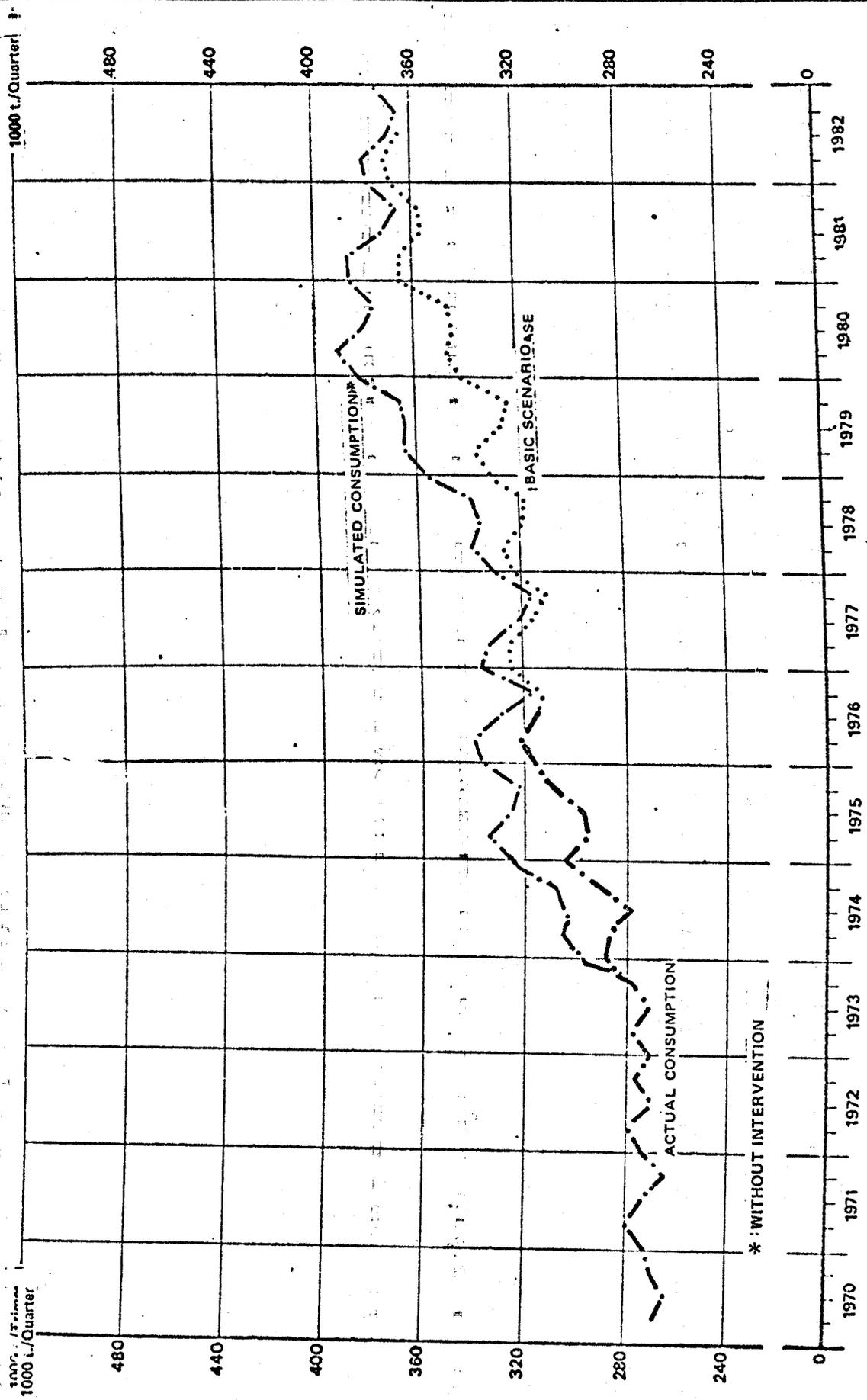
The analysis shows that without intervention :

- (a) Consumption would have grown by 6% in 1974, 8% in 1975 and 5% in 1976, that is 80 000 t, 100 000 t and 60 000 t respectively. The figures reflect a short-term elasticity of 0.4, and 0.6 in the long-term compared with retail prices (expressed in real terms).
- (b) After that, developments would be cyclical and follow production. In particular, in 1977, with only a slight decline in consumption in the face of very high prices and consequently lower production the French market would be in deficit;

(1) It was the same in 1956/57.

(2) In 1976/77 the premium was granted only for a very small amount and a very limited period.

FRANCE : DEVELOPMENT OF BEEF AND VEA. CONSUMPTION IN THE ABSENCE OF INTERVENTION



1000 t./Trimestre
1000 t./Quarter

480
440
400
360
320
280
240
0

1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

* : WITHOUT INTERVENTION

BASIC SCENARIOBASE

FONTE : MODELE ECONOMETRIQUE D'EQUILIBRE DU MARCHÉ FRANÇAIS DE LA VIANDE BOVINE

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GRAPH 11

(c) as beef consumption in France is relatively inelastic, retail prices would have to drop considerably for consumption to increase by some additional tens of thousands of tonnes.

The same analysis would probably have given similar results for the other continental Member States where the consumption/price elasticity is much the same.

IV. NEITHER PREMIUMS NOR INTERVENTION MEASURES HAVE SO FAR HAD ANY NOTICEABLE EFFECT ON THE TRADE STRUCTURE OF THE COMMUNITY WITH NON-MEMBER COUNTRIES

NON-UNIFORM APPLICATION OF PREMIUMS DOES HOWEVER CREATE A DANGER OF IRREGULARITIES IN INTRA-COMMUNITY TRADE

12. Widespread application of Community intervention did not alter the structure of imports into the Community in 1974/75/76 compared with the previous period

Table III annexed shows Community trade with non-member countries.

(a) Usually about one quarter of imports (expressed as carcase weight) are live animals, about one quarter is fresh and chilled meat and half is frozen meat.

In the crisis period, 1974-76, these proportions remained much the same. The Community maintained the existing equilibrium between traditional suppliers - although for lesser quantities - despite application of the protective clause.

(b) Before the crisis, more than half of all Community exports were fresh meat and only 30% frozen meat (mainly Irish meat bound for the United States).

Since the crisis, 90% of Community exports have been of frozen meat, mainly from intervention stocks.

(c) Intervention buying-in has not impeded the development of intra-Community trade. In 1972/73/74 this trade accounted for less than 1 000 000 t, in 1975 it rose to 1.3 million tonnes but was a bit less in 1976 (1.1 million tonnes). The vitality of intra-Community trade is largely due to the fact that the Italian deficit, - particularly of young fattening cattle - remained substantial, even during the crisis.

13. Differences in the application of slaughter premiums has increased the risk of irregularities in intra-Community trade

Problems caused by differences in the application of premium systems in Member States have been pointed out by the Commission on several occasions, particularly in the report on the EAGGF Guarantee Section - beef and veal sector⁽¹⁾.

In this report the Commission noted that the following irregularities occurred in the 1975/76 marketing year through Member States applying different premium systems.

- double payment of premiums,
- receipt of both the premium and intervention.

It was possible to commit these irregularities by exploiting certain difficulties of administrative control in connection with intra-Community trade. The Commission staff has not been able to find an effective solution for these problems. Consequently, the Commission instructed the Directorate-General for Financial Control to look into the application of the premium systems in Member States. On the conclusion of this investigation the Commission confirmed that although there was some risk of irregularities on the territory of the Member State that granted the premium due to difficulties in implementing national provisions, the risk was much greater in connection with intra-Community trade⁽²⁾.

In November 1976, the Commission informed Member States of the conclusions of the investigation and stressed that the danger of irregularities would be largely eliminated if the following principles were borne in mind in applying premium systems :

- (a) maximum standardization of systems,
- (b) automatic deduction of the amount of the premium from the intervention buying-in price,
- (c) in the case of intra-Community trade, payment of the premium by the Member State where the animal was slaughtered;

(1) Doc COM (76) 370 final, 21 July 1976, see in particular pp 85 to 91

(2) Doc SEC (76) 3845, 27 October 1976

if this principle could not be applied for other reasons, a penalty should be imposed on an importer who failed to cooperate by returning the customs documents.

14. In 1975 the risk of distortion in intra-Community trade due to the variable premium in the United Kingdom was less serious than had been feared

In the beef and veal sector, France is the main customer of the United Kingdom, taking 30% to 40% of exports from that Member State.

It was precisely the French authorities who expressed the liveliest apprehension as to the disturbance of trade that would be caused by the variable premium granted in the United Kingdom⁽¹⁾.

The purpose of the following analysis is to estimate to what extent these fears were justified⁽²⁾.

(a) In the first half of 1975 consignments from the United Kingdom were average; 8 to 13 t/month (3 to 4 000 to France). Meat exports were relatively stable although during that period the premium (fixed premium plus variable premium) had doubled.

However, there did appear to be a correlation between the amount of the premium and exports of live animals to Ireland.

(b) exports were very high in the second half of 1975, both of live animals (Ireland, and the appearance of an unusual flow towards France from September) and meat. During that period exports rose in each succeeding month (particularly to France), while the unit amount of the slaughter premium declined steadily.

(c) In the first half of 1976, exports remained high while the unit amount of the slaughter premium gradually moved towards zero.

(1) At the same time the Danish and Irish authorities feared that their exports would be affected by the variable premium.

(2) Field of survey :

A. Tables IV, V and VI annexed:

Movement by week and by month of the amount of slaughter and orderly marketing premiums granted by the Community from 1974 to 1976.

B. Table VII annexed:

Monthly overseas trade figures of the United Kingdom in 1975 and 1976.

V. AT A GIVEN LEVEL OF INCOME SUPPORT, A VARIABLE PREMIUM SYSTEM IS, FROM THE BUDGETARY ASPECT, MORE COSTLY THAN INTERVENTION. HOWEVER, THIS SYSTEM IS ECONOMICALLY JUSTIFIED BY THE BENEFITS TO CONSUMERS

15. Cost-benefit analysis of the variable premium system and an intervention system in the United Kingdom

(a) Two situations will be compared for the 1975/76 marketing year ⁽¹⁾.

Situation I : the actual situation, in which there is very little intervention and Community premiums are granted. The total cost of these measures was £103.5 million (197 million u.a.) of which £56.5 million (107 M u.a.) was payable by the EAGGF and £47 million (90 M u.a.) payable from United Kingdom national funds as follows:

(i) fixed premium (EAGGF)	£49 million (93 M u.a.)
(ii) variable supplementary premium (National Budget)	£47 million (90 M u.a.)
(iii) private storage aid (EAGGF)	£7 million (13 M u.a.)
(iv) buying-in by intervention agencies (EAGGF)	£0.5 million (1 M u.a.)

For the 1975/76 marketing year the average market price for clean cattle was £20.20/cwt (75.74 u.a./100 kg) and the average rate of the premium was 10.50 u.a./100 kg ⁽²⁾, which represents 7.2% of the market price.

Situation II : No premiums and buying-in at the level required to maintain the market price of clean cattle at the level of the buying-in price for that category of animal, i.e. £23/cwt; this means that the market price should have been increased by £2.80/cwt, i.e. by an average of 14% over the marketing year. Given the elasticity of the market price in relation to inputs (-1.3) in order to attain market equilibrium, it would have been necessary for supply to decrease by 11% ($14 = 11 \times 1.3$), i.e. 140 000 t should therefore have been withdrawn from the market by means of buying-in operations, which would have resulted in expenditure of 105 M u.a. for the EAGGF ⁽³⁾ (we shall suppose that the situation regarding private storage aid has not changed).

(b) Comparison of the budget costs in both situations

- (i) Situation I : 197 M u.a., of which 107 M u.a. for the EAGGF
- (ii) Situation II: 105 M u.a. (intervention) and 7 M u.a. (private storage); i.e. a total of 112 M u.a. borne entirely by the EAGGF.

From a budgetary point of view, the variable premium system is almost twice as expensive as intervention.

-
- (1) On the basis of the information contained in a document given to the Council Secretariat by the United Kingdom Delegation: Document S/1615/75 (CSA 218) of 21 November 1975.
 - (2) from May 1975 to April 1976.
 - (3) On the assumption that the intervention meat would have been exported to non-member countries (net loss of 750 u.a./t). In the case of sale on the internal market during an "easy" period, the expenditure might have been less.

As regards the EAGGF, however, the two situations have the same financial repercussions.

(c) Benefits to the consumers and for the distribution system

The absence of premiums would have meant a loss for United Kingdom consumers estimated at £125 million, i.e. 240 M u.a. owing to a 7% increase in retail prices which would have resulted from the 14% rise in the market price. This surplus is sufficient to counterbalance completely the budget cost of situation I (197 M u.a. as against 240 M u.a.). Consequently, if account is taken of this benefit, the variable premium system is economically much more advantageous than intervention.

Strictly speaking, however, it would be necessary to make the comparison not for a difficult year, but over a complete production cycle; in situation I the market price, in an easy year, will rise higher and more quickly than in situation II; consequently, consumers will not only no longer derive any benefits from the variable premium system, but will even be at a disadvantage, at least at the beginning of the so-called "easy" period. Over a production cycle the benefits for the consumer are therefore less than would appear at first sight unless it is possible, by buying on the world market at advantageous prices, to offset major increases in internal market prices⁽¹⁾.

16. Cost-benefit analysis of a combined variable premium-intervention system and a pure intervention system

(a) Two situations will be compared for the United Kingdom for the 1976/77 marketing year:

Situation I: the actual situation, in which, during the 1976/77 marketing year, the variable premium provided for in Regulation (EEC) N° 797/76 was paid only during the period from 15 March to 30 May 1976. During this period the average market price for clean cattle was £25.68/cwt (88.75 u.a./100 kg) and the average rate of the premium was £1.13/cwt (3.9 u.a./100 kg) i.e. 4.4% of the market price. The total expenditure was about £8.8 million for the premium, borne entirely by the United Kingdom National Budget. Community financing was provided for only from 1 August 1976 to the end of the marketing year (25% of the expenditure was borne by the EAGGF).

(1) Policy followed by United Kingdom before accession, when it had a very substantial shortfall.

Furthermore, during this period, 12 300 t were bought in at the average buying-in price of £26.65/cwt (92.10 u.a./100 kg), representing an expenditure of 9.2 M u.a. for the EAGGF⁽²⁾.

Situation II : a simulated situation, in which there are no premiums and there is increased intervention to offset producers' loss of income. On the assumption that the market would have been supported solely by intervention, the United Kingdom authorities have estimated that for this period:

- (i) the average market price would have been £26.65/cwt (92.10 u.a./100 kg), therefore 3.8% higher;
- (ii) 19 600 t would have been bought in, i.e. + 7 300 t, which would have resulted in additional expenditure of 5.5 million u.a. payable by the EAGGF⁽²⁾.

(b) Comparison of the budget cost of the two situations :

- (i) Situation I : £8.8 million, i.e. 15.5 M u.a. for the National Budget in the form of a variable premium and 9.2 M u.a. for the EAGGF in the form of intervention, i.e., a total of 24.7 M u.a.
- (ii) Situation II : 9.2 + 5.5 = 14.7 M u.a. in the form of intervention. From a budgetary point of view, the combined system is almost twice as expensive as intervention alone. From the point of view of the EAGGF, however, the combined system is less expensive (9.2 M u.a. as against 14.7 M u.a.).

It is interesting to note that in situation I, if the EAGGF had financed 25% of the premiums, the EAGGF cost of the combined system would have been :

$$25\% \text{ of } 15.5 + 9.2 = 13.1 \text{ M u.a.,}$$

i.e. a similar amount as for situation II.

(c) Benefits to the consumer and for the distribution system

Situation II would have given rise to a loss for United Kingdom consumers estimated at £8.3 million (14.6 M u.a.) owing to the rise in retail prices which would have resulted from the 3.8% rise in the market price. If this benefit for the consumer and for distribution is taken into account, situation I (24.7 - 14.6 = 10.1 M u.a.) becomes more favourable economically than situation II (14.6 M u.a.). Strictly speaking, however, it should be necessary to make the comparison over a whole cycle; in situation I, the market price will rise more quickly than in situation II and the inferences drawn in point 15 apply also to this case.

(2) On the assumption that intervention meat would have been exported to non-member countries (net loss of 750 u.a./t).

17. Cost-benefit analysis of the combined "premium for the retention of cows intervention" system and of a pure intervention system

(a) Two situations will be compared for France for 1975:

Situation I :

Actual situation : application of the retention premium, and intervention.

Situation II:

Simulated situation : no premiums, and intervention at a higher price level in order to offset the loss of income for stockfarmers: 12 to 14% of the market price (see point 4).

(b) Budget cost arising from the two situations (supplementary budget)⁽¹⁾

Situation I : 230 M u.a. of which 80 M u.a. payable by the EAGGF (see point 4).

Situation II: if there had been no premium, it would have been necessary to raise the intervention price from 12 to 14% in order to obtain a comparable income for stockfarmers. On the basis of the dual assumption that :

(i) a 14% rise in the intervention price results in an equivalent rise in the market price,

(ii) it is possible to store the additional quantities bought in.

The econometric model of the French market in beef and veal shows that, in situation II, public storage would have increased by 70 to 80%, i.e. 100 000 t in 1975, following the rise in the intervention price.

The cost of this additional storage would have been 100 M u.a.

(1 000 u.a./t)⁽²⁾. From a budgetary point of view, situation I

gives rise to an additional cost which is twice as high as for situation II. At this level the premium for the retention of

cows is the more expensive system (230 M u.a. as against 100 M u.a.),

but from the point of view of the EAGGF, it is advantageous

(80 M u.a. as against 100 M u.a.).

(c) Benefits to consumers and for the distribution system

The granting of the premium enables the intervention price to be lowered and thereby prevents a 7% price increase (see point 4). This phenomenon benefits the consumer and distribution, which can be evaluated by calculating the consumer's economic surplus.

This surplus is about 150 M u.a. for 1975⁽³⁾.

(1) i.e., a budget in addition to the usual budget for the intervention already affected.

(2) The storage costs in this case are higher than for the United Kingdom, since the buying-in price is higher.

(3) This surplus happens to correspond exactly to the national financing of the premium.

Strictly speaking, however, this calculation should be made for a whole cycle. This evaluation is difficult to make, however, for the real medium-term impact of the two systems - premiums and intervention - on production is not known. On the assumption that both systems would have an equally stabilizing effect in the medium term, the conclusions of the cost-benefit analysis would be in favour of the premium system : 80 M u.a. (230 - 150) as against 100 M u.a.

18. Comparison of the costs and benefits of the variable premium and intervention systems in the case of France

If a variable premium system had been applied in France instead of intervention in 1974-75-76, this would have resulted in a drop in market prices (see point 2).

(a) Two situations will be compared on an economic basis:

Situation I is that which actually existed in 1974-75-76: intervention was carried out and the premium for the retention of cows was granted in 1975.

In situation II, intervention is replaced by a variable premium system to offset the loss of income resulting from price reductions.

(b) (i) Cost of situation I :

It is sufficient to determine the cost of the support measures carried out in France in 1974-75-76. The intervention measures covered 384 000 t (173 000 t in 1974, 124 000 t in 1975, 87 000 t in 1976); the cost is evaluated at 1 000 u.a./t, i.e., an overall cost of 384 M u.a. To this cost should be added that of the premium for the retention of cows : 230 M u.a. (of which 80 M u.a. payable by the EAGGF). The total cost of market support is about 614 M u.a. for 1974-75-76.

(ii) Cost of situation II :

The cost of the variable premium system in France over the three years of over-production may be calculated on the basis of the price reductions which should have been offset in order to maintain stock farmers' incomes. The reductions given below are those indicated by the econometric model of the French market in beef and veal.

		Domestic Production ('000 t)	Price reduction %	Variable premiums (million u.a.)
1974	1	340	0	0
1974	2	362	15	99
1974	3	362	20	132
1974	4	411	34	236
1974 total:		1.475	18	467
1975	1	388	20	141
1975	2	347	7	49
1975	3	348	8	57
1975	4	383	20	156
1975 total:		1.466	14	403
1976 total:		1.500	0	0

Premiums - total 870

(c) Comparison of the budget costs of both situations

The total amount of the variable premiums to be financed would be 870 M u.a. for the 1974-75-76 period. The absence of premiums in 1976 is explained by the fact that the market price would be at the same level as that reached with a system of support by intervention. This result has a general bearing : a market the support system of which is based on variable premiums will show a rapid recovery in prices at the end of the period of over-production, whereas the presence of public stocks will halt this rise, and consequently prevent a too sharp recovery in production.

On a strictly budgetary level, the variable premium system is therefore more expensive than intervention (cost of situation I: 614 M u.a., cost of situation II: 870 M u.a.). From the point of view of the EAGGF, the cost of situation I is 464 M u.a. (intervention 384 M u.a., premium for the retention of cows 80 M u.a.); the cost of situation II will depend on the percentage which would be fixed for the EAGGF contribution.

(d) Benefit to the consumer and for the distribution system

The benefit to the consumer and for the distribution system is, however, considerable over the period under consideration. The distribution system benefits from the drop in prices, by not passing it on in its entirety, and consumers buy additional quantities of meat at a lower price.

The combined distribution and consumption surplus was evaluated at 400 M u.a. in 1974 and 327 M u.a. in 1975. For 1976, owing to an identical price level,

the two situations come to the same thing for distributors and consumers.

The deduction of this surplus from the budget cost of the variable premiums (870 - 727 = 143 M u.a.) gives a clear advantage over these three years to the variable premium system compared with the intervention system (143 M u.a. as against 614 M u.a.). One should, however, look at the effect over a whole cycle. In order to do so, one would need to know the medium-term impact of the variable premium system, since this system has never been applied in France.

On the assumption that a variable premium system would have a less stabilizing influence in the medium-long term, it would be advisable to add to the above balance-sheet an instability cost which would be to the detriment of consumers outside over-production periods.

Two factors suggest that the variable premium system has less of a stabilizing effect in France than the intervention system:

- (1) Despite the existence of a guaranteed price, a drop in market price would cause stockfarmers to revise their production plans downwards, resulting in a drop in production. In turn, this drop in production would provoke a significant price rise and a major recovery in production.
- (2) The intervention stocks play the role of reserve supply in that Member State for imports from non-member countries are low; at the end of a period of over-production, the intervention stocks thus prevent too sharp a recovery in prices and therefore a rapid and substantial recovery in production in the medium term.

ANNEX A

Application in Italy of the system of premiums for the birth of calves

SUMMARY OF THE COMMUNITY RULES

1. The system of premiums for the birth of calves was introduced in Italy on 3 March 1975 in accordance with Regulation (EEC) N° 464/75; this system applied for the whole of the 1975/76 marketing year.

The premium, which totalled 56 u.a. per head, was paid in two instalments of 28 u.a. each, the first on the birth of the calf and the second one year later if the calf was still alive.

2. The premium system introduced under Regulation (EEC) N° 464/75 was continued into the 1976/77 marketing year under Regulation (EEC) N° 620/76. Certain changes were introduced, however, the main change being that the amount of the premium was fixed at 28 u.a. payable in one instalment when the calf reached the age of six months.

3. The system of premiums in Italy for the birth of calves has been re-introduced again for the 1977/78 marketing year under Regulation (EEC) N° 871/77; the rules for the application of this system are the same as those adopted during the preceding marketing year; however, the premium has been fixed at 35 u.a. per head.

RESULTS OBTAINED FROM THE CALVING PREMIUMS

1. Numerous difficulties arose in the application of the premium system provided for in Regulations (EEC) N°s 464/75 and 620/76. The adoption of national implementing provisions, followed by the preparation and adoption by the autonomous Italian regions, of laws for financing the system, appreciably slowed down its implementation. Furthermore, special problems arose in one region (Sicily) where actual livestock numbers greatly exceed those officially recorded.

2. Pursuant to Regulation (EEC) N° 464/75, 2.800 000 applications for premiums have been dealt with by the regions up to 31 July 1977. The first instalment of the premium was paid in respect of 2 500 000 calves and the second was paid in respect of 246 000 calves.

3. Pursuant to Regulation (EEC) N° 620/76, 1 200 000 applications for premiums had been lodged with the regions up to 31 July 1977. The premium was being paid in respect of 246 000 calves.

ECONOMIC IMPACT

The introduction of the premium for the birth of calves led to an increase in Italian cattle numbers. These, which had been dropping steadily for several years, increased from 8 243 000 in 1974 to 8 529 000 head of cattle in 1975 and 8 813 000 head in 1976. The number of male animals under one year old, excluding those intended for slaughter, increased from 481 000 in 1974 to 558 000 in 1975 and to 592 000 in 1976. The number of female animals under one year old increased from 958 000 in 1974 to 985 000 in 1975 and to 1 022 000 in 1976. This phenomenon is particularly interesting in the light of the fact that in the other Member States herd numbers are at present falling, as shown in the following table.

Development of cattle numbers
(December census)

(in thousand head)

Year	1971	1972	1973	1974	1975	1976	1977	1978
Cattle total								
Country								
EUR-9	71.693	74.823	78.861	79.346	77.290	76.872	77.000	79.685
variation, in %		+ 4,4	+ 5,4	+ 0,6	- 2,6	- 0,5	+ 0,2	+ 3,5
EUR-6	50.582	52.307	54.572	54.790	54.280	54.192	54.100	55.635
Germany	13.638	13.892	14.364	14.430	14.493	14.496	14.500	14.565
France	21.698	22.557	23.949	24.300	23.641	23.333	23.400	24.500
Italy	8.669	8.805	8.487	8.243	8.529	8.813	8.700	8.700
Netherlands	3.748	4.111	4.668	4.714	4.606	4.528	4.500	4.800
Belgium	2.643	2.750	2.896	2.889	2.805	2.823	2.800	2.870
Luxembourg	186	192	208	214	206	199	200	200
United Kingdom	12.917	13.760	14.925	14.914	13.991	13.667	13.900	14.500
Ireland	5.516	5.946	6.408	6.497	5.964	5.949	6.000	6.650
Denmark	2.678	2.810	2.956	3.145	3.055	3.064	3.000	2.900

ESTIMATED COSTS CHARGED TO THE EAGGF UNDER THE SYSTEMS OF PREMIUMS
FOR THE BIRTH OF CALVES

Total cost per system

1. Regulation (EEC) N° 464/75:
5.000.000 x 28 UC = 140 MUC (1) (2.800.000 + 2.200.000)
 2. Regulation (EEC) N° 620/76:
2.200.000 x 28 UC = 61,6 MUC (1)
 3. Regulation (EEC) N° 871/77:
2.200.000 x 35 UC = 77 MUC (1).
- (1) Without the effect of the dual conversion rate.

Cost per calendar year

Year	Regulation 464/75		Regulation 620/76		Regulation 871/77	Total
	First Instalment	Second Instalment	G	R		
1975						
Heads	123.000					123.000
M u.a. without DR	3,4					3,4
1976						
Heads	1.775.000					1.775.000
M u.a. without DR	49,7					49,7
1977	(1)	(1)	(1)			(1)
Heads	902.000	1.200.000	1.200.000			3.302.000
M u.a. without DR	25,3	33,5	33,6			92,5
1978		(2)	(2)	(2)		(2)
Heads		1.000.000	1.000.000	1.500.000		3.500.000
M u.a. without DR		28,0	28,0	52,5		108,5
1979				(2)		(2)
Heads				700.000		700.000
M u.a. without DR				24,5		24,5

- (1) Estimate
(2) Forecasts.

ANNEX B

Analysis of the income support system
for producers introduced in the beef
and veal sector in the United Kingdom

I. Brief description of the support measures

- A. A variable supplementary premium is paid per unit of weight on the presentation to the certification centre ("auction market") of either the eligible animal ("clean cattle") or the carcasses of these animals (dead weight certification centre).

The amount of this premium is equal to the difference between the guaranteed price, seasonally adjusted, and the market price for the week under consideration. However, a ceiling may be placed on the amount of this difference.

Although it is the operator presenting the animal (or the carcass) to the certification centre who actually receives the premium, it is generally recognized that the premium goes indirectly to the producer, because the price he charges for the animal is implicitly increased by the amount of the premium to be received by the operator.

- (a) From 1947 to 1973 this premium was granted under the national system of guaranteed prices fixed annually (Annual Review).
(b) After 1974 it was granted within the framework of the Community rules.

- B. Direct aid is paid to producers in accordance with the number of cattle present on the holding.

(a) At national level :

- (i) calf subsidy scheme : in existence since 1946; a subsidy is granted (stage A) for every male or female calf of over eight months⁽¹⁾ of any breed - except exclusively dairy females (Jersey, Guernsey, Frisian and Ayrshire) - suitable for rearing for meat production. Animals refused at stage A may qualify for the premium on slaughter (stage B) if the carcass is of good meat quality.

At present, the unit amount of the calf subsidy is £8.50/head for males and £6.50/head for heifers, in the case of calves born after 27 March 1975 and carcasses certified after 1 April 1976⁽²⁾. This scheme is due to expire at the end of the transitional period (last payments : calves born up to 1 April 1977).

(ii) Beef cow subsidy scheme : in existence since 1966; a subsidy is granted for each cow intended solely or principally for meat production and not situated in a hill region accorded entitlement to the "hill cow subsidy" (see iii). At present it amounts to £11/head (amount unchanged since 1971). This scheme is due to expire at the end of the transitional period (last payments : cows present on the farm on 1 January 1977).

(iii) Hill cow subsidy scheme : in existence since 1941; a subsidy is granted for every cow kept all year round in a hill area and intended mainly for meat production. "Hill" cows represent more than half the total number of cows for meat production.

This subsidy has been abolished (the last marketing year in which it applied was 1974/75; unit amount £24.50/head) and replaced by the premium referred to under b) below.

b) At Community level

Pursuant to the "hill farming" Directive, the "Hill Cow Subsidy" was replaced by the premium per L.U. provided for in Article 7 of that Directive (1 cow = 1 L.U.).

The unit amounts, fixed within the limits laid down by the Directive, were as follows :

In 1976 the premium was £29 per L.U. with a ceiling of £28.48 per ha (exactly 50 u.a./ha, or the maximum allowed under the Directive).

(1) Reduced to six months in hill areas

(2) Exceptionally, during the 1975/76 marketing year, these amounts were increased by £10 per head.

II. ECONOMIC IMPACT OF THE SUPPORT MEASURES

Table VIII attached hereto shows the development, since 1962/63, of all direct support measures granted in the United Kingdom both at national and Community level, and their relationship to the market price. This table shows that :

(a) the direct support measures amounted to between 10% and 30% of the market price for cattle, depending on the year. Of this total :

(i) the direct subsidies, paid in proportion to the number of cattle present on the holding, account for a fairly constant percentage of the market price of cattle: 10 to 15% (average: 12.4%). However, the aid to hill cows is on the increase (theoretically, only such aid will continue after the transitional period).

(ii) compensatory payments vary greatly; they exceeded 10% of the market price in the years when production increased sharply (62/63 - 63/64 - 67/68 - 75/76). On average, they represented 7.4% of the market price in the 62/76 period.

(b) The measures introduced by the United Kingdom ensured a stable income per unit of production (at constant prices) until accession. As large direct subsidies were continued at the beginning of the transitional period, coinciding with a substantial increase in the market price⁽¹⁾, producers' incomes rose sharply; this was responsible for the abnormally high increase in meat production in the United Kingdom in 1974/75 and in 1975/76. The 1974/75 crisis led to a temporary drop in incomes, as shown in graph N° 6.

(1) An increase which took place parallel to the sharp rise in the guide price for the marketing years 73/74 and 74/75.

T A B L E S

A N N E X E S

TABLE I

Intervention buying-in, 1973, 1974, 1975, 1976 in the beef and veal sector

	1973	1974	1975	1976	Total 1973/76		1977 (1)
					a) absolute value tonnes	b) %	
Germany	19 828	88 510	55 515	101.903	265 756	21.05	29 282
Belgium	-	10 814	17 432	4 773	33 019	2.63	7
Denmark	-	42 409	39 279	45 866	127 554	10.10	8 060
France	506	172 230	124 892	86 365	383 993	30.41	-
Italy	-	21 235	36 823	21 334	79 404	6.28	6 476
Ireland	2 559	119 251	137 775	68 473	328 058	25.98	32 358
Luxembourg	-	-	-	38	38	-	-
Netherlands	-	9 153	669	16 642	26 464	2.19	8 354
United Kingdom	-	204	1 171	16 866	18 241	1.45	4 276
C E E	22 893	463 806	413 556	362 260	1 262 515	100	88 813

(1) Situation from June 1977

TABLE II

ANNUAL AVERAGE OF MONTHLY CHANGES IN MARKET PRICES ¹ (EXCLUDING VAT)
OF ADULT BOVINE ANIMALS PER 100 KG OF CARCASE WEIGHT ²

	U.K.	France	Germany	Italy
1969	4.5	2.3	-	0.6
1970	3.9	2.3	-	0.9
1971	4.1	1.3	-	1.0
1972	3.5	2.4	2.4 (6 months)	2.6
1973	2.3	1.3	1.3	1.1
1974	4.4	1.3	0.8	2.8
1975	6.3	3.1	1.3	1.6
1976	3.8	1.8	1.4	1.2
Average 69/76 ²	4.1	2.0	1.4	1.5

¹ Wholesale stage, ex-market or ex-slaughterhouse

² 1972/76 for Germany

TABLE III

FOREIGN TRADE OF THE COMMUNITY

(in '000 tonnes)

carcase equivalent

Trade \ Period	1971	1972	1973	1974	1975	1976
Imports from non-member countries						
Beef and veal of which :	652	943	951	356	141	255
live animals (thousand head)	170 (957)	190 (1046)	168 (846)	102 (517)	35 (183)	54 (260)
Fresh or chilled meat	153	203	235	83	29	49
Frozen meat	329	550	548	171	77	154
Exports	110	58	75	178	217	171
Net balance of trade	542	885	876	178	- 76	84

Source : DG VI-C-1

TABLE IV

Subject : Application of the system of premiums for the orderly marketing of certain bovine animals

Marketing year 1974 / 1975

Member State	Entry into force	Fixed amounts (u.s./head)												Communications to the Commission on the number of animals entitled to the premium	Comments
		AUGUST	SEP.	OCTOBER		NOV.	DEC.	JAN.	FEB.	MARCH	APR.				
				1 to 6	7 to 31										
Germany	1.11.74				28 (1)	33.25(1)	37.65(1)	37.65(1)	30	30	1 240,806				
Belgium	1. 9.74		30(2)	40 (2)	42 (2)	52.50(2)	63.00(2)	73.50(2)	60	44	327,167				
Denmark	1.11.74				28 (1)	33.25(1)	37.60(1)	37.65(1)	30	30	327,977				
Ireland	5. 8.74	20 (2)	30(2)	40 (2)	40,80(6)	51.01(1)	61.22(1)	71.41(2)	30	30	396,995	(3)			
Luxembourg	1. 9.74		30	40	42	52.50	63	73.50	80	80	28,626	(2)			
Netherlands	1.10.74			40 (2)	42 (2)	52.50(2)	63 (2)	73.50(2)	65	45	238,231				
United Kingdom	5. 8.74	20 (2)	30(2)	40 (2)	42 (2)	52.50(2)	63 (2)	73.50(2)	30	30	2,660,306				
TOTAL											5 225,103				

1) Maximum amounts taken over by EAGGF, account being taken of the derogation provided for in Article 1 (3) of Regulation (EEC) No 2504/74.

2) Maximum amounts decided by the Council, account being taken of the increase introduced from 7 October 1974.

3) From 3 to 15 March 1975 the unit amount was fixed at 49.8 u.s.

TABLE V
 UNIT AMOUNT OF PREMIUMS GRANTED TO PRODUCERS OF BOVINE ANIMALS BY THE MEMBER STATES
 Marketing year 1975/1976

Member State	Fixed unit amounts												u.s./head
	May 1975	June 1975	July 1975	August 1975	September 1975	October 1975	November 1975	December 1975	January 1976	February 1976			
Germany	28	28	28	28	28	28	28	28	28	28	28	28	28
Belgium	28	28	28	28	28	28	28	28	28	28	28	28	28
Denmark	28	28	28	28	28	28	28	28	28	28	28	28	28
Ireland	28	28	28	28	28	28	28	28	28	28	28	28	28
Luxembourg	80	80	62	44	58	80	80	71					
Netherlands	45	40	35	28	28	28	28	28	28	28	28	28	28
United Kingdom													
fixed premium	28	28	28	28	28	28	28	28	28	28	28	28	28
variable "	-	19,33	72,74	60,88	40,41	44,45	19,38	1,75	0	12,90			
total	28	47,33	100,74	88,88	68,41	72,45	47,38	29,75	28	40,90			
Marketing year 75/76	premium for retention of cows : 9.941 u.s. charged to EAGGF and 18.462 u.s. to the national budget (additional premium)												
France	premium for the birth of calves : 56 u.s. charged to EAGGF (50 % at birth, 50 % one year later)												
Italy													

TABLE VI

CHANGES IN THE UNIT AMOUNT OF THE VARIABLE PREMIUM GRANTED IN THE U.K.
u.a./head)

month	amount fixed	authorized	Regulation
November 74	8.06	110.65	Commission Regulation (EEC) N° 3028/74 of 29.11.74 (<u>national financing</u>)
December 74	7.64	82.20	
January 75	21.28	47.42	
February 75	8.44	31.61	Council Decision of 27.2.75 (<u>national financing</u>)
March 75	0	50	Council Regulation (EEC) N° 462/75 (extending the orderly marketing premium (<u>national financing</u>))
April 75	0	50	
May 75	0	52	Council Regulation N° 464/75 : in addition to the slaughter premium (100 % financed by EAGGF) an additional national premium is granted (<u>national financing</u>) (average weight per head : 453 Kg)
June 75	19.33	52	
July 75	<u>72.74</u>	52	
August 75	<u>60.88</u>	52	
September 75	40.41	52	
October 75	44.45	52	
November 75	19.38	52	
December 75	1.75	52	
January 76	0	52	
February 76	12.90	52	
March 76	25.35	$\frac{1-15}{77.06(1)}$ $\frac{15-31}{45}$	(1) Council Regulation (EEC) N° 390/76 extending the Regulation (EEC) N° 464/75 up to the 14.3.76
April 76	18.24	45	Council Regulation (EEC) N° 797/76 The sum of the market price and the premium must not exceed : - on average 85 % of the guide price - at any time 88 % of the guide price (G.P. applicable in the United Kingdom) Financing : a) from 15.3 to 31.8.1976 : national b) to the end of the 76/77 marketing year : 25 % EAGGF guidance section (average weight per head : 460 Kg)
May 76	9.66	45	
-- no premium subsequently 1976 -			
May 77	0	45	Council Regulation (EEC) N° 870/77 Same conditions as for Regulation (EEC) N° 797/76 except for : financing 25 % EAGGF, guidance section for the whole marketing year 1977/78. (average weight per head : 460 Kg)
June 77	0		

TABLEAU N° VII (c)

UK EXPORTS OF LIVE CATTLE, BEEF AND VEAL 1977

EXPORTS TO:	JANUARY				FEBRUARY				MARCH				APRIL			
	Cattle		Beef and Veal		Cattle		Beef and Veal		Cattle		Beef and Veal		Cattle		Beef and Veal	
	No	Tonnes	No	Tonnes	No	Tonnes	No	Tonnes	No	Tonnes	No	Tonnes	No	Tonnes	No	Tonnes
UK	15,352	1,118	4,733	1,002	13,473	1,002	4,643	16,549	1,471	5,935	14,799	1,313	4,430			
of which:																
Germany	-	-	1,100	-	-	-	793	-	-	1,209	-	-	722			
France	5,840	355	2,953	226	3,766	226	3,003	5,021	534	3,663	5,620	437	2,934			
Italy	3,675	204	1	187	3,539	187	56	5,479	304	19	3,667	192	3			
Netherlands	607	31	323	46	820	46	335	1,372	69	364	1,325	70	199			
Belgium/Lux	3,020	325	315	263	3,432	263	307	3,022	328	410	2,324	437	376			
Denmark	-	-	25	-	-	-	19	-	-	10	-	-	21			
Ireland	1,306	139	16	270	1,353	270	130	1,655	236	161	1,140	155	227			
Other	255	92	240	102	304	102	262	440	115	124	244	104	253			
Total all countries	15,607	1,210	4,873	1,104	13,862	1,104	4,805	16,989	1,506	5,959	15,043	1,422	4,653			

TABLE VIII
DIRECT SUPPORT MEASURES GRANTED IN THE UNITED KINGDOM FOR THE PRODUCTION OF BEEF AND VEAL

	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71	71/72	72/73	73/74	74/75	75/76	76/77
A) Producer subsidies															
1) Calf subsidy	17.7	19.4	20.4	22.7	24.7	22.6	26.8	27.3	29.1	31.0	31.9	33.9	48.9	59.5	28.9
2) Beef cow subsidy	-	-	-	-	2.5	2.9	4.0	4.9	5.8	6.7	7.1	9.1	22.1	12.0	11.5
3) Hill cow subsidy	5.4	5.6	5.7	6.7	7.5	8.7	10.3	11.8	13.9	14.7	15.5	16.9	35.4	5.5	-
4) Hill livestock compensatory allowances(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	17.0	29.0
Total															
a) in million £	23.1	25.0	26.1	29.4	34.7	34.2	41.1	44.0	45.7	52.4	54.5	59.9	106.4	94.0	69.4
b) in million u.s.	64.7	70.0	73.1	82.3	97.2	95.8	98.6	105.6	109.7	125.4	130.8	129.4	221.3	179.5	121.4
c) in u.s./100 kg liveweight	3.9	4.0	4.8	5.3	6.0	5.6	6.1	6.5	6.3	7.4	8.2	7.9	10.6	8.3	6.4
B) Compensatory payments (2)															
a) in million £	30.5	40.8	9.8	5.0	19.6	41.1	19.3	26.2	31.0	2.8	1.0	-	56.4	89.9	8.8
b) in million u.s.	85.4	114.2	27.4	14.0	54.9	115.1	46.3	62.9	74.4	6.7	2.4	-	117.3	178.9	15.4
c) in u.s./100 kg liveweight	5.1	6.5	1.8	0.9	3.4	6.8	2.9	3.9	4.3	0.4	0.15	-	5.6	8.3	0.8
C) Total A + B															
a) in million £	53.6	65.8	35.9	34.4	54.3	75.3	60.4	70.2	76.7	55.2	53.5	59.9	162.8	183.9	78.2
b) in million u.s.	150.1	184.2	100.5	96.3	152.1	210.9	144.9	168.5	184.1	132.1	133.2	129.4	338.6	358.4	199.6
c) in u.s./100 kg liveweight	9.0	10.5	6.6	6.2	9.4	12.4	9.0	10.4	10.6	7.8	8.35	7.9	16.2	16.6	7.2
D) Indefinite meat production (beef and veal) (3)															
in thousand tonnes	903	941	819	835	864	915	869	876	942	919	863	886	1 132	1 165	1 025
E) Average market price (4)															
in u.s./100 kg liveweight	34.7	34.7	43.2	45.5	42.9	39.3	42.4	44.6	46.4	54.7	63.6	76.2	70.0	72.4	98.2
F) Total receipts (C) + (E)															
in u.s./100 kg liveweight	43.7	45.2	49.8	51.7	52.3	51.7	51.4	55.0	57.0	62.5	71.95	84.1	86.2	89.0	105.4
G) Subsidies as a % of the market															
Price $\frac{A}{B}$	11.2%	11.5%	11.1%	11.6%	14.1%	14.2%	14.4%	14.6%	13.6%	13.5%	12.9%	10.3%	15.1%	11.5%	6.5%
H) Compensatory payments as a % of the market price $\frac{B}{E}$															
	14.7%	18.7%	4.2%	2.0%	7.5%	17.3%	6.8%	8.7%	9.3%	0.7%	0.2%	-	8.0%	11.5%	0.8%
I) Total aid measures as a % of the market price $\frac{C}{E}$															
	25.9%	30.2%	15.3%	13.6%	22.0%	31.5%	21.2%	23.3%	22.9%	14.2%	13.1%	10.3%	23.1%	23.0%	7.3%

(1) Application of the "Hill Farming" Directive to the United Kingdom
(2) Deficiency payments before accession and Community premiums since accession (orderly marketing premium and the slaughter premium). Other expenditure (refunds, intervention) paid by the EAGGF-Guarantee Section was as follows: 74/75 - £7.3 million 75/76 - £26.1 million. This expenditure was not included in the table because it does not benefit the producer.
(3) Including cattle on the hoof imported from Ireland.
(4) Arithmetical average of the 64 reference markets (calendar year, s.e. 66/67 - 66). For the £/u.s. conversion the Green rate was used as from 1973.

Source : Drawn up on the basis of official data supplied by the United Kingdom Delegation.