

Newsletter on the Common Agricultural Policy

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Weekly

The quest for the best solution

Beef regulation

We continue our outline of the matters to be negotiated at the impending marathon session of the EEC Council of Ministers with a report on the proposed regulation on beef.

The main purpose of these reports is to provide observers at the Council meetings with material that will help them to follow more closely the points that come up for discussion.

Proposal for a regulation on the gradual establishment of a common organization of the market in beef

In order to guarantee that the Common Market and the common agricultural policy develop steadily, a common organization of the market in beef is to be set up, comprising a system of customs duties and certain supplementary price-support measures applicable to trade between the Member States and non-member countries and among the Member States themselves. The regulation will cover the following goods:

| <u>Description</u> | <u>Customs heading</u> |
|---|------------------------|
| (a) Live bovine animals, domestic, other than for blood-stock breeding | 01.02 A II |
| Meat of domestic bovine animals | ex 02.01 A II |
| (b) Offals of domestic bovine animals | ex 02.01 B II |
| Meat and edible meat offals of bovine animals salted, in brine, dried or smoked | ex 02.06 C |
| (c) Sausages and the like, of meat, meat offal or animal blood, containing beef or beef offals, excluding those containing pigmeat or pig offal | ex 16.01 |

.../...

| <u>Description</u> | <u>Customs heading</u> |
|---|------------------------|
| Other prepared or preserved meat or meat offal containing bovine livers, excluding preparations containing pig livers | ex 16.02 A II |
| Other prepared or preserved meat or meat offal, n.e.s. containing beef or beef offals, excluding preparations containing pigmeat or pigmeat offal | ex 16.02 B II |
| (d) Guts, bladders and stomachs of bovine animals, whole and pieces thereof | ex 05.04 |
| Unrendered fats of bovine cattle; tallow (including <u>premier jus</u>) produced from those fats | ex 15.02 |
| Meat extracts and meat juices of bovine cattle | ex 16.03 |

The EEC Commission has suggested to the Council that it should not wait until the end of the transitional period before organizing the market in beef. The Commission believes that the price differences on the beef markets in the various Member States are not so great as to constitute an insurmountable obstacle to a market organization being set up on 1 April 1968. Two of the Member Governments take a different view. In the coming session, the Council will have to arrive at some agreement on this question. Member countries still have some freedom of action until the national market organizations are superseded by the common organization.

The system worked out for beef has been tailored to fit the peculiarities of the beef markets in the various countries. Nothing is to be forced on the Member States that would run contrary to the structure of the markets, to the traditional pattern of supply and demand and so on. This can truly be described as a system devised "for the individual EEC countries". The focal point of the future market organization for beef is the guide price, which is something new in the Community's agricultural regulations. Member Governments are to aim as closely as possible at the guide price and keep it in mind when framing their policies on the beef market. Although it is not a guaranteed price, it is the cornerstone of the regulation, and Member Governments should try to make it effective by using the economic and political means offered by the regulation. As market prices for beef will still vary when the common organization comes into operation, the Member States would be permitted - if the Commission's proposal is accepted - to fix their guide prices at different levels during the first two years after the regulation comes into operation. But they would already have to keep within an upper and a lower price limit (or "price bracket"), so that the subsequent alignment of guide prices on a uniform Community guide price should not be made difficult.

There is already much common ground in the views held by the delegations of the Member States on this important principle in the regulation. It is embodied in Article 2 of the draft, which is

almost ready for final approval. This means that the Member States would first fix their guide prices within the price bracket for the marketing years beginning on 1 April 1964 and 1 April 1965, and the uniform guide price would be fixed by joint agreement before 1 October 1965 for the marketing year beginning on the following 1 April.

The first line of protection for goods produced within the Community will be the duties in the common external tariff applied to non-member countries. Should it prove that goods from non-member countries none the less enter Community markets at a price lower than the guide price, a supplementary levy will be imposed. Whether the sluice-gate price contained in the Commission's original proposal is retained will be decided by the Council during the coming negotiations. This price would involve hardly any increase in external protection.

As a result of the latest discussions in the Council and the Special Committee on Agriculture, the Commission prepared a text that has now been submitted to the Council for decision during the marathon sitting. This text provides that -

At regular intervals the Commission will fix an import price for cattle on the basis of prices quoted on the most typical markets of non-member countries.

If the import price (including customs duty) for cattle is lower than the guide price of the importing Member State, the difference between the guide price and the import price including customs duty will be made up by a levy imposed by the importing Member State.

As regards the calculation of import prices, the problem arises of what qualities of product in non-member countries the import prices can be based on. This point is of great importance since the level of any supplementary levy that may be imposed is closely linked with the fixing of prices. Some Member States have raised objections to the way in which the supplementary levy is to be applied to imports from outside the Community. These relate mainly to the fact that the full amount of the levy can be imposed as soon as the guide price is undercut. The objectors would prefer to charge a lower percentage of the levy at first and then increase it gradually to 100%.

Current thinking in the Council is that the supplementary levy should be charged in two stages. For instance, no levy would be made as long as the market price of the product in the importing Member State was 5% above the guide price, and the levy would be at half rate when the market price was only slightly above or below the guide price.

In the case of veal, animal carcasses or halves, fresh or frozen, forequarters, hindquarters, cuts, frozen meat of all kinds and frozen cuts, the amount of the levy is to be fixed in relation to the levy on live cattle, whether grown animals or calves.

For items other than cattle, fresh meat and some frozen meats, no supplementary levies are to be imposed.

Frozen meat has a special place in the regulation. In the 1960/61 GATT negotiations the EEC made the concession of binding customs duties for frozen meat from non-member countries at 20% for a quota of 22 000 metric tons. In addition to this quota, the beef regulation would allow for as much of frozen meat for industrial processing to be imported at a 20% rate of duty as the market situation for Community-produced cattle for processing and frozen meat permits.

Quite apart from this, all imports from non-member countries of frozen meat and of the products listed under (b) and (c) above will require an import licence issued on application to a Member State. These import licences are intended to provide a check on how much frozen meat is imported into the Community.

So much for the effects of the beef regulation on trade with non-member countries. The regulation also deals specifically with intra-Community trade. Protection for each Member State will remain limited to the intra-Community customs tariff, i.e. the duties applicable to imports from other Member States when the regulation comes into force. This may be reinforced by supplementary levies when a Member State is obliged to intervene on the market in cattle and fresh meat, but in the case of grown animals and calves the levy may not exceed the difference between the intervention price and the price (including customs duty) of imports from the various exporting Member States. In the case of fresh and some forms of frozen beef and veal, the same rule will apply in a specially modified form. All measures taken by the Member States to compensate for any fall in prices on their home markets must be such as will not impede the application of the beef regulation.

There should therefore be no intervention as long as the market prices for live animals do not vary more than 7% from the guide price. It has been suggested in the Council that provision be made for two different intermediate stages, each with a minimum and maximum percentage, for the 1964/65 and 1965/66 marketing years and that a uniform rate should not be applied until 1 April 1966.

The beef regulation is a document of outstanding clarity that depends for its application on a few effective devices, and this will probably ensure smooth administration; it will work principally through the application of customs duties inside and outside the Community. Protective measures going beyond this are only envisaged where the market situation is critical. The guide prices, which at first are fixed on a national basis, will be brought into line during the transitional period until there is a uniform guide price for the whole Community. Furthermore, the Council must take into account its policy on dairy produce when reaching a decision during the marathon session on its policy in the beef and veal sector and must also bear in mind that the level of milk production in the Community depends a great deal on the degree of incentive which beef prices can offer to

farmers, since the beef market, as one of the few in the EEC that are not yet saturated, offers great opportunities to agricultural producers.

The main difficulties in unifying the six national markets will be found in the divergent qualities of beef available in the six countries. In Belgium and France, for instance, most beef is produced from beef cattle breeds, whereas in other member countries it comes mainly from dairy cows. This will make it relatively difficult to arrive at a European standard of quality for beef.

A difficult point of commercial policy in the coming negotiations will be the quota that the Federal Republic of Germany has promised Denmark in a long-term commercial treaty.

Community Decisions and Regulations

Developments in the Council

Suspension of duty on molasses

Meeting in Brussels on 25 and 26 November the EEC Council decided, at the request of the Italians, to extend the suspension of the duty on molasses until 31 December.

After the previous Council session had produced no agreement on this matter because of difficulties arising from the unusually heavy sugar-beet harvest and the consequent surplus of molasses in the German Federal Republic, agreement has now been reached on the basis of Article 103 of the EEC Treaty. The procedure laid down in this article applies in the event of difficulties in the supply of certain goods. Only the Netherlands, Belgium, Luxembourg and Italy are in fact suspending the duty. France and Germany are not doing so, and this avoids difficulties that would have arisen for German imports of yeast manufactured from molasses, since France is Germany's main supplier of yeast.

All member countries reduce pigmeat levies by the amount of the Dutch levy

So that the continuing rise of pigmeat prices in the EEC countries may be offset by facilitating imports from outside the Community, the Council decided during its session of 25 and 26 November to reduce the pigmeat levies by the full amount of the levy imposed by the Netherlands on imports from non-member countries. On this occasion the Federal Republic of Germany also associated itself with the decision. The other five member countries had already reduced their levies by 75% of the Dutch levy.

Reduction of levies on imports from non-member countries
for the period till 31 December 1963

| <u>Country</u> | <u>Normal levy in u.a. (\$ per 100 kg)</u> | <u>Reduction</u> | <u>New level of the levy</u> |
|----------------|--|------------------|----------------------------------|
| Belgium | 13.2905 | 9.0119 | 4.2786 |
| France | 17.2099 | " | 8.1980 |
| Italy | 21.1059 | " | 12.0940 |
| Luxembourg | 32.7579 | " | 23.7460 |
| Netherlands | 9.0119 | " | - |
| Germany (FR) | 29.0163 | " | 20.0044 |

Pigmeat prices of reference-price quality have gone up by:

50% in Belgium
20% in Germany (FR)
40% in France
17% in Italy
44% in the Netherlands.

Trend of prices for slaughtered pigs of reference-price quality in the
Member States, expressed in national currencies and in DM per kg
for the period 14 October to 24 November 1963

| <u>Week ending</u> | <u>BELGIUM</u> | | <u>GERMANY</u> | <u>FRANCE</u> | |
|--------------------|----------------|-------|----------------|---------------|-------|
| | Bfrs. | £ | DM | FF | DM |
| Reference price | 32.357 | 2.588 | 3.440 | 3.504 | 2.839 |
| 20.10.63 | 42.90 | 3.43 | 3.975 | 4.431 | 3.59 |
| 27.10.63 | 44.20 | 3.54 | 3.957 | 4.580 | 3.71 |
| 3.11.63 | 42.90 | 3.43 | 3.970 | 4.534 | 3.67 |
| 10.11.63 | 47.45 | 3.80 | 4.051 | 4.637 | 3.76 |
| 17.11.63 | 46.48 | 3.72 | 4.035 | 4.852 | 3.93 |
| 24.11.63 | 48.75 | 3.90 | 4.145 | 4.899 | 3.97 |

| <u>Week ending</u> | <u>ITALY</u> | | <u>LUXEMBOURG</u> | | <u>NETHERLANDS</u> | |
|--------------------|--------------|-------|-------------------|------|--------------------|-------|
| | Lit. | DM | Lfrs. | DM | F1. | DM |
| Reference price | 471.9 | 3.020 | 45.00 | 3.60 | 2.210 | 2.441 |
| 20.10.63 | 573.2 | 3.67 | 42.25 | 3.38 | 2.780 | 3.07 |
| 27.10.63 | 571.2 | 3.66 | " | " | 2.730 | 3.02 |
| 3.11.63 | 571.9 | 3.66 | " | " | 2.880 | 3.18 |
| 10.11.63 | 569.7 | 3.65 | " | " | 2.880 | 3.18 |
| 17.11.63 | 560.3 | 3.59 | " | " | 3.080 | 3.40 |
| 24.11.63 | 551.2 | 3.53 | " | " | 3.180 | 3.51 |

Programme for improving current regulations

Following discussion of the Commission's report containing a survey of aids to agriculture and that on the operation of the common agricultural policy from July 1962 to July 1963, the Council has adopted a programme for the improvement of the regulations already in operation. The programme falls into three groups of measures. The Commission will make proposals to the Council in respect of the first group, which covers:

- (a) Graduated prices for cereals on a regional basis, to apply in all member countries;
- (b) Harmonization of intervention on cereal prices in the Member States (proposal to amend Article 7(3) of Regulation No. 19);
- (c) Standardization of the refund procedure;
- (d) Alignment of procedures for importing fruit and vegetables;
- (e) Adjustment of the period of validity of import licences for fruit and vegetables in the member countries.

The Commission has already initiated the procedure laid down in the Treaty for the second group, which covers aids for fruit and vegetables and for brewers' barley.

The third group comprises the fairly minor technical procedures on which there is still disagreement. They will be discussed in the Management Committees for the various products.
