

**Newsletter on the Common Agricultural Policy**

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CONTENTS

1. Basic facts of the common organization of the market in beef and veal
2. Tables of imports, exports and supplies of beef and veal in the EEC
3. Time-table for the introduction of a common price policy for milk and beef

BASIC FACTS OF THE COMMON ORGANIZATION OF THE MARKET IN  
BEEF AND VEAL

The beef market in the EEC: an indicator of economic prosperity

Beef in great demand

Farmers and consumers in the EEC set great hopes upon the common organization of the market in beef and veal, which comes into force on 1 November 1964; the farmers are looking forward to higher and more secure incomes, the consumers to plentiful supplies of high-quality beef.

From the point of view of income, beef is particularly important for our farmers in the EEC because on an average about 30% of their total earnings comes from the sale of cattle products. On the other hand, consumers are constantly demanding more and better beef, and this has become an indicator of the high standard of living in the six countries of the Community.

A rough count gives a figure of approximately 48 million cattle in the EEC, of which about half are dairy cows and the rest fatstock and calves.

Beef production in the EEC countries rose from 2 302 000 metric tons in 1954 to 3 204 000 metric tons in 1963 - an increase of one third in a relatively short period. But for consumer demand, agriculture in the countries of the Community would not have produced so much beef. Not only is the population increasing, as the census shows, but the growing population is consuming more beef and veal per head each year. Also, a relatively small amount of labour is required for fatstock rearing, in contrast to dairy farming, and this has practical economic advantages for producers in view of the present shortage of labour in agriculture.

Whereas in the year 1955/56 each inhabitant of the EEC consumed on an average only 14.8 kg of beef, in 1963 the figure was 22.6 kg - an increase of 70%. In the last ten years, then, consumption has risen faster than production. In spite of the growth of domestic production, the rise in beef consumption has meant that more beef has had to be imported to meet demand. The Community's import requirements increased particularly sharply in 1963. The French are now the greatest beef eaters in the Community, with a consumption in 1963 of 24.3 kg of beef and 8.84 kg of veal per head of population; in the last few years the Federal Republic of Germany and Italy have, however, shown the greatest increases in consumption.

The exceptionally high consumption of veal in France, Belgium and Luxembourg is particularly remarkable. Average per capita consumption in France and Luxembourg is over 8 kg a year, as against

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about 3 kg in the other member countries.

As we may assume that in France, Belgium and Luxembourg demand for beef and veal has nearly reached saturation point, the rise in consumption that can still be expected in Germany and Italy will be a more important factor for the Community as a whole.

The provisions of the market organization for beef and veal

The EEC Council of Ministers and the EEC Commission had to take existing conditions into account when drawing up the market organization for beef and veal. Special attention had to be given to the expected growth of consumption.

The latest consumption figures available for the Community as a whole are 3 688 000 metric tons of beef and 596 000 metric tons of veal in 1963. Experts estimate that, provided the economic situation remains favourable, the consumption of beef and veal will continue to rise steeply and will exceed 5 000 000 metric tons by about 1970; it would then be 53% (1 700 000 metric tons) higher than in 1958. A specially high increase in consumption is to be expected in Italy (700 000 metric tons, or 110%), Germany (500 000 metric tons, or 54%) and France (400 000 metric tons, or 30%). The per capita consumption of beef and veal together in the EEC should be at least 27.3 kg in 1970, compared with 20.8 kg in the marketing year 1960/61.

The proportion of total beef consumption in the EEC at present covered by home production is about 94%; for veal, the Community is nearly 100% self-sufficient. With a rising population this would mean that, in spite of a further rise in production, the Community can be expected to need to import more beef in future.

The analysis of the Community markets for beef and veal on which the common organization of these markets was based was therefore: increasing consumption, increasing production, the probability of favourable producer prices, and a continuing need for imports into the Community.

The main outlines of the regulation reflect this assessment of the market. It was possible for the EEC market organization for beef and veal to be framed more liberally than the market organizations already in existence for other livestock products. In this, the experience gained from the existing regulations could be turned to good account.

As in the case of the other Community regulations, the market organization for beef and veal abolishes certain important national arrangements, harmonizes those which remain, and liberalizes trade

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in beef and veal. In contrast to the market organizations already in force, levies will not be applied automatically: it is assumed that imports of live cattle and of beef and veal can be liberalized while retaining ad valorem customs duties.

Only when the price on specified representative markets falls below a certain level - the guide price - will an additional charge on imports be imposed in the form of a levy. Thus the EEC market organization for beef and veal takes into account only the movement of market prices for live cattle and beef and veal within the individual member countries and on the world market. Measures to safeguard the internal market will only be adopted if the market price falls below the guide price.

The guide price is therefore vitally important for the future price level in the Member States. It is not a guaranteed price but a price at which governments are to aim in any given year and from which the intervention price (which will give the internal market added stability) is to be derived.

Each Member State has fixed its own guide prices - one for adult cattle and one for calves - within the upper and lower limits laid down by the Council:

Guide prices for cattle and calves in the Member States  
(marketing year 1964/65, in DM per 100 kg  
live weight)

	<u>Cattle</u>	<u>Calves</u>
Upper limit	235	345
Luxembourg	231	340
Germany (FR)	224	336
Italy	224	330
Belgium	224 +)	312
France	221	324
Netherlands	220	315
Lower limit	205	305

+) In Belgium the rates vary seasonally as follows:

1 Feb. to 31 May = DM 232,  
1 Aug. to 31 Nov. = DM 216

Guide prices are calculated on the weighted average of prices for cattle and calves of all qualities. For the marketing year beginning 1 April 1964, calculation was based on the period 1 November 1962 to 31 October 1963. Typical markets in consumer and producer

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areas have been designated representative markets for purposes of fixing the guide prices.

There is relatively little difference between the individual Member States' guide prices for cattle, so that the introduction of a single market envisaged in the regulation should be achieved more rapidly than the text of the regulation prescribes. The latter gives 1970 as the date for a single guide price applicable to all Member States. In practice the process of alignment is hardly likely to take so long. Originally, the EEC Commission had itself proposed that 1966 would be a suitable deadline for harmonization of the markets.

From the outset, both the future orientation of beef production in the Community and the situation on the market in milk and milk products are to be taken into consideration when the upper and lower limits for guide prices are laid down and the national guide prices fixed. In view of the relation between beef and milk production, it is particularly significant that measures affecting prices within the cattle industry can influence production in the direction desired.

As a rule, market prices in the member countries can be expected to be higher than the guide prices for the greater part of the year, so that the customs duties on beef imports will be adequate.

As mentioned above, the Community has an overall need of imports. Existing import requirements can be met by member countries in two ways:

- (a) by imports from non-member countries,
- (b) by imports from the other member countries.

For intra-Community trade and trade with the outside world, the regulation lays down the procedures dealt with in the following sections.

#### I. Trade with non-member countries

As regards non-member countries, the regulation takes the current national tariffs as its starting-point; these must be progressively aligned on the common external tariff by 1970. When the internal market price within a member country falls below its guide price, a levy is imposed to give additional protection. More precisely, when the internal market price is less than 105% of the guide price, 50% of the amount of the levy is imposed initially; when the internal market price is less than the guide price itself, the full levy is imposed.

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The amount of the levy is equal to the difference between the import price plus import charges (customs duty) and the guide price.

The import price used in calculating the levies is derived from a price ascertained, by a precisely formulated procedure, from quotations on representative markets in non-member countries. The latter price, plus import charges (national customs duties), gives the import price in the sense in which the term is used in the regulation. Each week the Commission fixes the two import prices - for cattle and calves - using the method prescribed in the appropriate implementing regulation (No. 63/64).

The member countries also inform the Commission each week of the market prices for the markets and qualities listed in Annex III to the basic regulation. This information enables the Commission to fix the market price for this period and to decide whether a levy shall be imposed for the following week or not. The Member States themselves work out the amount of the levies, if any, they are to apply.

## II. Trade among member countries

In the market organization for beef and veal, too, imports from Member States enjoy a slight preference over imports from non-member countries. Whereas the levy on imports from non-member countries completely covers the difference between the import price, including duty, and the guide price, the levy on imports from Member States is equal to the difference between the market price fixed for Member States and only 95% of the importing Member State's guide price. The remaining 5% represents the actual preference enjoyed by an exporting Member State over an exporting non-member country.

A member country may only impose levies in intra-Community trade in beef and veal if it has already intervened on its home market.

The possibility of relieving the market by means of supporting purchases affords the national market of each member country additional protection and stability. The intervention price is fixed by Member States at between 93% and 96% of the guide price. In the event of a Member State fixing its intervention price at between 93% and 95% of the guide price, the intra-Community levy corresponds to the difference between the market price fixed for the exporting member country plus duty and the guide price of the importing Member State less 5%.

When, however, a Member State fixes its intervention price at between 95% and 96% of the guide price, the levy imposed may not exceed this intervention price.

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Under the market organization for beef and veal, however, a Member State is not obliged to intervene on the home market when the intervention price has been reached. If a Member State does not choose to exercise the option of intervening, it may not impose a levy on imports from other Member States unless the market price for beef falls at least 10% below the guide price.

No provision is made for a levy on calves and veal imported from Member States. The system of customs duties on beef, together with levies under certain circumstances, ensures that when market prices fall below the guide price, goods can only be imported into a Member State at the guide price itself or, alternatively, at the intervention price.

The preference which Member States enjoy over non-member countries consists in the difference between Member States' rates of duty and the (higher) duties against non-member countries. Then there is the provision that the levy imposed when market prices fall comes into operation earlier on imports from non-member countries than on imports from Member States. If a levy is imposed both on imports from non-member countries and on those from other Member States, imports from Member States enter at a lower figure, the difference being equal to 5% of the guide price.

The market organization for beef and veal applies not only to live cattle (grown animals and calves), but also to beef, veal and cuts. As cuts have different values in relation to the animal carcass, the corresponding levy must be determined by means of fixed correcting factors. The correcting factors currently applicable are given in implementing Regulation No. 47/64.

#### Frozen meat

Special provisions have been made for frozen meat. In Italy there is a great demand for frozen meat for processing, and Germany, Belgium and the Netherlands also need certain quantities.

Recent Community imports have been at an annual average rate of 100 000 metric tons net; in 1963 they totalled 174 000 metric tons unboned weight.

At times when no levy is imposed, frozen meat is imported at the rate of duty in the common customs tariff. When a levy becomes operative for live cattle, a levy on frozen meat also becomes applicable automatically; this too is calculated by means of a correcting factor.

A tariff quota for the Community of 22 000 metric tons bound in GATT at a duty of 20% has been retained under the market organization for beef and veal. In order to meet the rest of

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current demand for reasonably priced beef, an additional quota may be opened each year for frozen meat for processing; the Council will fix the amount of this quota and the rate of duty.

### Conclusion

The beef regulation is a document of outstanding clarity, easy to grasp and easy to administer. Broadly speaking, the customs procedure instituted consists in applying the existing rates of duty, which are to be harmonized by 1970; provision is made for additional levies only in case of need. The common customs tariff for imports from non-member countries will become fully operative by 1970 at latest. For imports of frozen meat, however, the Community's uniform customs duty will be adopted sooner - except for imports under quota, for which special arrangements are made.

The increasing demand for beef both in the Community and throughout the world opens up favourable prospects for production and trade. Since the EEC, as we have already seen, should need to import beef for quite some time to come, there is not much likelihood of trade with non-member countries suffering.

As the system instituted by the regulation is very liberal at times of the year when no levies are imposed, there is reason to hope that exporting countries - whether members of the Community or not - will have easy access to our markets. The regulation is so designed that within the Community itself high-quality imports will be less affected by the levies. It can therefore be assumed that after the regulation comes into force trade in the better qualities will be intensified. This development should be particularly welcomed by consumers. In addition prices for such items as live cattle, animal carcasses (halves) and cuts in the individual Member States should gradually be aligned.



TABLES OF IMPORTS, EXPORTS AND SUPPLIES OF BEEF AND VEAL IN THE EEC

A. Cattle for slaughter

<u>The EEC in world trade</u>	<u>in \$ million</u>				
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
a) World exports	465	432	457	506	-
b) EEC imports from non-member countries including associated overseas territories	112	123	136	128	124
c) EEC exports to non-member countries including associated overseas territories	7.5	8.9	14	13.5	9.2
d) <u>Net EEC imports</u>	104.5	114.1	122	114.5	114.8
e) <u>Net EEC imports as percentage of world exports</u>	22.4%	26.4%	26.6%	22.6%	

B. Beef and veal (fresh, chilled and frozen)

<u>The EEC in world trade</u>	<u>in \$ million</u>				
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
a) World exports	479	564	557	547	-
b) EEC imports from non-member countries including associated overseas territories	85.8	83.6	97.5	52.4	79.9
c) EEC exports to non-member countries including associated overseas territories	15.1	18.5	23.9	34.3	52.2
d) <u>Net EEC imports</u>	70.7	65.1	73.6	18.1	27.7
e) <u>Net EEC imports as percentage of world exports</u>	14.7%	11.5%	13.2%	3.3%	-

C. EEC beef production  
Gross production

(in thousands of metric tons)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Germany (FR)	884	905	947	997	1 065
France	935	983	1 073	1 206	1 251
Italy	393	442	447	553	557
Netherlands	182	185	201	207	230
Belgium	176	180	180	178	186
Luxembourg	8	8	7	10	10
Total	2 570	2 703	2 855	3 151	3 299

<u>Net production</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Germany (FR)	790	796	837	888	974
France	928	982	1 073	1 205	1 249
Italy	363	398	382	536	521
Netherlands	169	174	194	190	216
Belgium	174	179	179	175	184
Luxembourg	8	8	7	10	10
Total	2 432	2 537	2 672	3 004	3 154

Source: Agricultural Statistics, No. 4-63, Statistical Office  
of the European Communities

D. EEC veal production

<u>Gross production</u>	(in thousands of metric tons)				
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Germany (FR)	95	92	97	94	104
France	330	349	382	399	415
Italy	71	81	78	106	110
Netherlands	32	34	42	33	50
Belgium	19	21	21	19	22
Luxembourg	1	1	1	1	1
<b>Total</b>	<b>548</b>	<b>578</b>	<b>621</b>	<b>652</b>	<b>702</b>

<u>Net production</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Germany (FR)	95	92	97	93	104
France	330	349	382	399	413
Italy	71	81	74	67	89
Netherlands	32	34	42	33	50
Belgium	19	21	21	19	22
Luxembourg	1	1	1	1	1
<b>Total</b>	<b>548</b>	<b>578</b>	<b>617</b>	<b>612</b>	<b>679</b>

Source: Agricultural Statistics, No. 4-63, Statistical Office of the European Communities

E. Origin of beef and veal imports into EEC, Germany (FR) and Italy,  
1963

	EEC (1)		Germany (FR)		Italy	
	Thousands of metric tons slaughtered weight	%	Thousands of metric tons slaughtered weight	%	Thousands of metric tons slaughtered weight	%
<u>Total beef and veal</u>						
Total exports	64.0 (1)	-	14.8	-	-	-
Total imports	496.1 (1)	100	182.5	100	419.2	100
Imports from:						
EEC countries	-	-	57.2	31.4	90.5	21.6
Denmark	155.0	31.3	77.8	42.6	71.4	17.0
Austria	39.2	7.9	3.7	2.0	35.5	8.5
Yugoslavia	59.1	11.9	-	-	59.1	14.1
Ireland	11.4	2.3	6.6	3.6	3.9	0.9
Hungary	39.9	8.0	11.2	6.1	28.7	6.9
Argentina	131.9	26.6	21.5	11.8	85.3	20.3
Uruguay	1.0	0.2	1.0	0.6	-	-
Other countries	58.6	11.8	3.5	1.9	44.8	10.7
<u>Beef and veal, fresh, chilled, frozen</u>						
Total exports	62.1 (1)	-	12.5	-	-	-
Total imports	281.3 (1)	100	91.0	100	258.0	100
Imports from:						
EEC countries	-	-	53.8	59.1	44.0	17.1
Denmark	65.7	23.4	10.8	11.9	54.9	21.3
Austria	1.6	0.6	0.6	0.7	1.0	0.3
Yugoslavia	36.7	13.0	-	-	36.7	14.2
Ireland	5.3	1.9	2.5	2.7	2.8	1.1
Hungary	5.3	1.9	-	-	5.3	2.1
Argentina	130.4	46.4	21.5	23.6	83.8	32.5
Uruguay	1.0	0.3	1.0	1.1	-	-
Other countries	35.3	12.5	0.8	0.9	29.5	11.4
<u>Beef and veal from cattle imported live (2)</u>						
Total exports	1.9 (1)	-	2.3	-	-	-
Total imports	214.8 (1)	100	91.5	100	161.2	100
Imports from:						
EEC countries	-	-	3.4	3.7	46.5	28.9
Denmark	89.3	41.6	67.0	73.2	16.5	10.2
Austria	37.6	17.5	3.1	3.4	34.5	21.4
Yugoslavia	22.4	10.4	-	-	22.4	13.9
Ireland	6.1	2.8	4.1	4.5	1.1	0.7
Hungary	34.6	16.1	11.2	12.2	23.4	14.5
Argentina	1.5	0.7	-	-	1.5	0.9
Uruguay	-	-	-	-	-	-
Other countries	23.3	10.9	2.7	3.0	15.3	9.5

(1) Excluding intra-Community trade

(2) Estimate. In 1962/63 the EEC's net imports totalled about 270 000 metric tons of beef and veal (6.5% of consumption). Of the Community's gross imports, 31% came from Denmark (155 000 metric

TIME-TABLE FOR THE INTRODUCTION OF A COMMON PRICE POLICY  
FOR MILK AND BEEF

(according to the Decisions of the EEC Council of Ministers  
of 5 February 1964)

Date	Voting in the Council of Ministers	Milk	Beef
1 Mar 1964	Unanimous	Upper and lower limits of the individual States' target prices for 1964 (1)	Upper and lower limits of guide prices for 1964/65 (2)
1 Oct 1964	Unanimous		Upper and lower limits of guide prices for 1965/66
15 Jan 1965	Unanimous	Common target price for 1965/66  Steps to be taken by each Member State with a view to harmonizing the target prices of individual States for 1965/66	
1 Oct 1965	Unanimous		Guide prices for each Member State for 1966/67
Annually before 15 Jan	Qualified majority	Common target prices for the following dairy products year  Steps to be taken by each Member State for the following dairy- products year with a view to harmonizing the target prices of individual States	
Annually before 1 Oct	Qualified majority		Guide prices for each Member State for the following dairy-products year
By the end of 1969 at latest		Common target price as the only price objective (Article 18(1) of Reg.13/64)	Uniform guide prices

(1) See Regulation No. 37/64/CEE of 25 March 1964; official gazette  
of the European Communities, No. 54, 2 April 1964, p. 826/64;

(2) See Regulation No. 25/64/CEE of 10 March 1964; official gazette  
of the European Communities, No. 47, 18 March 1964, p. 748/64.