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The common market in eggs and poultry in the EEC

Eggs and poultry are undoubtedly the most valuable and versatile source of animal protein available to consumers in the EEC. Thanks to technological advance and improved breeding methods, both of these products can now be put on the market at prices which are even lower than those ruling before the Community's market regulations became operative in 1966.

The consumer has made the most of this state of affairs. Consumption, particularly consumption of poultry, is climbing steadily. The increase over recent years was as shown in the following tables.

Consumption of table poultry, 1962-65

(kg per head per year)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Germany	5.4	5.6	5.8	6.2
Belgium/Luxembourg	8.6	9.3	10.5	11.3
France	8.4	8.5	8.7	8.7
Netherlands	2.8	3.2	3.8	4.5
Italy	4.1	4.2	4.7	5.3

Consumption index

	<u>1962</u>	<u>1965</u>
Netherlands	100	160
Belgium/Luxembourg	100	131
Italy	100	129
Germany	100	108
France	100	103

Much the same pattern can be seen in the case of eggs, although here consumption seems to have reached what is something of a saturation point in European circumstances. In a member country like the Netherlands, for example, well below 200 eggs per head were consumed annually in the 1950's; the figure today is about 230.

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In the case of poultry consumption, there is no need to go back quite so far. Ten years ago, poultry was not a regular item of consumption in any of the EEC countries - with the possible exception of France. The table poultry industry was one of the underdeveloped areas of agriculture.

There was no decisive change until the EEC began to expand, bringing increased competition in its train, and advances were made in production methods. The Belgians top the consumption table for eggs, consuming 280 per head each year; they are also the largest consumers of poultry, consuming 11.3 kg per head each year.

Consumption of eggs, 1965

(kg per head)

Germany	13.4
France	11.0
Italy	9.7
Netherlands	12.4
Belgium/Luxembourg	13.5

(Source: Statistical Office of the European Communities, Basic Statistics of the Community, 1966)

Nevertheless, we in the Community are still lagging far behind consumers in the United States, who manage to dispose of 310 eggs and 16 kg of poultry-meat per head each year. All in all, then, there is still plenty of scope for a further increase in consumption.

Producers have benefited ...

The expansion of production and consumption has benefited farmers as well as consumers. In the past, poultry-keeping was not a particularly profitable form of production. The input/output ratio, or feed-conversion rate, was rather poor: too much feed was needed to produce a kilogramme of eggs or poultry. Consequently, the contribution of poultry-keeping to the total income of agriculture was also relatively small.

This situation changed completely with the introduction of improved strains, better nutrition techniques and the breakthrough of poultry as a mass-consumption commodity. Income from poultry farming currently represents

between 7 and 10% of the gross income of agriculture in the six member countries of the EEC. Poultry farming is admirably suited to the small European farm, since it requires a relatively large, skilled labour force. However, it is really the Americans we have to thank for the advances made in the industry, because they lead the world in developing new strains and new farming methods.

Table-poultry production in the EEC was stepped up considerably between 1962 and 1965, as is shown by the figures below.

Production of table poultry, 1962-65

('000 t)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Germany	122	130	148	158
France	190	220	240	247
Netherlands	61	77	114	140
Italy	190	220	240	252
Belgium/Luxembourg	60	75	90	103

Production index

	<u>1962</u>	<u>1965</u>
Germany	100	263
Netherlands	100	229
Belgium/Luxembourg	100	171
Italy	100	132
France	100	130

The large risks borne by poultry farmers deserve full recognition. Poultry farming is not always a profitable business: the number of birds may increase quickly, and this means that profitable periods alternate regularly with periods when returns are poor.

But egg and poultry producers are not the only ones to benefit from the increased emphasis on stock-raising and dairy farming within the framework of the EEC's agricultural policy.

Increased output of livestock products, particularly poultry, has a very great impact on sales of feed grain. The cereal grower therefore has every reason for wishing to see the livestock products industry maintain

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its position under future arrangements, since the producer of livestock products is the cereal grower's best customer. The individual areas of market policy cannot be considered in isolation, then: however well the cereal market is regulated, it is pointless in the absence of a thriving livestock products industry.

The following tables show quite clearly how feed grain consumption is growing. Simultaneously, there is a great shift away from simple grain fodder (wheat, maize) - although this type of feed is still used - towards the specialized compound feeding-stuffs on which poultry nutrition is based today.

Production of compound poultry feeds, 1965

	('000 t)	(% change on 1964)	(% change on 1963)
Germany	2 815	+ 12.5%	+ 22.8%
Belgium	752	+ 6.9%	+ 13.4%
France	1 861	+ 6.0%	+ 12.4%
Luxembourg	12		+ 75.0%
Italy	960	+ 25.0%	+ 35.4%
Netherlands	1 725	- 2.6%	- 1.0%

Total production of compound feeds, 1965

	('000 t)
Poultry feeds	8 100
Pig feeds	6 900
Cattle feeds	4 000
Calf feeds	1 500
Other feeds	1 000
EEC	21 500

Meanwhile, people from outside agriculture have taken an interest in poultry farming - egg production and table-poultry production. Businessmen and financiers have come into the industry and spent many millions on the erection of large egg collecting centres and modern slaughterhouses for broilers. The compounding of feeds for table birds and layers has become an extremely sophisticated scientific business which can only be carried out in well-equipped plants. The sale of poultry produce requires more and more

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investment, and farmers and co-operatives engaged in production and marketing cannot hope to hold their own against outside competition unless they rapidly establish horizontal and vertical links so as to present a united front to these market forces.

Trade

Although there has been no decline in total trade in agricultural commodities between the EEC and non-member countries, there has been a big shift in trade in eggs and poultry. The Community is, to all intents and purposes, completely self-sufficient in eggs, and output of table birds and other poultry products is increasing rapidly in the traditional importing countries - Italy and Germany. As a result, countries such as Denmark and certain Eastern-bloc countries that used to export to the Community find that their deliveries of eggs and poultry have fallen. The trend is also affecting EEC member countries: the Netherlands, for instance, succeeded in exporting only 800 million eggs to Germany in 1966, compared with 3 000 million in 1961 and 1962.

On the other hand, trade in poultry has expanded. The same Member State, the Netherlands, boosted its exports from 55 000 t in 1961 to approximately 100 000 t in 1966 thanks to increased demand in Germany.

The EEC market regulations

There are those who contend that the deterioration of trade with non-member countries is attributable to the provisions of the EEC market organizations. In actual fact, however, this development is bound up with the expansion of poultry farming into a fully effective branch of agriculture, which had begun before the common regulations came into effect and was stimulated by the larger marketing opportunities of the EEC.

Let us have another look at the regulations in force in the several member countries prior to 1962:

- (a) In Germany, premiums were granted on eggs delivered via central collecting stations, and there were restrictions on quantities imported from certain countries;
- (b) In France, countervailing duties were levied to balance out differences in market price;
- (c) In Belgium, minimum import prices could be applied;
- (d) In the Netherlands, levies were charged to offset differences in production costs caused by lower feed grain prices;
- (e) Imports could be banned completely in Luxembourg;
- (f) A completely free import procedure was applied in Italy, irrespective of the interests of home producers.

The EEC market organizations which came into force on 1 August 1962 have succeeded in their task of reconciling these various arrangements. The following measures were to be applied uniformly throughout the Community:

1. Each Member State was to liberalize its imports from other Member States and also from non-member countries.
2. Duties and all other measures affecting prices and imports were replaced by levies. As a temporary arrangement, each Member State retained its own levies on imports from each of the other Member States and its own levy on imports from non-member countries. These levies are based on the differences in the price of feed grain per kg of eggs or kg of poultry between importing and exporting countries and on certain other factors affecting production and prices. The levies between the Member States were to be removed gradually during the transition period between 1962 and 1970. From 1970, then, the Community as a whole would only apply a single levy on imports from non-member countries.
3. The complete liberalization of imports from non-member countries could, despite the levies, cause prices within the Community to collapse if these countries were to offer their goods at abnormally low prices bearing no relation to cost. To avoid this, a sluice-gate price - which operates as a minimum import price - was laid down for each product. The gap between this price and an abnormally low offer price is bridged by an additional levy. The implementation of these regulations was entrusted to the EEC Commission, which is assisted by a Management Committee for Poultrymeat and Eggs composed of representatives of the Governments of the six member countries, with a representative of the Commission in the chair.

The Commission builds on principles which have stood the test of time

The market organizations for eggs and poultry have fulfilled the tasks assigned to them for the transition period in the manner described.

As time went on, certain factors affecting timing worked out differently from what had been envisaged originally. On 14 December 1964, for instance, the Council decided that the single markets for cereals, eggs, poultrymeat and pigmeat should become operative on 1 July 1967 rather than on 1 January 1970. With this end in view the Commission (the Community organ with the right of initiative) submitted two proposals to the Council (the legislative and decision-making organ of the Community) on 18 January 1967 - a proposal for a Council regulation on the common organization of the market in eggs and a proposal for a Council regulation on the common organization of the market in poultrymeat.

The Commission bases its new proposals for the definitive organization of the egg and poultry industry into a single market on principles which have already been tried and tested. The existing transitional regulations are scheduled to lapse on 30 June 1967. On 1 July 1967, levies in trade between the Member States will disappear and common levies on imports from non-member countries will be introduced at the outer frontier of the EEC.

An exception has been made for the German market. The EEC Council yielded to pressure from the Federal German Government for an extension of the transition period: the single market will not be operative in Germany until one month later for eggs and until a month and a half later (13 August) for poultry. The reason for this arrangement is that it is assumed that on 1 July large quantities of eggs and table poultry produced with cheaper feed grain will be available in the exporting countries; these would then come onto the German market, where feed grain will be even dearer than before 1 July. A completely free and open market will not have been achieved by the EEC on 1 July 1967. What is immediately ahead is the phase of customs and economic union, during which frontier barriers between one member country and the next will not be completely dismantled. The possibility cannot be ruled out that certain taxes and charges - as, for example, the turnover equalization tax in Germany - may still be imposed for some time yet.

Member countries' health and other frontier controls will also remain for the time being.

One very important discrimination, however, has been removed by a Council decision: from 1 July Germany will dispense with all forms of egg-stamping in intra-Community trade.

During the single market stage, the EEC Commission must be given increased powers of control and inspection, to ensure at any event the uniform implementation of the measures jointly agreed - and in particular uniform compliance with the preferential provisions of the regulations governing goods originating in the Member States. A clear policy with regard to imports of poultry products from state trading countries is therefore essential. Another element in the common organization of these markets is a uniform refund procedure for EEC exports to the world market so that all member countries can export to non-member countries under the same conditions. Whatever form this refund system takes, it must be applied uniformly, especially since the funds available for this purpose in the European Agricultural Guidance and Guarantee Fund are also paid in accordance with common criteria.

Improving market stability

The considerable increase in production has recently given rise to certain disturbances on the Community's egg and poultry markets; consequently, the member countries have been considering how the stability of their markets could be improved. The EEC Commission submitted

initial proposals for dealing with this problem to the Council in Article 2 of its draft regulation. With a view to adjusting supplies to market requirements and to ensuring that a price level is reached which would guarantee producers a reasonable income, the following Community measures of market regulation could be adopted for eggs, poultry and certain related products:

- (a) Measures to promote all activity in trade associations and the industry itself that is likely to lead to a better organization of production, processing and marketing;
- (b) Measures to improve the quality of the products;
- (c) Measures for short- or long-term forecasting on the basis of information with regard to the productive equipment employed;
- (d) Measures to facilitate the determination of market price trends.

In accordance with the procedure laid down in Article 43(2) of the EEC Treaty, the general provisions for regulating the market must be adopted by qualified majority.

Furthermore, standards may be laid down for the quality, size and packaging of these products, with particular reference to grading by weight and quality, packaging, presentation and marking.

Once standards have been adopted, the products concerned cannot be put up for sale, offered, sold, supplied or otherwise put on the market unless, with certain exceptions, they comply with these standards.

These standards, together with general provisions for their application, are to be laid down by the Council on a proposal of the Commission following the voting procedure laid down in Article 43(2) of the Treaty.

In Article 6 of the draft proposal the Commission states that to protect the interests of consumers, special measures may be adopted if a considerable increase in prices is noted on the Community market and if this state of affairs is expected to last and is liable to lead to market disturbances.

Community arrangements for the 1967/68 sugar year

A regulation laying down common rules for the sugar market was adopted by the Council on 21 February 1967. This covers the transition period lasting from 1 July 1967 to 30 June 1968 and applies to both sugar and sugar beet.

1. Price policy

During the transition year, the Member States will continue to fix their own sugar prices. However, they may not enlarge the gap that exists between their prices for 1966/67 and the intervention price valid from 1 July 1967.

2. Arrangements governing trade

The import duties hitherto applicable will be replaced by a system of levies. Threshold prices will be fixed by the Member States in accordance with Community rules. The levy will be equal to the difference between the offer price for sugar imports and the threshold price. Trade in sugar is not to be liberalized yet, however. Imports will continue to be made on the basis of an award following calls for public tender. The regulation provides that when the award is made preference will be given to imports from Member States.

Refunds on exports may be granted under certain conditions.

3. Production policy

The common price and sales guarantee will be limited to a total output of 6 335 000 metric tons for the whole of the EEC. (+) This is equal to the basic quantity to which the guarantee will apply from 1968/69, (6 480 000 metric tons) less the expected increase in consumption from 1967/68 to 1968/69.

Quantities produced in excess of this figure may not be sold within the Community. If they are not exported during 1967/68, they will be carried over to 1968/69, the quotas for the latter year being reduced accordingly.

4. Stocks

To prevent the common organization of the market from being overburdened, the Council has fixed limits for the stocks that may be held in each member country at the beginning of 1967/68 and 1968/69. The quantities permitted correspond to the probable volume of consumption for the period from 1 July until the beginning of the next sugar year plus 12.5% of annual consumption. Should the stocks actually held on 1 July 1967 exceed the limits laid down by the Council, the surplus will be deducted from the volume of production fixed by the Council for 1967/68.

5. Intervention in the case of surpluses

As the production quotas for 1967/68 exceed probable consumption by over 400 000 metric tons, the regulation lays down that premiums may be granted when sugar is denatured for animal feeding or processed for the chemical industry

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(+) This total is divided among the Member States as follows:

Germany	1 700 000 metric tons
France	2 300 000 metric tons (including overseas depts.)
Italy	1 230 000 metric tons
Netherlands	575 000 metric tons
BLEU	530 000 metric tons

The arrangements for the 1968/69 sugar year must be adopted before 1 July 1967.

(See "Newsletter on the common agricultural policy" No. 2-67, pp. 16 and 17).

Common organization of the market in non-edible horticultural products
(flower bulbs, ornamental plants, cut flowers, etc.)

Measures for the protection and promotion of horticulture in the EEC member countries differ so widely that it would not be possible to create a free common market in this industry simply by applying the general provisions of the Rome Treaty.

At the beginning of 1966 the Commission therefore put before the Council a proposal for the gradual establishment of a common organization of the market in non-edible horticultural products. The main aim of this proposal was to obviate any harmful consequences that any one member country's arrangements might have on horticulture in the other member countries. The Council decided, however, to ask the Commission to submit a new proposal that would offer a permanent solution to the problem.

The new proposal provides for the establishment of a common organization of the market involving common quality standards and provisions on competition for products coming under Chapter 6 of the common customs tariff. It therefore covers flower bulbs, all kinds of live plants - regardless of the use to which they are put - cut flowers, and a wide variety of plant parts of a kind suitable for bouquets or ornamental purposes.

Another proposed regulation submitted at the same time lays down quality standards for flower bulbs and cut flowers, making it possible for similar standards to be fixed for other products in this sector at a later date.

For flower bulbs, the proposed quality standards provide for only one quality class but lay down different minimum sizes for a range of products. The purpose of this provision is to ensure that the consumer does not receive any bulbs that do not afford the maximum guarantee that his justifiable requirements are met. All flower bulbs sold to consumers within the Community will therefore have to conform to the prescribed standards in the same way as those exported to non-member countries. On the other hand, the new arrangements will make it possible for commercial gardeners in all member countries to obtain flower bulbs of any desired size and quality, for planting, from other member countries. The regulation will thus harmonize the economic preconditions for the production of cut flowers.

The quality standards proposed for cut flowers provide for several quality classes and for classification by length. These standards will be applicable in wholesale trade and in trade with non-member countries.

Where flower bulbs are concerned, the proposed regulation also makes provision for the fixing of minimum prices for exports to non-member countries. These minimum prices will enable the EEC to exert a stabilizing influence on prices, owing to its strong position on the world market. Not only will this benefit growers of flower bulbs within the Community; it will also give satisfaction to certain non-member countries which have to defend their domestic flower-bulb production against the strongest producer.

The measures referred to above comprise all the special features of the proposals to establish a market organization for ornamental plants and flower-trade products.

Quantitative restrictions and charges equivalent in effect to customs duties will be prohibited in trade with non-member countries. Should imports provoke severe disturbance of the market, it will be open to the Council, acting on a proposal from the Commission to institute countermeasures.

In intra-Community trade, quantitative restrictions, charges equivalent in effect to customs duties, and recourse to Article 44 of the Treaty (minimum import prices) will be prohibited. On 1 July 1968 all import duties between Member States will be abolished, and the duties of the common customs tariff will be fully applied in respect of imports from non-member countries.

A management committee will be set up to prepare all the measures that have still to be adopted in this sector.

The EEC Commission hopes that its proposal will help to increase knowledge of the market, simplify trade relations, give a clearer idea of what is available, facilitate the placing of bulk orders, and thus provide better service for the customer for flower bulbs, cut flowers and ornamental plants of all sorts.