

Newsletter on the Common Agricultural Policy

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CONTENTS

	<u>Page</u>
<u>The Commission's proposals for beef and veal</u>	
Proposal for a regulation on the common organization of the beef and veal market	2
(a) Price system	5
(b) Trade arrangements with non-member countries	7
(c) General provisions	10
The grading of rough woods	12

One April 1968 will be an important date in the history of the establishment of the common agricultural policy.

As from that date the Community will have single markets both for milk and milk products and for beef and veal.

The Commission submitted its proposals for regulations for these sectors at the Council's meeting of 22-23 January 1968. It is clear that the two markets must be linked together for technical reasons, and this need is more pressing than ever today. The partial deficit in one sector (beef and veal) and the heavy surplus in the other (milk) has meant that the two cannot be viewed as separate entities when the future shape of the common market organizations is under discussion. Structural and other measures to be taken in the future to remedy present imbalances and to meet Community demand in a more satisfactory manner must mean that work in the two sectors will develop along parallel lines.

At the same time similar considerations led the Council to examine the two Community programmes for milk and beef to be carried out under the Guidance Section of the EAGGF and to implement them as a combined programme covering both sets of products. One April 1968 was chosen by the Council in May 1966 as the date on which the single markets should be introduced. Since this date is now rapidly approaching, the Commission hoped to elicit the Member States' initial impressions and reactions by submitting this set of regulations to the Council.

The Council, too, was well aware of the need to formulate definitive regulations by the scheduled date and therefore speeded up the examination of the proposals. The discussions included the question of the relative position of meat and milk products with regard to prices and markets, although the structural changes which might make it possible to guide animal husbandry in a different direction in future and to ensure Community farmers a better return were not forgotten.

The bases of the market organization for beef and veal were laid down in Regulation No. 14/64/CEE (5 February 1964), which came into force on 1 November of the same year. Subsequently,

a large number of regulations and decisions were adopted by both the Council and the Commission to implement the provisions of this basic regulation. The Commission has now put forward its proposal for a definitive regulation, taking into account the decisions adopted in the meantime and experience gained during the transitional period. As we shall see, the new proposal is not so very different from the basic regulation.

The proposed regulation concerns "the common organization of the market in beef and veal".

The first part sets out the reasons which led to the drafting of the proposal in its present form, the main one being the need to supplement the common agricultural policy with regulations for beef and veal. Action will be taken under two heads to stabilize markets for beef and veal while at the same time ensuring a fair return for livestock farmers: provision has been made in the first place for an appropriate price system and adequate intervention arrangements and secondly for suitable trade arrangements at the Community's frontier. The intervention measures are designed to make the supply of meat more elastic and thus adjust it to demand in such a way as to ensure a sufficiently remunerative price. The trade arrangements include:

- (a) Tariff charges, consisting of the normal duties which may be increased by a certain sum in the form of an import levy;
- (b) Export refunds, designed to allow Community produce to be sold on the world market at competitive prices.

Import arrangements will be supplemented in the case of frozen meat by the issue of import licences, enabling the flow of imports to be accurately assessed. An import price will be calculated on the basis of prices recorded on the most representative markets in non-member countries, and this will be used by the Commission as a basis for fixing the import levy.

Among the considerations deserving mention here are those relating to the application of public health rules to trade in livestock and meat.

The regulation, in the form proposed by the Commission, is divided into three Titles:

- (a) Prices
- (b) Trade with non-member countries
- (c) General provisions.

The products covered by the new regulation are as follows:

Common customs tariff No.	Description of goods
(a) 01.02 A II	Live animals of the bovine species, domestic, other than pure-bred for breeding
ex 02.01 A II	Meat of animals of the bovine species, domestic, fresh, chilled or frozen
ex 02.06 C	Meat of animals of the bovine species, salted, in brine, dried or smoked
(b) ex 02.01 B II	Offals of animals of the bovine species, domestic, fresh, chilled or frozen
ex 02.06 C	Edible meat offals of animals of the bovine species, domestic, salted, in brine, dried or smoked
(c) ex 16.0I	Sausages and the like of meat, meat offal or animal blood containing meat or offals of animals of the bovine species, excluding those containing meat of offals of swine
ex 16.02 A II	Other prepared or preserved meat or meat offal containing liver of animals of the bovine species, excluding preparations containing liver of swine
ex 16.02 B II	Other prepared or preserved meat or meat offal, not specified, containing meat or offals of animals of the bovine species, excluding preparations containing meat or offals of swine
(d) ex 15.02	Unrendered fats of bovine cattle; tallow (including " <u>premier jus</u> ") produced from these fats

(a) The price system

The aim of this system, the main elements of which are the guide price and a number of intervention measures, is to stabilize the market and guarantee stock-breeders a fair standard of living. Accordingly, before describing the mechanism of the price system, the regulation lists some Community measures aimed at bringing supplies into line with market requirements. The purpose of these is to improve meat production, processing and marketing (including quality improvements), to make possible production trend forecasts and to monitor price trends on the market.

The price system hinges on the guide price. The function of this price is not to guarantee that a certain price will be obtained but rather to represent a desirable level. This is in fact very close to the idea of the target price for milk, since both prices represent goals to be attained. It indicates in large measure the price around which the market price will fluctuate. The guide price will be fixed before 1 August each year and will be valid for the marketing year beginning on the first Monday of the following April and ending on the eve of that day a year later. When fixing this price, the Council must take into account the development forecast for production and consumption, the situation on the milk market and past experience.

It is a twofold operation, since prices are fixed for calves and for adult cattle at the same time.

Calves are defined for the purposes of the regulation as "Live animals of the bovine species, domestic, not exceeding 220 kg live weight per head and not having cut their second teeth".

Cattle on the other hand are "Other live animals of the bovine species, domestic, other than pure-bred for breeding".

At its session of 25-26 October 1967 the Council fixed these prices, per 100 kg of meat live weight, at DM 272 for cattle and DM 366 for calves; these will be valid for the marketing year beginning on 1 April 1968.

The fixing of these guide prices is combined with comprehensive Community intervention arrangements which should contribute to stabilizing farm prices and prices in the shops. The principle underlying this approach was agreed by the Council in July 1966. It was decided at the same time that intervention measures should not be allowed to hinder the free movement of goods within the Community and that they should apply to all the types of meat cuts and categories of animals. The intervention measures provided for to prevent a sharp drop in prices, or to cushion the effects of such a drop, are:

- (i) Aids to private stocks
- (ii) Purchasing by the intervention agencies.

Two conditions must be fulfilled before discretionary intervention measures may be taken:

- (a) Cattle prices on representative Community markets must fall below 98% of the guide price;
- (b) Prices for certain products of a specified quality must fall below the price level at which intervention becomes compulsory.

Discretionary intervention becomes compulsory if cattle prices on representative Community markets fall below 93% of the guide price.

The market price is calculated on the basis of prices paid for calves and cattle of various quality classes on a number of representative markets in the Community. The relative importance of the various qualities must be borne in mind in making this calculation and allowance must be made at the same time for the relative size of each Member State's share of the Community cattle population.

Intervention should be so organized as not to disturb the equilibrium of the market, particularly when stocks bought in by the intervention agencies are being released for sale.

Provision has also been made for aid to private stocks where this constitutes intervention, but all decisions as to the amount of this aid are to be taken by the Council. The Commission has therefore assigned a market-support role to owners of private stocks. No precise rules have been laid down for these for the moment, but will be decided on by the Council at a later date.

(b) Trade arrangements with non-member countries

The import system is based on the application of the common customs tariff to all the products listed in the table.

An import price will be calculated for live cattle and calves on the basis of prices recorded on the most representative non-Community markets, these being the livestock markets in Austria, Denmark, Ireland and the United Kingdom. If this import price plus customs duties is lower than the guide price, a levy equal to the difference between the guide price and the import price plus customs duties will be charged on the imported product. The import price is therefore increased by the customs duty chargeable and the import levy.

One point must be stressed: if, in addition, the internal market price based on prices recorded on the most representative Community markets is not more than 5% above the guide price, 50% of the levy will be charged; no levy will be charged if the internal market price is more than 5% above the guide price. Furthermore, with a view to ensuring some measure of market stability, application of the levy may be suspended until such time as the price variations on representative Community markets or variations in the import price exceed a certain level.

Again, it has been provided that the offer price for imports from non-member countries other than those regarded as representative is abnormally low in relation to the import price, and where the market prices in non-member countries are not the determining ones in establishing the Community's free-to-frontier price, a special import price will be fixed based on the most favourable offers on the world market. Levies will apply not only to live animals but also to meat cuts, being calculated by means of fixed correcting factors representing the ratio between the value of the cuts and the value of the live animals.

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The Commission felt, when drafting the rules for the joint market organization, that the frozen meat market is completely distinct from the market in live animals. It has been noted on a number of occasions that price trends on the two markets develop in different ways. A link was established between the levies charged on the two types of products in Regulation No. 14/64/CEE, but it is clear that prices recorded on the UK, Irish, Danish and Austrian livestock markets have little or no bearing on prices for frozen meat imported from quite different parts of the world. The levy for frozen meat has therefore been fixed at the difference between:

- (a) The threshold price - obtained by multiplying the guide price by a coefficient representing the ratio between the guide price and the price for fresh meat of a quality comparable with frozen meat put up in the same way, and
- (b) The world market price - calculated on the basis of the most favourable supply possibilities, plus customs duty plus a standard amount representing specific expenses incurred in importation.

The levy will be suspended in whole or in part in respect of imports of frozen meat for use by the processing industry, but only if similar cuts and qualities are placed on the market by the intervention agencies at the same time. The period of suspension will end once intervention measures are introduced. The purpose of this rule is to guarantee supplies for the processing industry while at the same time finding outlets for stocks of meat formed as a result of Community intervention.

An import licence will be required for all imported frozen meat. Licences will be issued by the Member States to anyone who applies; they will be for a single operation and valid for a limited period only. Licences will be issued only against a deposit guaranteeing the discharge of all commitments.

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The maximum rates of duty bound in GATT will be charged in connection with two import quotas, one for 20 000 head of hill cattle and the other for 20 000 tons of frozen meat. A provision is also included in the regulation to deal with the bilateral agreement of 11 January 1968 between the Community and Denmark on cattle for the food industry.

To allow the Community to take part in world trade in beef and veal, an export refund equal to the difference between the world market price and the price within the Community may be granted. The refund, to be paid at the request of the exporters concerned, will be the same throughout the Community, though it may be differentiated according to the destination of the exports. When the amount of this refund is being fixed, the need to strike a balance between the utilization of basic products of Community origin in processed goods exported to non-member countries and the utilization of products from these countries under inwards processing traffic (temporary import) arrangements will be taken into account. The Community may limit or suspend these temporary import arrangements whenever this is necessary to ensure the smooth running of the common market organization in beef and veal.

This trade system prohibits - the regulation makes specific reference to this - the imposition of any duty or charge having equivalent effect and the application of any quantitative restriction, including controls on the issue of import licences (except, of course, as provided for in the regulation itself). If the market for one or more of the products covered by the regulation is disturbed or is threatened with disturbance because of imports, the Community reserves the right to take any measures necessary to counteract this disturbance or remove the threat. The Council, on a proposal of the Commission, will adopt implementing measures for action of this kind and will indicate when the Member States may adopt certain precautionary measures.

(c) General provisions

This title contains numerous provisions dealing with the introduction of the common market organization. They can be grouped together under three different headings:

- I. Restrictive measures - the abolition of restrictive measures of every description is reaffirmed;
- II. Public health - provision is made for the adoption of measures derogating from the provisions of this regulation to take into account limitations which might be placed on the free movement of goods by health controls, etc. The introduction of this rule is a matter of considerable importance. It is clear that legislation in this matter will have to be harmonized to improve the free movement of goods;
- III. Competition - Articles 92-94 of the Treaty (rules of competition) will apply to the beef and veal market, both at production and marketing level. Under these rules, all forms of aid are prohibited but particularly aid whose scale is related to prices or quantities;
- IV. Management Committee - a Committee similar in every respect to those already operating in other sectors will be established. Its members will be representatives of the Member States and the Commission will provide the chairman. This Committee will deal with problems associated with the introduction of the common market organization and with any other matters arising in connection with the implementation of the regulation;
- V. Financing - as from 1 April 1968 the common market in beef and veal will be financed under the common agricultural policy and all the provisions of Regulation No. 25 will therefore apply to it. This means that expenditure on intervention measures and refunds will be borne by the Farm Fund (EAGGF) and that receipts from levies will be credited to this Fund;

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VI. Transitional measures - these will be applied up to 31 December 1968; they have been adopted to facilitate a smoother transition from the system set up under Regulation No. 14/64/CEE to the new single market system and to help those products, in respect of which the new arrangements will raise appreciable difficulties.

CONCLUSIONS

These then are the broad outlines of the Commission's proposal to the Council. Discussion and application of this regulation cannot however be dissociated from the regulation on milk and milk products. Livestock production in the Community will expand more favourably only if the very close links between the beef and milk sectors are borne in mind. Both the Council and the Commission have shown themselves to be well aware of these links. It seems safe to assume then that, even if this regulation and the one on milk are amended in the course of discussion, the foundations for a Community policy on livestock production in the years ahead have now been laid.

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The grading of rough woods

At its 21st session on 22 and 23 January 1968 the Council issued a directive concerning the approximation of the Member States' laws on the grading of rough woods.¹

Rough woods, of which the Community produces more than 80 million cubic metres per annum (about 55 million cubic metres of this being construction timber and industrial wood), are very heterogeneous as regards shape, size, species and quality. Consequently, forest products, as soon as they have been felled, have to be trimmed and graded according to standards and criteria laid down with a view to their ultimate use.

The Community countries employ widely varying grading systems ranging from detailed grading required by law to merely traditional local practices which differ from one region to the next within the same country.

The modernization and concentration of timber enterprises and the considerable expansion of the international timber trade, especially since World War II, have made it necessary to standardize grading systems in this field as in other parts of the economy. While there is certainly a shortage of timber in all six Community countries, intra-Community trade in rough woods nevertheless exceeds 2 600 000 cubic metres per annum, and with the establishment of the common market trade will be stepped up - mainly in certain heavily wooded frontier areas (such as the Ardennes, Eifel, Vosges, Black Forest, Alps).

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¹ Council Directive No. 68/89/CEE of 23 January 1968 concerning the approximation of the Member States' laws on the grading of rough woods (official gazette of the European Communities No. L 32, 6 February 1968).

There is no doubt whatever that common rules for grading will be instrumental in facilitating this trade in many cases, since it will thus be possible to identify packages of timber without risk of error, and relations between buyers and sellers will consequently be simplified.

The Council's directive, based on Article 100, stipulates that each Member State must introduce the EEC grading on its own territory; its use may be optional, but the designations will be protected by law. In other words, if a rough wood is marketed as "EEC graded" it must be correctly graded according to the regulations laid down. Furthermore, the Member States may make the system compulsory in respect of all or part of their production (applying it, say, to softwoods but not hardwoods or else to specified parts of their territories only). The Member States are also at liberty to break down the size and quality gradings stipulated into sub-grades.

Lastly, in order to eliminate any obstacle to intra-Community trade, the Member States must annul all provisions prescribing grading for rough woods imported from another Member State.

The directive (No. 68/89/CEE) must be implemented **within** two years.

The technical provisions annexed to the directive concern both measurement and grading proper.

The part dealing with measurement specifies the units to be employed, the procedures to be used for measuring lengths and diameters and the permitted or prescribed tolerances and approximations.

An absolute type of grading has been chosen: only size and, where appropriate, qualities are taken into account, without reference to the use to which the wood is to be put (in contrast with grading by use).

Grading by size has been confined to a general scheme based on well-tried practice. For instance, in the case of long wood (logs) there is a range of grades changing every 10 centimetres of diameter beneath the bark at the middle of the log. In the case of poles the criterion is the diameter on the bark 1 metre from the butt end, and for cordwood it is the diameter on the bark at the top end.

An attempt has been made, in accordance with the most widely established practice, to define three quality grades, but it has unfortunately not been possible to give figures. Indeed, as this grading applies to the whole of an extremely heterogeneous forestry production it is inevitably still very broad-based. However, the possibility of breaking down the grades into sub-grades will allow the system to be adapted to various types and species of tree.

To sum up, the directive of 23 January 1968 sets up a Community grading system which, while being optional, must tend to become more widespread, at least in transactions involving homogeneous packages of a certain magnitude.

This outline system can serve as a basis for improved grading systems to be applied to types making up large transactions.

Lastly, this grading system will be of extreme utility in the elaboration of sufficiently accurate Community forestry statistics: it will enable figures for production, trade, consumption and prices to be collected on a strictly comparable basis.
