

# COMMON MARKET FARM REPORT

BELGIUM, FRANCE, GERMAN FEDERAL REPUBLIC, ITALY, LUXEMBOURG, THE NETHERLANDS

## ANALYSIS OF COMMON MARKET BEEF & CATTLE TRADE IN WORLD MARKETS MADE BY COUNCIL

A thorough analysis of the Common Market's world trade in beef and slaughter cattle was made in February by the Council of Ministers as they examined the future organization of markets for meat and dairy products.

The analysis is of particular interest to United States livestock producers currently searching for new markets for their excess meat output.

Most significant is the fact that the European Community covers only 90 percent of its current live-cattle needs from domestic production. The best estimates indicate the Community's import requirements are likely to remain at least as high in the future if the economy as a whole develops satisfactorily.

This enables the EEC to make liberal arrangements for cattle imports.

As the charts in this report show, the EEC imports live cattle almost exclusively from European countries. Most of them come from Western Europe but the state-trading countries of Europe account for a small proportion of supplies.

Under the Common Agricultural Policy organization of the beef market, the application of quantitative restrictions on imports is prohibited.

A levy on imports is provided for, namely the common external tariff of 16 percent which the member states must gradually introduce by December 31, 1969.

In principle, a supplementary levy will be imposed where the supply price, free

at the frontier (including customs duty) is below the guide price (see Glossary).

The amount of the levy depends on the difference between these two prices.

However, the levy will not be charged when the actual market price of the importing member state is more than five percent above the guide price. If it is only five percent above the guide price half of the levy will be charged.

The ban on quantitative restrictions on imports of live cattle takes GATT (General Agreement on Tariffs and Trade) provisions into account. The levy on imports of live cattle for slaughter will not be bound under the GATT. Thus, the supplementary levy alluded to earlier is in conformity with GATT rules.

Refunds on exports are provided for so that exporters will be able to sell cattle at the world market price. This

### THE EEC IN WORLD TRADE

Live Cattle (in millions of \$)

	1958	'59	'60	'61	'62
World exports	\$465	432	457	506	--
EEC imports from non-member countries	112	123	136	128	124
EEC exports to non-member countries	7.5	8.9	14	13.5	9.2
Net EEC imports	104.5	114.1	122	114.5	114.8



arrangement is in accordance with the GATT as long as the Community's exports do not exceed a fair share of world trade.

The EEC takes about a quarter of world exports and thus occupies an important position as a net importer of live cattle.

Value ( in millions of \$) of EEC imports from major suppliers:

	1958	1959	1960	1961	1962
Austria	18.9	19.5	20.6	20.5	23.2
Britain	7.4	3.0	2.5	5.0	3.7
Denmark	55.0	63.0	63.5	65.3	57.0
Ireland	6.0	5.6	5.5	7.0	3.8
Hungary	16.0	18.4	22.9	15.1	17.0
Poland	-	.2	3.6	2.3	5.0
Yugoslavia	6.1	9.3	10.9	9.2	11.2
All others	2.9	4.0	6.5	3.8	3.5
<b>Total</b>	<b>112.3</b>	<b>123.4</b>	<b>136.0</b>	<b>128.2</b>	<b>124.4</b>

In the case of fresh, chilled and frozen beef, the Community's gross imports are relatively constant. This is probably because the EEC requires a steady flow of meat for processing, which is preferably covered by imports of cheap goods:

(millions of \$)	1958	1959	1960	1961	1962
World exports	479	564	557	547	--
EEC imports from non-member countries	85.8	83.6	97.5	52.4	79.9
EEC exports to non-member countries	15.1	18.5	23.9	34.3	52.2
Net EEC imports	70.7	65.1	73.6	18.1	27.7

Imports from major suppliers as % of total imports:

	1958	1959	1960	1961	1962
Latin America	45	51.7	36.8	73.2	55.3
Western Europe	48.8	42	53.7	19	39.7

Trade statistics do not distinguish between fresh or chilled beef and frozen

meat. Such a distinction is necessary before problems in world beef trade are mastered. Imports from European countries are nearly always fresh and chilled while those from Latin America are almost exclusively frozen.

In the case of beef, quantitative restrictions are now prohibited and the common external tariff to which member states must align by the end of 1969 is 20 percent. As in the case of live cattle, provision is also made for a supplementary levy tied to the guide price for live cattle. However, this will not apply to a quota of 22,000 tons bound under the GATT nor to other customs quotas for which the Council is entitled to fix the amount and rate of duty by qualified majority decision.

In the case of prepared and preserved meat, the EEC is a net exporter on the world market. Latin America is the Community's biggest supplier but most of the imports are meat extracts and juices which do not come under the new market organization for beef:

(in thousands of \$)	1958	1959	1960	1961	1962
World exports	447	458	428	440	-
EEC imports from non-member countries	30.1	33.6	29.8	31.6	31.1
EEC exports to non-member countries	112.2	92.2	85.5	87.1	101.6
Net EEC exports	82.1	58.6	55.7	55.5	70.5

Major suppliers of prepared and preserved meat to the EEC are Argentina, Poland and the rest of Western Europe. United States exports to the Community, in this category, have increased since 1958 from slightly less than two percent of total EEC imports to as high as six percent in 1961 and 4½ percent in 1962.

EEC imports of offals are particularly important to the U.S. since it now provides more than half the total import needs of the Community.

With respect to both prepared and preserved meat, and offals, imports are controlled exclusively by customs duties and there is no provision for quantitative restrictions or supplementary levies.

The Common Agricultural Policy takes in-



to consideration the fact that many meat products are bound under existing GATT rules. Some examples of products thus bound are cattle offals, liver sausages, unrendered fats and tallow produced from those fats, bladders and stomachs.

The market organization for beef is restricted to applying the duties in the common external tariff... There are no other import controls. The prohibition of quantitative restrictions on imports - which still existed in some of the member states - is a further improvement for exporting countries. The number of bindings of tariff rates under the GATT provide exporting countries with a virtual guarantee that the Community will not increase protection against imports of offals and prepared or preserved meat in the future.

## WHAT OTHERS ARE SAYING

(Second and concluding instalment of highlights of address to the European Parliament in January by Sicco Mansholt, V.P. of EEC Commission.)

With regard to the forthcoming GATT negotiations, Dr. Mansholt advised the European Parliament that "no less important than the decisions taken on agricultural policy are those on the imminent negotiations in the "Kennedy round" in GATT.

"The EEC Commission is extremely pleased to have received a clear-cut mandate.

"...You will remember that the question of disparities played a great part in connection with industrial products, and that sharp differences of opinion existed regarding it.

"However, the Council succeeded in establishing criteria for selecting the disparities. It found a method of taking a certain group of these disparities and considering them in isolation.

"Again, with regard to the second problem, that of the list of exceptions, the Council found a means of limiting these to a minimum.

"In agriculture, the situation was more difficult. The real problem here was that we had never yet managed to evolve a method of conducting negotiations with non-member countries regarding agricultural products except on a bilateral basis, that is to say on a basis of quotas, expressed in terms of value. We had not found a means of negotiating on the basis of a common agricultural policy.

"We, therefore, deemed it our task to make a proposal founded on consolidating and rendering suitable as a basis for negotiating, the sum total of our agricultural policy which is both national and Community.

"We consider it of the greatest importance that we are embarking on these negotiations as a Community, and negotiating from a Common Agricultural Policy.

"We should be faced with an extremely difficult situation if we were to conduct a Common Agricultural Policy internally, and yet, with outside countries, were more or less forced to conclude bilateral agreements which would result in our policy being completely undermined.

"We are therefore very pleased that the Council (of Ministers) has adopted our proposal and has empowered the EEC Commission to negotiate with non-member countries on this basis...

"In this connection, a knotty problem arose. What was to happen if the total Community figure for support were not known during the negotiations? In other words: how could we negotiate when we had not yet fixed, for instance, our common cereal price?

"In some countries there was a tendency ...to favor negotiations on the basis of other possible measures such as quota fixing. I must say that the EEC Commission fought this idea...for it would have meant that - despite our pursuing a common policy - quotas would have had to be fixed in bilateral negotiations. We should then have to break down the common organization of the market in cereals which we created last year into sectional markets and this would be a considerable step backward.

"A solution has been found...the text of which is:

"In the case of the EEC, the basis can only be the support given under the Common Agricultural Policy.

"The fact that the Community price may not yet have been fixed for a given agricultural product must not exclude that product from the GATT negotiations.

"The Council is discussing the matter on the basis of the Commission's proposals."

"This means...that in such a case the EEC Commission will have to make a proposal to the Council, but that negotiations can take place only on the basis of the support given under the Common Agricultural Policy...



"Hence, the situation is favorable to the Community in that, through having to carry on negotiations with non-member countries and establish the results thereof in 1965, we are forced...to define our own policy for unless we do this, we cannot negotiate with non-member countries.

"The chief result of the Council's decisions December 23 is, then, that the EEC Commission is authorized to negotiate with non-member countries on the basis of a Common Agricultural Policy."

### Rapid Expansion of EEC Egg Production

A recent report shows egg production in the European Community has risen from a gross output of 80-million cases in 1958 to nearly 95-million cases in 1962.

The greatest increases are reported from France and Germany.

In the Federal Republic of Germany, alone, the hen population has climbed from 55 million in 1958 to well over 67 million in 1963.

Despite this, Germany remains the number one importer of eggs though the volume of such imports by the Germans has declined from more than 13 million cases in 1960 to less than eight million in 1963.

Net egg production in Germany has grown from approximately 18 million cases in 1958 to nearly 28 million cases in 1963.

Rising egg production in almost all the member states other than the Netherlands has meant a drop in producer prices in the Community.

## GLOSSARY

**EEC COMMISSION:** The Commission (also known as the Common Market Commission) consists of nine members, one of which represents farm interests, whose task is to supervise the gradual establishment of a full Common Market in which trade restrictions will be abolished and all goods, services, capital and labor will circulate freely.

**GUIDE PRICE:** The price level to be sought for beef. Member governments are to aim as closely as possible at the guide price and keep it in mind when framing their domestic policies on the beef market. However, it is not a guaranteed price.

**INTERVENTION PRICE:** The support price level to be guaranteed producers by the Community.

**TARGET PRICE:** The base price for grains, determined in the marketing center of the region of the Community with the least adequate domestic supplies. During the transition period through December 31, 1969, target prices are fixed for each member country separately and, subsequently, for the Community as a whole. They are fixed before the winter sowing and come into force at the beginning of the marketing season for the crop.

**THRESHOLD PRICE:** Used for calculating levies, a threshold price is fixed at a level that will bring the selling price of imports up to the target level in the Community region with least adequate domestic supplies.

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