



COMMON MARKET FARM REPORT

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

BEEF AND VEAL REGULATION IN EFFECT ON NOVEMBER 1; EUROPEAN PROSPERITY EXPANDS COMMUNITY BEEF MARKET

The Common Agricultural Policy for beef and veal came into effect on November 1. The regulation for dairy products was also applied for the first time on that date. Thus over 85 per cent of EEC farm production is now covered by the Common Agricultural Policy.

The beef and veal regulations, of special importance because of the current world market situation, are based on an economic analysis of the EEC market. Agricultural economists have forecast increasing consumption, increased production, the probability of favorable producer prices and a continuing need for imports from non-Community countries.

PRODUCTION UP 1/3 IN NINE YEARS

Beef production in the six EEC countries rose from 2,302,000 metric tons (metric ton = 2200 lbs.) in 1954 to 3,204,000 metric tons in 1963. This one-third increase in production was stimulated by rapidly increasing consumer demand. Farmers have also found that much less labor is required for livestock production than for dairy production. This is of particular importance since the Community-wide labor shortage is also felt on the farms.

EEC farmers earn about 30 per cent of their

EEC BEEF PRODUCTION (000 metric tons)

	1958	1960	1961	1962
Bel.	174	179	175	184
France	928	1073	1205	1249
Ger.(FR)	790	837	888	974
Italy	363	382	536	521
Neth.	169	194	190	216
Lux.	8	7	10	10
Total	2432	2672	3004	3154

EEC VEAL PRODUCTION (000 metric tons)

	1958	1960	1961	1962
Bel.	19	21	19	22
France	330	382	399	413
Ger.(FR)	95	97	93	104
Italy	71	74	67	89
Neth.	32	42	33	50
Lux.	1	1	1	1
Total	548	617	612	679

total income from sales of livestock products. There are approximately 48 million head of cattle in the EEC, about half of which are dairy cows and the rest livestock and calves.

This issue of the Common Market Farm Report is devoted entirely to the EEC beef and veal policy which went into effect on November 1. The current crisis in world beef trade gives added importance to this latest EEC farm regulation. Additional information including

the texts of the regulations (in French) may be obtained by mail or phone from the European Community Information Service Washington office (see last page for address; phone 202 296-5131) or New York office (2207 Commerce Building, 155 East 44th Street, New York, N.Y. 10017; phone 212 MU 2-0458).

CONSUMPTION GROWTH TOPS PRODUCTION GAINS

Each inhabitant of the EEC consumed 14.8 kg. (kg. = 2.2 lbs.) of beef in 1955-56. By 1963, per capita consumption had reached 22.6 kg. -- a 70 per cent increase. Consumption has thus increased more than twice as much as production, increasing the need for imports.

French per capita consumption is the highest in the Community; in 1963 it reached 24.3 kg. of beef and 8.84 kg. of veal. The greatest consumption increases have taken place in the German Federal Republic and in Italy. Veal consumption is exceptionally high in Belgium, France and Luxembourg -- over 8 kg. per capita a year. In other Community countries the average is 3 kg. Farm economists foresee a levelling off of beef and veal consumption in France, Belgium and Luxembourg. The expected continued increased demand in Germany and Italy will thus be the decisive factor in the Community market.

Latest consumption figures for 1963 are 3,688,000 metric tons of beef and 596,000 metric tons of veal. Experts predict that total consumption will exceed 5,000,000 metric tons by 1970; it would then be 53 per cent higher than in 1958, the EEC's first year. Italian demand is expected to have increased by 110 per cent, German by 54 per cent and French by 30 per cent. The per capita consumption of beef and veal in the EEC should be more than 27.3 kg. in 1970, compared with 20.8 kg. in the 1960-1961 marketing year.

The proportion of total EEC beef consumption at present covered by domestic production is about 94 per cent. Veal demand is entirely met from Community production. However, a rising population and increased per capita demand will mean that beef imports will still be needed.

LIBERAL BEEF, VEAL RULES APPLIED

The EEC market organization for beef and veal is more liberal than those prevailing for other livestock products. The regulations are based on common policy rules for other commodities and expert assessments of the market outlook.

The market organization for beef and veal abolishes certain national arrangements, harmonizes the remaining national legislation, and liberalizes trade. Unlike the market organizations for other commodities under

the common agricultural policy, levies will not be applied automatically. Imports of live cattle, beef, and veal are expected to be liberalized under a system of ad valorem duties.

Additional charges or levies will only be used when the price on specific representative markets falls below a guide price. The EEC market organization is based solely on changes in market prices for live cattle, beef, and veal within 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. Forecasts indicate that market prices will usually be higher than the guide prices during most of the year.

The guide price is not a guaranteed price. Producers are to aim each year at this price. The support price, designed to give the domestic market a degree of stability, will be based on the guide price. Each member state has set its own guide prices -- one for cattle and one for calves -- within upper and lower limits prescribed by the EEC Council of Ministers.

1964/65 GUIDE PRICES (\$ per 100 kg.)

	Cattle	Calves
Upper limit	\$58.75	\$86.25
Luxembourg	57.75	85.00
Germany (FR)	56.00	84.00
Italy	56.00	82.75
Belgium	56.00*	78.00
France	55.25	81.00
Netherlands	55.00	78.75
Lower limit	51.25	76.25

* In Belgium the rates vary seasonally:
Feb. 1 to May 31 -- \$58.00
Aug. 1 to Nov. 30 -- \$54.00

Guide prices are calculated on the weighted average of prices for cattle and calves of all qualities. For the marketing year beginning April 1, 1964, the base period November 1, 1962 to October 31, 1963 was used.

Differences between member states' guide prices for cattle are small. The single market envisaged in the regulations should be in existence prior to the 1970 deadline. Developments in setting up the single market for beef and veal will be closely linked to the market for milk and dairy products. Production in both sectors will be determined partially by guide prices.

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

(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.

TRADE WITH NON-MEMBERS UNDER COMMON POLICY

The beef and veal regulation requires that current national tariffs on imports from non-members be aligned on the common external tariff by 1970. When the internal market price of a member country falls below its guide price, a levy is imposed to provide the home producers with additional protection. When the domestic market price is less than 105 per cent of the guide price, half of the amount of the levy is imposed initially; when the internal market price is less than the guide price, the full levy is imposed. The amount of the levy is equal to the difference between the import price plus import charges (including duty) and the guide price.

Each week the Commission determines the market prices on representative markets in non-member countries. This price, ascertained by a detailed formula prescribed in the regu-

lation, plus the import charges yields the import price used for calculating levies. Two import prices are set weekly, one for cattle and one for calves.

The member countries must inform the Commission each week of the market prices for specific qualities on certain domestic markets. The Commission determines the market price for the week and decides whether a levy is to be imposed for the following week. The member states set the exact amount of the levy individually.

EEC IMPORTS OF CATTLE FOR SLAUGHTER (in million \$)

		World exports
1958	112	465
1959	123	432
1960	136	457
1961	128	506
1962	124	-
1963	173	-

EEC IMPORTS OF BEEF AND VEAL (FRESH, CHILLED, FROZEN)

(in million \$)

		World exports
1958	85.8	479
1959	83.6	564
1960	97.5	557
1961	52.4	547
1962	79.9	-
1963	168.6	-

PREFERENCES FOR INTRA-COMMUNITY TRADE SET

Imports from a member country have a slight preference over those from non-members. The levy added to the exporting countries market price is set to bring the total import price up to 95 per cent of the importing country's guide price. The levy on imports from non-members is based on 100 per cent of the guide price. The five per cent difference is the actual preference enjoyed by member state suppliers. A member state can only impose levies in intra-Community trade if it has already intervened on its home market.

Support prices are set to afford the national markets protection and stability. The support price is fixed by member states at between 93 per cent and 96 per cent of the guide price. If a member state sets the support price at between 93 and 95 per cent of the guide price, the intra-Community levy is equal to the difference between the exporters market price plus duty and the importers guide price,

less five per cent. If the support price is set between 95 and 96 per cent, the levy imposed may not exceed this price.

Member states are not bound to support beef and veal even when prices fall to the level of the support price. Import levies on intra-Community trade can be applied in this case, provided the market price for beef falls no more than 10 per cent below the guide price.

SPECIAL RULES APPLY TO FROZEN MEAT

The beef and veal regulations have special provisions for frozen meat trade. Italy has a great demand for frozen meat for processing. Germany, Belgium and the Netherlands are also frozen meat importers.

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

Frozen meat is to imported at the rate of duty in the common external tariff. When a levy is applied for live cattle, a levy on frozen meat is automatically applied. The frozen meat levy is calculated on the basis of live cattle rates.

A tariff quota for the Community of 22,000 metric tons bound in GATT at a duty of 20 per cent has been retained under the market organizations for beef and veal. Current demand for reasonably priced beef exceeds this quota. An additional quota may be opened each year for frozen meat for processing. The Council of Ministers may set both the size of the quota and the rate of duty to be applied to imports under it.

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