



COMMON MARKET FARM REPORT

BELGIUM, FRANCE, FEDERAL REPUBLIC OF GERMANY, ITALY, LUXEMBOURG, THE NETHERLANDS

New and Revised Prices for Community Agricultural Products

The European Communities Council of Ministers, after a meeting of the Community's six ministers of agriculture October 25-26, adopted regulations on prices for pork (for the period November 1, 1967-June 30, 1968) and olive oil (for the 1967/68 and 1968/69 marketing years). The Council also noted its agreement on common prices for rice, cereals, beef and veal, and sugar and sugar beets for the 1968/69 marketing year. These were later confirmed in published regulations.

The new or revised prices are shown in Table at right.

Commission's Proposals

Earlier in the year the European Commission transmitted to the Council a lengthy document containing its proposals for the annual setting of common prices for a range of farm products. These proposals in turn formed the basis for the Council's decisions following the receipt of an advisory opinion from the European Parliament.

The Community's agricultural policymakers have been operating a price policy within a uniform, close-knit structure of farm prices. Practically all the first common prices provided for in the regulations setting up common market organizations for farm products have been fixed by existing Council decisions. Following this year's changeover from different prices fixed by the national authorities to single Community prices, the prices of agricultural produce will have to be fixed annually and a year in advance.

The Community has now arrived at a sort of halfway point, since not all products have reached, or will reach, the single agricultural market stage at the same time. The Common prices approved by the Council between 1964 and 1966 come into effect on different dates between November 1966 and July 1968: olive oil on November 10, 1966; cereals and oilseeds on July 1, 1967; rice on September 1, 1967; milk and milk products, and beef and veal on April 1, 1968; and sugar beet on July 1, 1968.

The new proposals submitted to the Council therefore varied considerably in character. They dealt with: (1) new annual common prices for 1968/69 -- for cereals, rice, olive oil, and oilseeds; (2) the review of the first common prices fixed for beef and veal, and sugar and sugar beet (a matter of revising the first common prices, fixed but not in force, rather than of fixing the new year's common prices to replace those already in operation); and (3) the first fixing of common prices for pork.

General Principles of Agricultural Price Policy

Two matters have been of major significance in the Community's policy on farm prices -- the procedure followed

New or Revised Prices

in dollars per metric ton		Previous	Price	Period of
Product	Nature of Price	Common Price	Fixed	Application
Durum wheat	Basic target price	125.00	125.00	1/8/68-31/7/69
	Basic intervention price	117.50	117.50	"
	Guaranteed minimum price to producer (at wholesale stage)	145.00	145.00	"
Soft wheat	Basic target price	106.25	106.25	"
	Basic intervention price	98.75	98.75	"
Barley	Basic target price	91.25	94.44	"
	Basic intervention price	85.00	87.98	"
Corn	Basic target price	90.63	94.94	"
Rye	Basic target price	93.75	97.50	"
	Basic intervention price	87.50	91.00	"
Rice	Basic target price	181.20	189.70	1/9/68-31/8/69
Olive oil	Target price (to producer)	1150.00	1152.50	1/11/67-31/10/68
	Market target price	800.00	802.50	"
	Intervention price	730.00	730.00	"
	Threshold price	-	792.50	"
Oilseeds	Target price	202.50	202.50	1/7/68-30/6/69
	Basic intervention price	196.50	196.50	"
Sugar	Minimum price for beet	17.00	17.00	"
	Target price for white sugar	223.50	223.50	"
	Intervention price	212.30	212.30	"
Beef and veal	Guide price for live adult cattle	662.50	680.00	1/4/68-31/3/69
	Guide price for live calves	895.00	915.00	"
Pork	Basic price (slaughter pigs)	735.00	735.00	1/11/67-30/6/68

in fixing prices and the criteria used to determine the level of these prices.

(a) Procedure

The Commission stated that the following four principles should be adhered to, and this view has been largely endorsed by the Council: (1) All prices should be fixed at one and the same time. (2) The timing of price decisions should be such that farmers can plan accordingly.

Prices for tillage crops (cereals, rice, and oilseeds) must therefore be fixed before the autumn sowing. (3) Price decisions must be taken, then, not later than August 1 each year -- before the start of the sowing season. (4) The Commission's price proposals should be accompanied by a report on the state of agriculture and the agricultural markets.

The Commission has not yet been able to submit an "annual report" on the situation of agriculture and agricultural markets in the Community owing to the lack of sufficient comparable data. However, reports were submitted by the Commission on the beef and sugar sectors, and additional data was presented on the economic situation of agriculture and on the trend of the markets for various products (supplies, world market, trend of prices).

(b) Criteria for Fixing Price Levels

Proposals regarding the level of agricultural prices made by the Commission so far have taken into account the following general factors: (1) incomes in agriculture; (2) the guidance of production (by establishing fixed ratios between different prices and considering the supply situation.); (3) supply to consumers at reasonable prices; (4) the Community's role in world trade, with particular reference to international commitments or considerations; and (5) the cost of financing the common agricultural policy.

In its examination of the development of the economic situation in agriculture and trends on the agricultural markets, the Commission found:

* Farm income trend. There was no appreciable improvement in farm incomes in any of the member states during the period under review (1964-1966). This factor alone would completely justify the raising of prices for farm products. Taking other factors into account as well, the Commission proposed that producer price levels be generally raised wherever possible.

* The adaptation of production. The current and foreseeable position on supplies called for an increase in the output of feed grains and beef. The trend in the Community has been towards increased production of wheat other than durum, and the demand for feed grains has been continuing to grow at a rate that would seem to indicate that production should be channeled towards these cereals. Milk products, particularly butter, were being produced in excess of intra-Community demand, while demand for beef and veal has been growing much faster in the long term than production. Consequently, it would be advisable to (1) narrow the gap between bread-grain and feed-grain prices, fixing higher prices for corn and barley which would correspond to the feeding value of these two grains; (2) raise the price for rice -- a commodity for which corn is a substitute -- so as not to again prejudice the cultivation of rice in Italy; and (3) favor expansion of the supply of beef and veal rather than further increase milk output. The supply situation did not warrant any increase in the prices for olive oil, oilseeds, sugar and sugar beet.

* Consumer supplies at reasonable prices. The producer's share in consumer's expenditure on food is declining so sharply that it might be

claimed that fluctuations in agricultural prices to the producer were having less and less of an impact on consumer spending. Since, however, consumer prices are influenced to not an inconsiderable degree by the common agricultural policy, the effect on the consumer must not be forgotten.

* The Common Market and world trade. The Community was bound by the EEC Treaty to contribute to the harmonious development of world trade, while safeguarding member states' common trading interests.

With regard to wheat other than durum, the Community already produced a surplus and was likely to continue to do so; and, on the world markets, there was already a tendency for trade to decline. However, even if Community production of feed grains were increased, its purchases on the world markets would not fall below their present level.

The same was even truer of rice: an increase in producer prices for rice in the Community was unlikely to bring about any change in import requirements.

On the other hand, the Community's need to export milk products could be reduced, while a certain expansion of beef and veal production would be desirable for reason of trade policy as well as for other reasons.

* Financing the common agricultural policy. The effect of price policy on the financing of the common agricultural policy should be kept at a minimum. Therefore, the aim should be to step up feed-grain rather than wheat production and to expand beef and veal output, which would cut down milk surpluses.

Conclusions of the Commission's Report

The main conclusions of the Commission's report to the Council were as follows (by commodity):

Cereals. As the Community was committed to improving farm incomes and the pattern of production, an obvious move would be to increase only feed-grain prices slightly in relation to the wheat price, and the price for corn more than the others.

Rice. So that the competitive position of Italian rice and French rice would remain comparable with their relative positions in 1967/68, prices should be increased in each of the producing areas -- at Arles and Vercelli -- by equal amounts. (See FARM REPORT Number 32, page 3.)

Sugar beet. In view of price trends and area in production, there was no need to alter the prices set in July 1966.

Beef and veal. In view of the forecast trend of production (a cyclical slowdown), guide prices for cattle should be fixed to stimulate beef and veal production and to help avoid further structural milk surpluses. The guide price should be increased slightly for 1968/69, with a provision for a further increase for 1969/70.

Olive oil. The market price for 1967/68 should be kept at the same level as in 1966/67 in order to preserve price stability in trade and for the consumer.

Oilseeds. In view of the fact that the Council took into account the prices previously guaranteed to producers when fixing oilseed prices, that these prices had no appreciable effect on the area sown, and that the current proposals made no provision for changes in the price for wheat other than durum or the price for sugar beet (two crops which were in direct competition with oilseeds in crop rotation), the target price for oilseeds should be left the same for 1967/68, as it was a year earlier.

Pork. To avoid structural surpluses, a certain amount should be deducted from the sum of the sluicagate price and the levies on slaughtered pigs to arrive at the basic price for slaughtered pigs.

Agricultural Statistics

Livestock Population

Figures for livestock population in the European Community show that the total livestock population of the Common Market, which had been growing almost constantly, fell off in 1963. However, population began to move upward again in 1964 and by 1966 had returned to its 1961 level.

After 1963, cattle and pig numbers increased steadily and by 1966 had reached a record figure for the years covered by the European Communities' statistics (1950, 1954, and 1957-66).

Livestock Population of the Common Market

in thousands of head of mature animals	1961	1962	1963	1964	1965	1966
Total livestock	58,880	58,096	55,695	56,517	57,759	58,600
Cattle	44,106	43,665	41,683	42,150	43,549	44,304
Pigs	7,604	7,528	7,451	7,993	8,021	8,195

Statistical Office of the European Communities
Agricultural Statistics series, No. 8/1967.

As far as other animals are concerned, there has been, over the last five years, a remarkable increase in the number of hens. Sheep and goat numbers have remained stationary, while the number of horses and asses has been declining steadily.

Meat Production and Consumption

During 1966, beef and veal production continued to expand, passing the 4-million mark and thus regaining its 1962 level. Poultry meat production was constantly increasing. Pork production showed a slight drop from 1965, but it was still at a higher level than before 1965. Production of horsemeat has been on the decline since 1961.

Community meat consumption per head was higher in 1965/66 than in the previous marketing year for all categories of meat, with the exception of horsemeat and the like. There was a drop in pork consumption in Italy because net production had fallen off. In Belgium, poultry consumption fell as a result of increased meat exports.

Fruits and Vegetables

The Community balance sheets for fruits and vegetables for the period prior to January 1, 1967, are of particular interest, as this was the date on which the common market organization for the main types of fruits and vegetables came into being.

Vegetable consumption has increased greatly over the last ten years (1956-66), but despite this the Community is still able to meet its own requirements and even show a small surplus.

Vegetable consumption is lowest in the Federal Republic of Germany (56 kg. per head), followed by the Netherlands (63 kg.) and the Belgium-Luxembourg Economic Union (BLEU) (134 kg.). Consumption in Italy (151 kg.) is almost three times as much as that in Germany.

The Community's degree of self-sufficiency in vegetables was 102 per cent in 1955/56 and was main-

Meat Production in the Common Market

	1961	1962	1963	1964	1965	1966
Total meat	10,056	10,734	10,663	10,745	11,178	11,568
Beef and veal	4,046	4,313	4,269	3,959	3,929	4,305
Pork	4,550	4,861	4,752	4,989	5,301	5,258
Mutton and lamb, meat of goats and kids	215	214	194	197	202	213
Horsemeat, etc.	149	140	139	135	128	113
Poultry meat	879	978	1,069	1,213	1,348	1,381
Other	217	228	240	252	270	298

Statistical Office of the European Communities
Agricultural Statistics series, No. 8/1967.

Meat Consumption

(carcass weight including fat) kg. per head	Germany (FR)	France	Italy	Nether- lands	Belgium/ Luxem- bourg	EEC
1964/65	72.6	89.3	37.0	53.9	68.6	65.5
1965/66	73.0	94.6	38.8	58.8	71.1	68.1

Statistical Office of the European Communities
Agricultural Statistics series, No. 8/1967.

Self-sufficiency in Meat

(gross domestic production as per cent of quantities available)	Germany	France	Italy	Nether- lands	Belgium/ Luxem- bourg	EEC
1965/66	83.8	96.9	73.8	147.5	95.2	90.6

Statistical Office of the European Communities
Agricultural Statistics series, No. 8/1967.

Production, Home Utilization, and Consumption of Fruits and Vegetables in the Common Market

(in thousands of metric tons)

Years	Vegetables			Fruits		
	Production	Home utilization ¹	Consumption (kg per head)	Production	Home utilization ¹	Consumption (kg per head)
1955/56	16,441	16,121	84	7,507	7,753	42
1956/57	16,745	16,007	83	8,474	8,767	47
1957/58	17,668	16,790	85	5,663	6,280	34
1958/59	19,897	18,929	95	10,453	10,950	57
1959/60	19,195	18,238	91	8,772	9,364	48
1960/61	21,102	20,452	102	11,563	12,172	63
1961/62	21,481	20,421	101	10,596	11,503	57
1962/63	20,808	20,092	98	11,364	12,577	61
1963/64	22,252	21,963	105	12,856	13,948	67
1964/65	22,768	22,963	106	12,527	13,788	65
1965/66	22,817	22,467	106	12,084	13,765	66

¹ Human consumption and industrial use including market losses, etc.

Statistical Office of the European Communities
Agricultural Statistics series, No. 10/1967.

tained at that level in 1965/66. The countries producing surpluses were BLEU (112 per cent), Italy (115 per cent) and the Netherlands where the production was almost double the need (185 per cent). The countries with deficits were France (96 per cent) and Germany (55 per cent).

Fruits

As in the case of vegetables, home use of fruits (excepting citrus and dried fruits) in the Common Market has increased considerably. It has virtually doubled since 1955/56, increasing from 7.7 million metric tons to 13.8 million metric tons in 1965/66.

Consumption within the Community increased from 42 kg. to 66 kg. per head. Consumption per head in Germany and Italy were at almost the same level (77 kg. and 78 kg. respectively). The increase in consumption

in the ten-year period was most marked in these two countries. Next came France (51 kg.) followed by the Netherlands (41 kg.). Consumption in BLEU (42 kg.) was lower than in 1955/56 (52 kg.), but the bumper harvest of 1955/56 was largely responsible for this discrepancy.

The Netherlands had the highest degree of self-sufficiency in fruit (117 per cent). The figure for Italy was 107 per cent and for France 104 per cent. In comparison, BLEU with 61 per cent and Germany with 56 per cent were a long way from being able to meet their own needs.

The Community as a whole, as can be seen from the following table, grows too many vegetables and not enough fruits.

Degree of Self-sufficiency in the Common Market

Years	Vegetables	Fruits
1955/56	102%	97%
1956/67	105	97
1957/58	105	90
1958/59	105	95
1959/60	105	94
1960/61	103	95
1961/62	105	92
1962/63	104	90
1963/64	101	92
1964/65	102	91
1965/66	102	88

Potatoes: Growing Importance As Animal Feed

A large part of the potato harvest is now being fed to stock. The amount represents a growing proportion of the potato harvest and occupies a position of increasing importance in the economics of potato growing. Approximately 35 per cent to 40 per cent of all potatoes harvested in the Common Market are used as stockfeed; since the demand for potatoes for other purposes is fairly stable, surplus production is channelled to the feeding of stock. The increase in the quantities fed to stock is related to variations in the potato harvest. In agriculture generally, potatoes for stockfeed are becoming increasingly important as the proportion of total potato production used for this purpose rises. A remarkable example is Germany where more than half of the potato harvest is used for stockfeed.

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