



COMMON MARKET FARM REPORT

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

Standardized Controls and Hormone Ban Proposed by Commission

New Steps towards the Harmonization of Legislation on Animal Needs

Although animal feeds, at least those that are cereal or dairy products, are covered by the appropriate market legislation, trade in feeds is still hampered by the fact that laws and regulations governing them differ widely in most of the member states of the European Community. The Commission of the European Communities last year took its first steps to regulate this field -- one which is well regulated in the United States.

Standard Techniques and Supervisory Committee Proposed

The Commission took an initial step towards harmonizing these laws in October 1964. This first proposal was blocked by the political opposition of a few member states, but on May 26, 1967, the Commission put forward a new proposal to the Council of Ministers, this time covering feed sampling techniques and providing for a Standing Committee on Animal Feeds to oversee measures proposed by the Commission.

The practical implication of the proposed new directive is that member states will be obliged to carry out all their official controls in accordance with standard sampling procedures and methods of analysis, to be set by the Commission in accordance with the latest scientific and technical knowledge and with due regard for proven techniques and methods.

Regulation of Feed Additives Spelled Out

On June 27, 1967, the Commission submitted to the Council of the European Communities a proposal for another directive in this field concerning additives in animal feeds.

This proposal is the result of years of collaboration between the Commission and government experts from the member countries. Trade and consumer organizations associated at Community level were also consulted.

The Commission's proposal assumes that any increase in livestock productivity will be largely dependent on suitable high-grade feeds. This is being increasingly accomplished by additives in livestock feeding.

The following is the substance of the proposal:

(a) Feeds in the Six will not be allowed to contain additives that do not conform qualitatively and, where appropriate, quantitatively to Community standards.

Permitted substances and the conditions for their use are listed. Among the substances not listed and therefore prohibited are those which act as hormones or anti-hormones.

(b) The permitted substances should not be given to animals unless mixed with their feed.

(c) If feeds containing additives meet specified standards, they should not be subjected to any trade restrictions within the Community on grounds of additive content.

(d) All substances which, when mixed with feeds, modify the quality of the feeds and of livestock products are to be considered additives. They may be accessory food factors which can be expected to have a favorable effect on growth or livestock production; they may also be auxiliary agents that facilitate the manufacture, preservation, and assimilation of feeds; or they may be prophylactically active substances that counteract certain pathological phenomena.

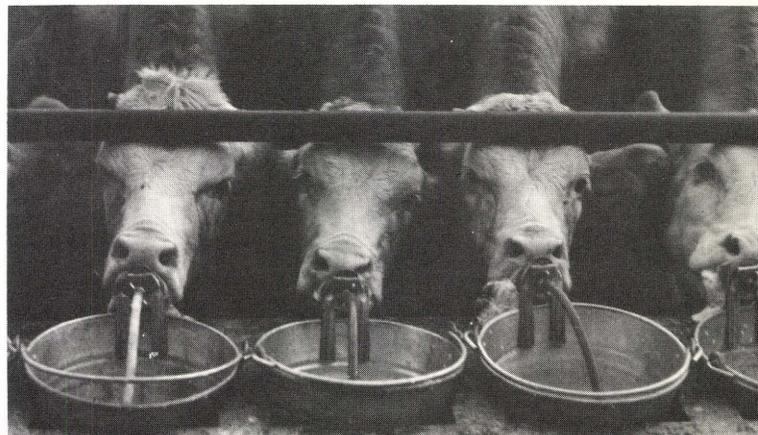
(e) "Additives" means only such substances as are knowingly and intentionally added to feeds.

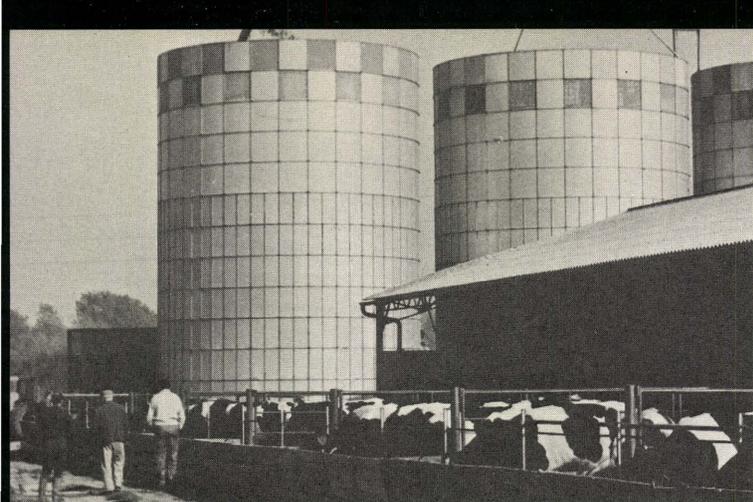
In the future, use of the following groups of additives will be permitted: amino acids, some antibiotics, anti-oxidants, flavoring and aperitive agents, some coccidiostatic and other drugs, emulsifiers, certain coloring matters and pigments, several trace elements and stabilizers, vitamins, provitamins and analogous substances.

Member states are to be allowed -- though for the most part only during the transition period which is drawing to a close -- to authorize other additives within their own jurisdiction. But they are expressly prohibited from authorizing substances that act as hormones or anti-hormones and those (e.g. arsenic, antimony, fluorine, selenium) listed as an annex to the directive. Certain margins are allowed to take account of the natural occurrence of these substances in feeds.

(f) Additives are permitted provided they conform to the following principles:

- They must improve the quality of feeds into which they are incorporated and of resultant livestock products.





Feed silos in France

- The concentrations of permitted additives in feeds must not be high enough to be injurious to animal or human health.
- They must not harm the interests of the consumer by making any change in the nature of livestock products.
- When mixed in feeds, they must be amenable to qualitative and quantitative analysis.
- In the case of medicinal additives, the content in feeds must not amount to prophylactic or therapeutic doses. For example, only nutritional doses of antibiotics should be mixed with feeds. This rule does not apply, of course, to coccidiostatic drugs and a few other substances whose exclusively medicinal nature is beyond doubt. Use of these agents as additives is authorized in practically every member country because they are considered indispensable for poultry farming. However, these substances are listed in the directive as a temporary arrangement only. They are to be dealt with later on in a directive on the active substances in medicated feed.

- There must be no stipulation that, owing to possible effects on human or animal health, the additives may only be administered under medical or veterinary surveillance.

These principles are also to apply if any changes are made in the annexes to the directive or if certain member states exercise their right to authorize the use of other additives within their national frontiers.

(g) A special rule applies to supplementary feeds (concentrates which, on account of their composition, must be mixed with other feeds to provide an adequate total daily ration for livestock). Provision is made for measures to guarantee that animals do not receive in their daily ration more than the permitted maximum quantities of specified additives, such as antibiotic or coccidiostatic drugs.

(h) The proposed directive contains a clause permitting member states to postpone the authorization of particular additives or to reduce stipulated maximum contents in their territories for a period of up to one year, should there be any risk to animal or human health.

(i) The member states are to be made liable for ensuring official control, at least by spot checks, of the observance of rules made pursuant to the directive. Community sampling procedures and methods of analysis are to be employed for this purpose. The responsibility for establishing such procedures and methods will be the Commission's. It is proposed to apply the same procedure as that governing the basic materials in feeds -- through the Standing Committee on Animal Feeds

(j) Member states will be required to enact legislation giving effect to the directives within two years of their being issued.

Apart from these two proposed directives, the Commission is preparing definitions for feedstuffs. Corresponding regulations on compound feedstuffs and provisions regarding the characteristics of simple and compound feedstuffs are also planned.

Value-Added Tax Proposed for Farm Produce

The Commission of the European Communities has recently submitted to the Council of Ministers a proposal for the application of the tax on value added (TVA) to turnover in agricultural products.

The proposed directive dealing with common rules for applying the TVA is the third by the Commission on the harmonization of the legal provisions of the Community's member states on turnover tax. The first two established TVA rates for other sectors of the Community's economy, TVA being a tax on goods at each stage of manufacture, and these come into effect on January 1, 1970.

Under the new directive, deliveries and imports of agricultural products will become subject to a common, reduced rate by July 1, 1969, at the latest. The rates will be fixed by the Council and would be half of the normal TVA rate that goes into effect in 1970.

Aim of Proposals

The proposal's aim is to make it easier for agriculture to integrate itself into the general economy, to facilitate intra-Community trade in agricultural products, and to avoid differences in the impact of the tax at the stages where agricultural prices in the member states are formed. It is based on the assumption that the common TVA system must be extended to agriculture so that this sector shall be subject to the same competitive conditions as the other sectors of the economy and discrimination between producers in the Community avoided.

As not all agricultural undertakings keep adequate accounts and therefore cannot comply with the provisions of the normal TVA, an arrangement is provided whereby deduction of previous taxes can be made at a flat rate. Each farmer will retain, however, the freedom to opt for application of the normal TVA.

Excluded from the flat-rate deduction arrangement are associations of agricultural producers, and more particularly, agricultural cooperatives, producer associations and other producer organizations, combinations of these, and so-called mixed establishments if their non-agricultural turnover exceeds an amount fixed by each member state. "Agricultural producers" comprise those in forestry and fishing as well as in agricultural activities. The list includes agriculture proper, livestock breeding and animal husbandry, fresh water fishing, fish farming, clam and oyster cultivation, and frog breeding.

Aid to Removing Tax Frontiers

As the common agricultural market will be completed by January 1, 1970, it will also be necessary to relieve intra-Community trade in agricultural products as far as possible of tax formalities and controls at the frontiers between the member states. The common tax rate proposed is an essential step toward this aim. Until taxes on imports and tax refunds on exports are abolished, that is, until tax frontiers are removed, the intention is to abolish, transitionally, the levying of taxes when goods cross the borders and to collect these taxes only from the first buyer after

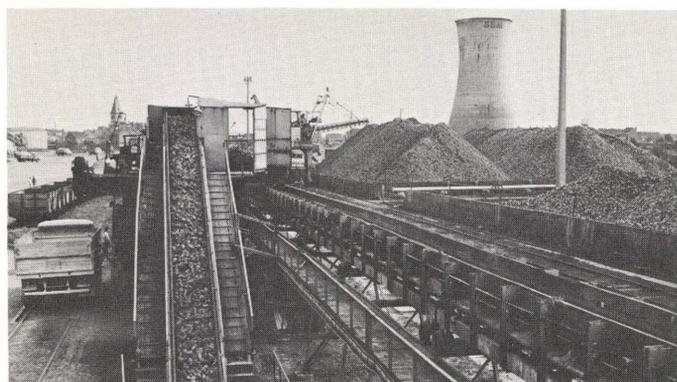
importation. Although this means that intra-Community trade in agricultural products will continue to be subject to tax adjustment, this will be done by a procedure which is as free as possible from all frontier formalities and controls. Adjustment will then no longer be the result of differing rates, but will merely serve to maintain the principle of taxation in the consumer country.

Application of Tax

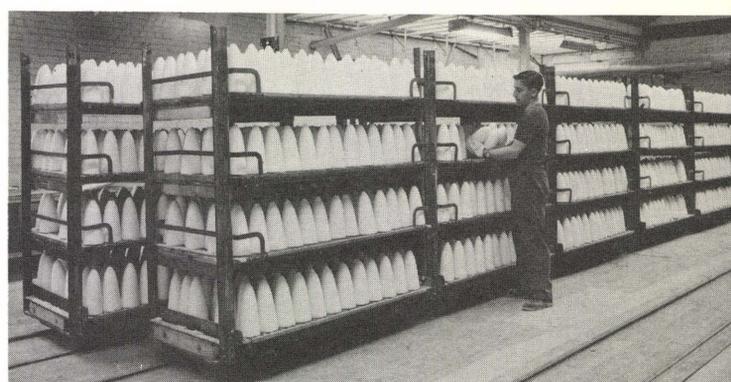
The products to which the directive applies compulsorily are listed in an Annex to the proposal and is based on Annex II to Article 38 of the Common Market Treaty. The list contains in principle all agricultural "ex-farm" products. It includes, in addition,

a number of means of production such as seeds and plants, fertilizers, insecticides, and plant protection products. The common reduced rate for the means of production is meant to reduce and equalize the burden of tax paid at previous stages.

The common reduced TVA rate for agricultural products is applicable up to, and including, the wholesale stage. The member states are free to increase or reduce the rate of tax to be paid at the final stage. To ensure that the effects of the discretionary powers thus remaining with the member states do not run counter to the aims of the Community, the Commission has proposed a procedure designed to lead, as far as possible, to an alignment of the tax burden at the final trading stage.



Sugar beets are unloaded and piled for storage then taken by conveyor to be cleaned.



Sugar loaves leave the drying shed ready for packing at one of about 30 refineries in Belgium.

Community Sugar Production Drops; Consumption Rises

Sugar production in the European Community as a whole declined in 1966/67; and, from being an exporter in the previous year, the Community had become a substantial importer.

While production dropped, consumption in the Community continued to rise, helped in part by new forms of consumption, according to the latest figures on sugar supplies published by the Community.¹

Sugar Production

In the Community as a whole, sugar production fell by 113,000 metric tons, or by 2 per cent, in 1966/67. The largest drop in output was in France (514,000 tons or 23.8 per cent) where the area under cultivation for sugarbeet has been cut considerably. This drop was partially offset by increases in Germany (324,000 tons or 22.5 per cent) and Italy (117,000 tons or 10.03 per

cent). In Italy, the area under cultivation had been creases in France and the BLEU, which were only partly increased; but in Germany, where the growing area actually was reduced, the increase was due to good weather during the growing season. The drop in output in the Netherlands (20,000 tons or 3.6 per cent) and the Belgium-Luxembourg Economic Union (20,000 tons or 5.1 per cent) where the area cultivated has changed very little, was largely due to bad weather.

Community Consumption Rising Steadily

Analysis of the Community's external trade balance by volume showed the shift, by the end of the 1966/67 marketing year, from exports to imports.

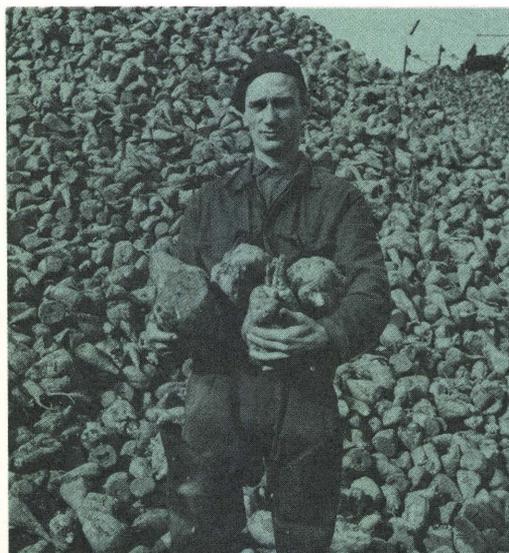
Stocks in the Community were lower than in 1965/66 (by 136,000 tons), since despite a tendency to increase in the importing countries, they were affected by the substantial drops in the exporting countries, i.e. France and the BLEU.

The degree of self-sufficiency in the Community dropped from 95 per cent to 91 per cent, owing to the net de-

¹ "Sugar Supply Balance Sheets," Agricultural Statistics 1968 - No. 1, Statistical Office of the European Communities, Brussels.

COMMUNITY SUGAR PRODUCTION, 1966-67

	Germany	France	Italy	Netherlands	BLEU	EEC
1. Area under sugarbeet (in thousands of acres)						
1965/66	739	976	697	225	161	2,797
1966/67	727	729	736	227	166	2,585
2. Output of sugar (in thousands of metric tons of white sugar equivalent)						
1965/66	1,442	2,157	1,139	548	395	5,681
1966/67	1,766	1,643	1,256	528	375	5,568
3. Final stocks (in thousands of metric tons of white sugar equivalent)						
1965/66	846	1,272	290	217	193	2,818
1966/67	959	1,038	300	235	150	2,682



**COMMUNITY SUGAR CONSUMPTION
AND EXPORT, 1966-67**

	Germany	France	Italy	Netherlands	BLEU	EEC
4. <u>Net exports (in thousands of metric tons of white sugar equivalent)</u>						
1965/66	-301	444	-115	-114	100	14
1966/67	-376	189	-114	-173	37	-437
5. <u>Consumption (in thousands of metric tons of white sugar equivalent)</u>						
1965/66	2,080	1,604	1,289	693	304	5,970
1966/67	2,029	1,688	1,360	683	381	6,141
6. <u>Degree of self-sufficiency (per cent)</u>						
1965/66	69	134	88	79	130	95
1966/67	87	97	92	77	98	91



A sugar beet refinery in the Netherlands

offset by the rapid advance in Germany.

A fairly new feature is the use of sugar for animal feed. In Germany, the demand for feeding-sugar, mainly imported, went up from 62,000 tons in 1964/65 to 281,000 tons in 1966/67. In France, much less sugar is denatured, and all of it is surplus home-produced sugar.

This new form of consumption, which accounted for approximately 6 per cent of total consumption, has been encouraged by present low prices; and sugar has acquired an importance in animal feeding which even an increase in prices is unlikely to reduce.

Germany. The fall in consumption (51,000 tons or 2.5 per cent) which coincided with an increase of output was attributable to reduced deliveries to most consumer sectors, particularly for the preparation of wine. This decline would have been even more pronounced had it not been partially offset by an increase in the amount of sugar used for animal feed (61,000 tons or 27.7 per cent).

France. France was able to adjust its production and thereby reduce stocks to normal proportions (by 234,000 tons); during the previous year they had risen to 1,272,000 tons. As a direct consequence of this reorganization of production, France's degree of self-sufficiency dropped to 97 per cent, thus becoming a deficit country for the year.

Italy. Since Italy's output is rising more rapidly than its consumption, it is gradually becoming more self-sufficient, and thus reducing its net imports. This tendency should become even stronger in the future, in view of the aids being granted to beet growers and sugar manufacturers to help them adapt.

Benelux. In the Netherlands, the decrease in production during the last two marketing years explains the high figure for net imports (59,000 tons, 51.8 per cent). Like France, the BLEU, which traditionally produces a surplus, is no longer able to meet all its requirements out of domestic output because of the way consumption rocketed in 1966/67 (77,000 tons, 25.3 per cent).

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