



COMMON MARKET FARM REPORT

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

Commission Submits Proposals for Common Rules for Beer Seeks to Protect Consumers' Interests

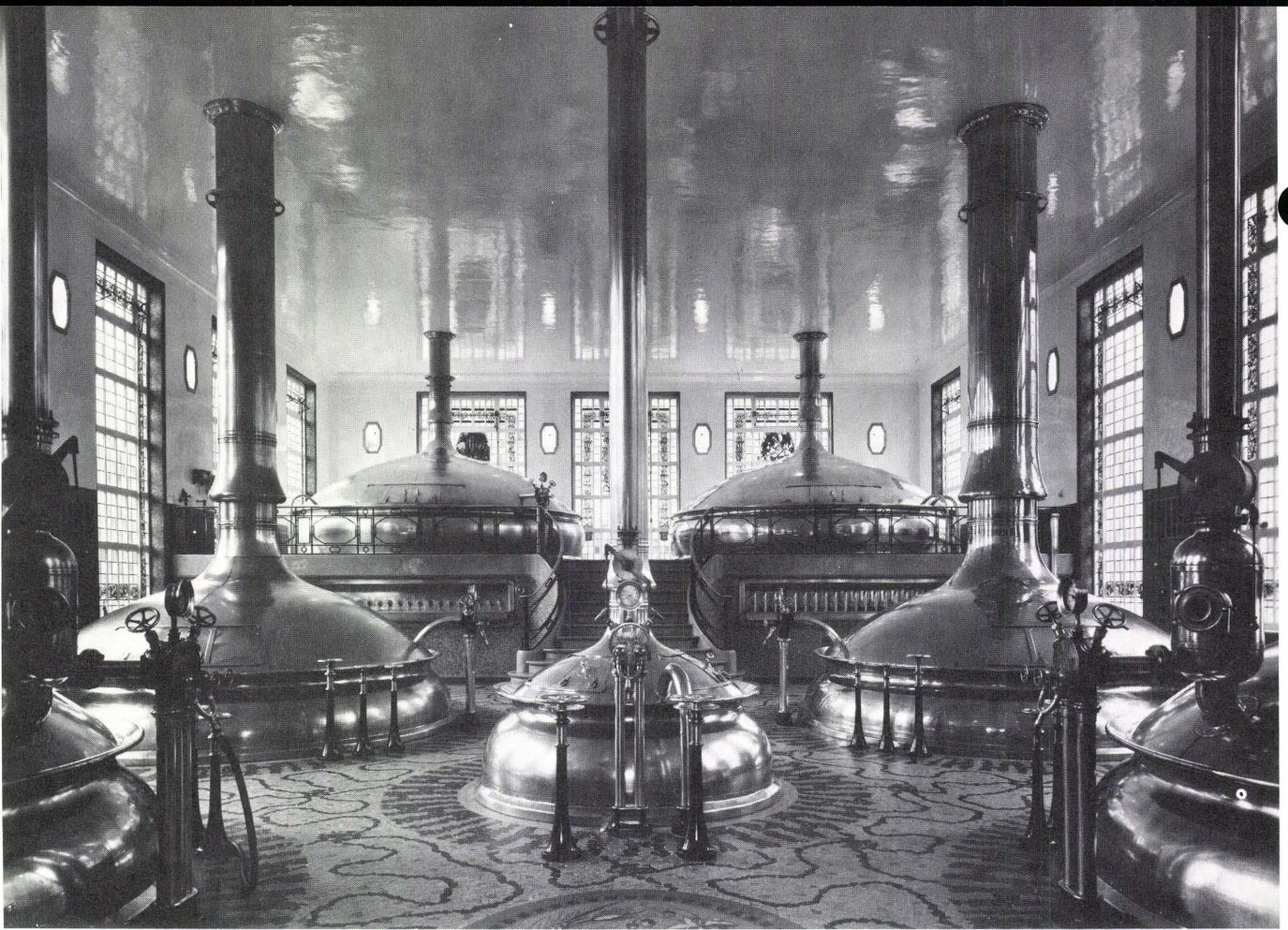
Is Europe in the throes of a beer war? Public outcry in the European press has claimed that the Common Market Commission is trying to merge the entire brewing industry of the six member states, that it wants to do away with traditional brewing methods and drinking habits. Some have accused the German beer drinker of being willing to give up his centuries-old beers in order to save a few cents and have claimed that German breweries will, with a flourish of trumpets, cheapen their beer by allowing adjuncts (cereal products other than malted barley) and sugar to be used in their process.

Not at all. The Commission's proposals for harmonization of laws on beer, submitted to the European Communities Council of Ministers on June 26, 1970, aim to make trade in beer easier and to maintain the high quality

of existing beers by having a common set of rules for all brewers and all consumers within the Common Market. Indeed, the Commission's proposals make special allowance for countries to keep their purity standards and provide for a special quality label for beer made, without adjuncts, from pure malted barley. The basic principles of the proposals are that raw materials and finished products must move freely inside the Common Market, that identical conditions of competition apply to all manufacturers, and that all consumers have equal access to the product. The proposals deal primarily with the definition of beer, the materials and additives to be allowed in brewing, and the packaging and labeling of beer, especially what descriptions can or must be applied to given products.

To the layman the production of beer is surrounded by a mystical aura, particularly in Europe where the brewing art reaches back to the dawn of civilization. In olden days beer was usually produced in local inns where innkeepers brewed beer according to their own jealously guarded recipes.





The Esperance Brewery, Schiltigheim, France. With the advent of the industrial revolution, and the resultant drift to the cities in the 18th century, large central breweries began to be built. Even then, beer was produced for local consumption; it was rarely transported to other places, as it did not keep very long. Photo: Courtesy French Embassy Press and Information, New York.

Why Harmonization Is Necessary

Existing provisions on beer manufacture vary, sometimes fundamentally, in the six Community countries. Trade in beer among the Six is now possible only if the exporting brewery takes into account the legal requirements of the importing country when it brews the beer, which in most cases means costly changes in their normal operations. As a result, only a few large breweries have been able to afford to produce for export, which in turn largely limits the choice of the Common Market beer drinker to brands produced in his own country. Besides differences in composition and manu-

facturing requirements, each country fixes various rules on beer packaging and labeling, further hampering trade.

Limits on Trade in Beer

Beer is a product which does not keep for long and is usually marketed by the breweries themselves, whose advantage generally has been to market their product locally. Delivery contracts, which are made attractive by associated loans from the breweries, are of great importance, and the breweries own a large number of public houses and cafes. Its tied houses, whose turnover can be relied on, are an important factor in assessing a brewery's business.

Storage area in the Piedboeuf Brewery, Liege, Belgium. European brewers have been reproached for their reluctance to assimilate modern scientific techniques. This has been attributed to their unwillingness to try new processes that might prejudice the quality and flavors of their beer.



However, other outlets are becoming increasingly important: grocery store trade, particularly large chain stores and supermarkets, and direct sales to households and canteens. For a long time, direct selling (home delivery service) was shunned as 'peddling' and left to the small firms. Now, almost all big firms have such distribution networks serviced by trained driver-salesmen.

Attempts are also being made to introduce transregional brands of beer, which would make it easier for large chains to offer the beverage. Large breweries are beginning to realize that local marketing is not the only profitable way. As a result, the beer trade is expanding. At the same time, there is a considerable trend towards concentration within the industry itself, though there are still large numbers of medium-sized breweries (in Bavaria alone there are over 1200 with an annual output of more than 396 million gallons) whose sales strategy is still largely limited to local marketing. The large breweries and the medium-sized neither see eye to eye on marketing problems nor do they agree on the same means to achieve their objectives, though both groups claim that the consumer's interest is their primary concern.

Germany's Purity Standards Pose Problems

Data on beer trade in the Community clearly shows how difficult trade is between the member states and how trade is strongly influenced by discrepancies in legislative provisions. The figures also show that Germany is in a special position because it is the only member with purity standards for the manufacture of beer. Immediate difficulties arose in preparing the proposals precisely over what brewing materials should be approved.

Germany's purity standards date back to 1516 and state that beer can only be made from "natural" materials. The approved ingredients are strictly confined to malted barley, hops, yeast, and water. Because of this, only beers manufactured without adjuncts can be imported into Germany. These rules, which have been amended to include wheat malt, are strictly applied to all beer for domestic consumption. In Bavaria, the home of these standards, they also apply to beer for export.

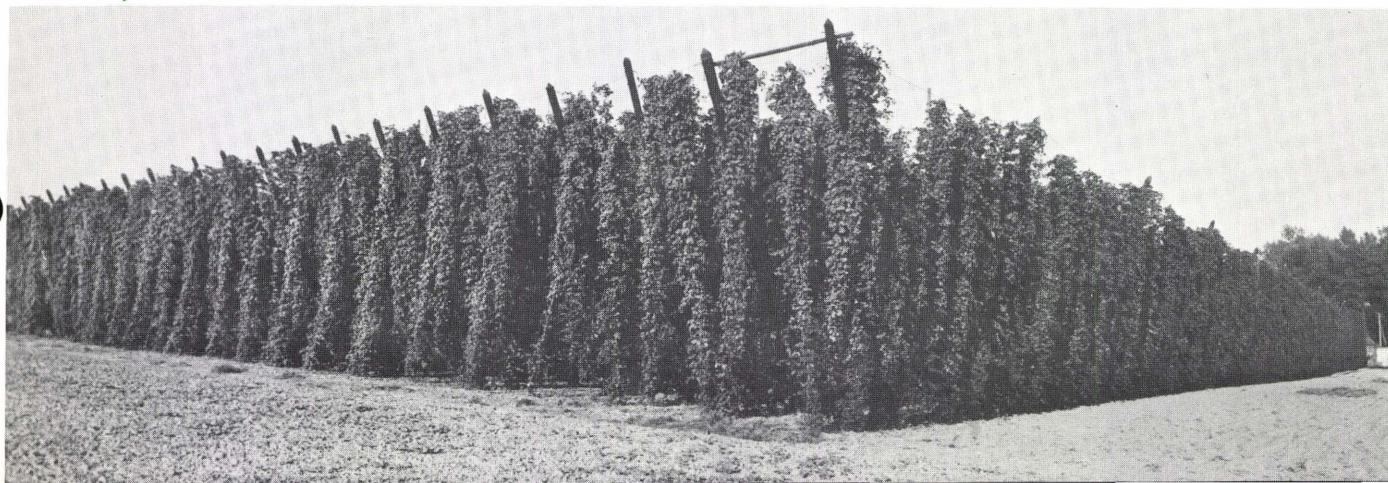
Hops in Belgium. The raw materials used in brewing are malt, to which a small amount of other cereals, such as wheat or corn, is usually added. These cereals are ground to a specific fineness and mixed with hot water. The extract is boiled with hops. This "wort", with added yeast is then passed into fermenters.



The growing popularity of beer has forced brewers to build larger, more efficient breweries. Photo: Courtesy French Embassy Press and Information, New York.

The other member states allow the use of other cereal products besides malted barley ("adjuncts") and sugar. The chief adjuncts are unmalted barley, unmalted wheat, corn, groats, corn starch, common wheat, and rice. Adjuncts are also used in the main beer producing countries outside the Community -- the United States, England, Denmark, and Czechoslovakia (two of which, England and Denmark, are applying for Common Market membership). Some members control the use of adjuncts (15 per cent in France, with a ceiling of 30 per cent, and 25 per cent in Italy). Similar proportions are used in the Benelux countries. Larger amounts affect the full-bodied flavor of the beer but lengthens shelf-life and are used solely for beers exported to the tropics.

However, adjuncts are also used by breweries to give beers a special regional flavor



that has become traditional. Corn groats can be given a full, round flavor closely resembling that given by malt, and the addition of broken rice produces a "dry" beer and is favored for the brewing of Pilsner types.

Production costs are an important, though not sole, factor in using adjuncts. They are cheaper and, because of special arrangements in the Community's common cereals market regulations, artificially so. The possibility of reducing costs substantially are limited, however, because of the ceilings on the proportion of adjuncts that may be used.

The cereals market regulations protect the producer price for cereals and also make provision for a refund to a producer for corn, common wheat and broken rice used in making starch. Otherwise, starch would have to compete with cheaper synthetic products and drive it off the market if the price were too high. This price advantage happens to benefit brewers who use starch. As starch is in competition with broken rice and corn groats, it was necessary to give them a similar refund. Malted barley, however, enjoys no price advantage and its main outlet is the brewing industry. While the use of lower cost adjuncts currently has caused no problem for malted barley, there is a danger that if the use of adjuncts were extended to include Germany -- which produces two-thirds of all Community beer -- there would be a considerable drop in the use of malted barley.

The Commission, while concluding that rules on beer must allow the use of adjuncts, felt they should be limited in the following ways:

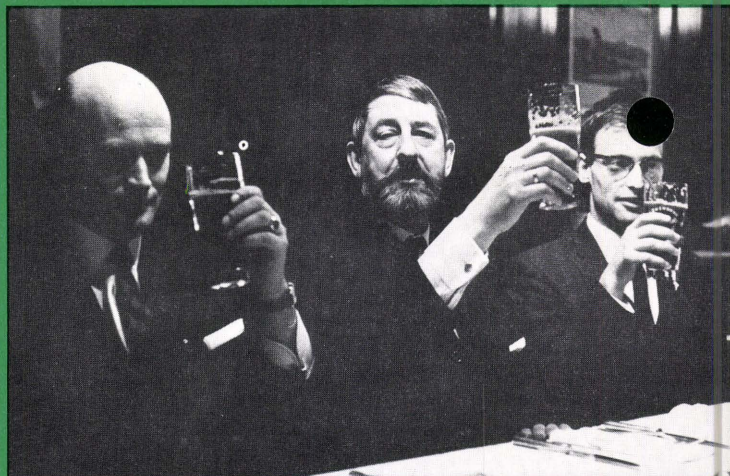
● Harmonizing Competition in Raw Material Procurement.

Rather than give refunds to producers for malted barley, the rebate now given for corn groats and broken rice used in brewing are to be abolished. Refunds for starch used in brewing will be recovered directly from the breweries in the form of a levy. The results will be true prices for adjuncts that are closer to malted barley prices and a more balanced use of various raw materials, which would be selected on their merits and their effect on beer quality and not on prices.

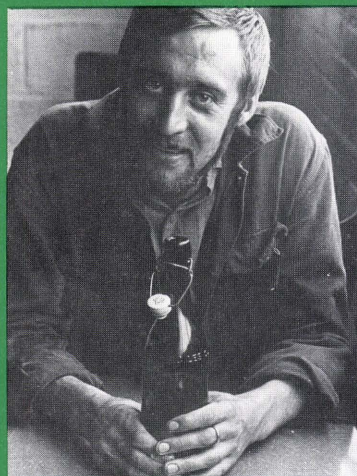
● Protective Labeling. Beers made solely from malted barley must be clearly distinguished from beers with adjuncts by a protective labeling specifically reserved for them. This will give a marketing advantage to traditional German beer and should compensate for the additional cost involved in using pure malted barley. German brewers are not expected to abandon their traditional production methods for a slight price differential -- a few cents for beer with an original gravity of 12.5 per cent, particularly since they are being given an opportunity to advertise this tradition.

● Fixing Maximum for the Use of Adjuncts.

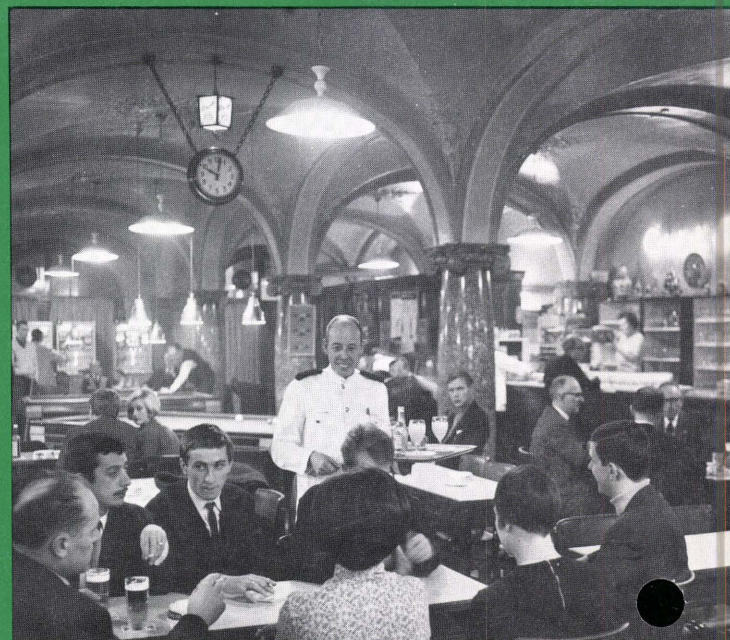
A ceiling is to be placed on the amount of adjuncts used -- 30 per cent -- to preserve the market which the breweries now represent for the malting industry.



In the last 25 years beer has become one of Europe's leading exports, causing the pre-war distinction between Northern and Southern countries to diminish rapidly.



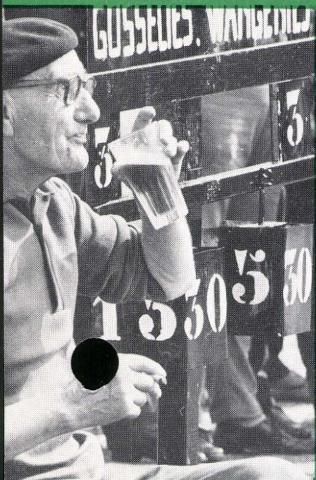
The growing popularity of beer has forced brewers to expand production, which, in turn, has caused a revolution in the brewing industry is slowly changing from a craft business to a large-scale industry.



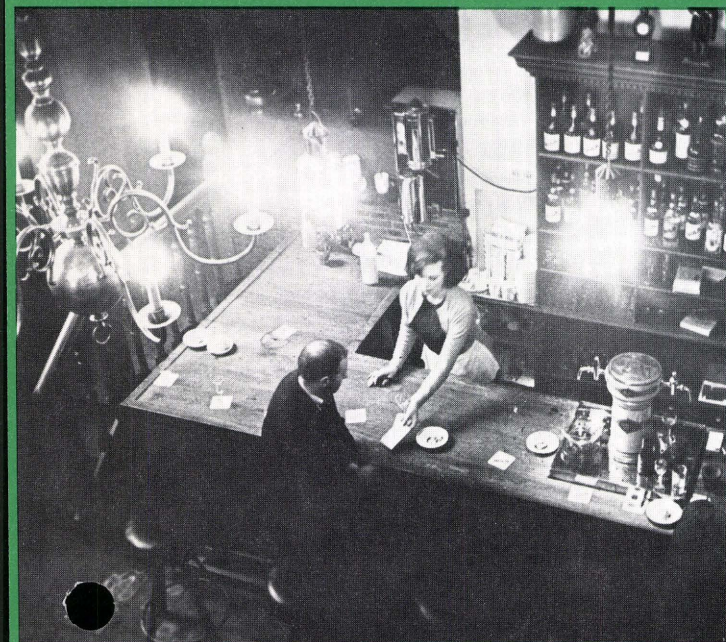
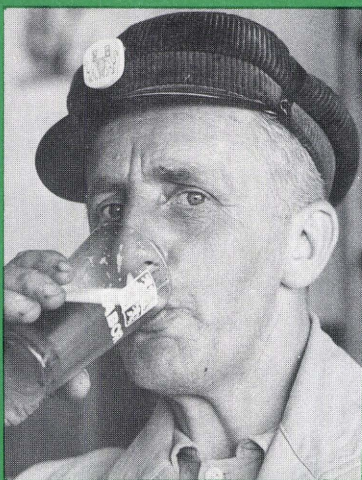
Beer consumption statistics in 1967 show that Germany leads with 37 gallons per capita, followed closely by Belgium with 27 gallons. In France and Italy, with 9.0 and 2.0 gallons respectively, consumption is rapidly increasing. In comparison U.S. per capita consumption is 12.5 gallons.



pe's most popular drinks, for old and young,
beer-drinking and Southern wine drinking



s to build larger and more efficient breweries,
brewing process. As a result the European brew-
e to a technological base.



many still led in Europe with 28 gallons per
ons per capita, and the Netherlands, with 9.7
gallons per capita, respectively, beer drinking
pita consumption in 1967 was 26.3 gallons.

Other Features

In the interests of quality, only such starch- or sugar-containing brewing materials now in use in the Community will be approved. The use of additives is forbidden for all practical purposes, except for a small number of cases where saccharin will be allowed transitionally for beers with a low original gravity and indefinitely for special traditional beers, provided its use is essential to keep the beer from being too acid. (In these cases, sugar can not be used as it would lead to bottle fermentation. Where fermentation is artificially arrested to keep the alcohol content low and the flavor sweet, bottle fermentation is dangerous and can only be prevented by pasteurization. But this gives an entirely different flavor, changing the character of traditional beers. Saccharin in these cases is unavoidable.)

Beer is also to be divided into different categories based on its original gravity, and bottles and cans with a capacity of less than 1 liter (.2642 gallon) must be of a particular size, so that the consumer can compare prices and get a better idea of the market. Strict labeling provisions are included so that the consumer is given the whole story.

Summary of Proposals

The Commission has submitted two inter-related proposals, one on the harmonization of legislation covering beer and the other amending the relevant provisions of the cereals regulation.

Following are the main points of the Commission's proposals:

"BEER" DEFINED

"Beer" is an alcoholic drink produced by the fermentation of a wort made from starch- or sugar-containing raw materials, hops (including hop powder and extracts), yeast, and drinking water.

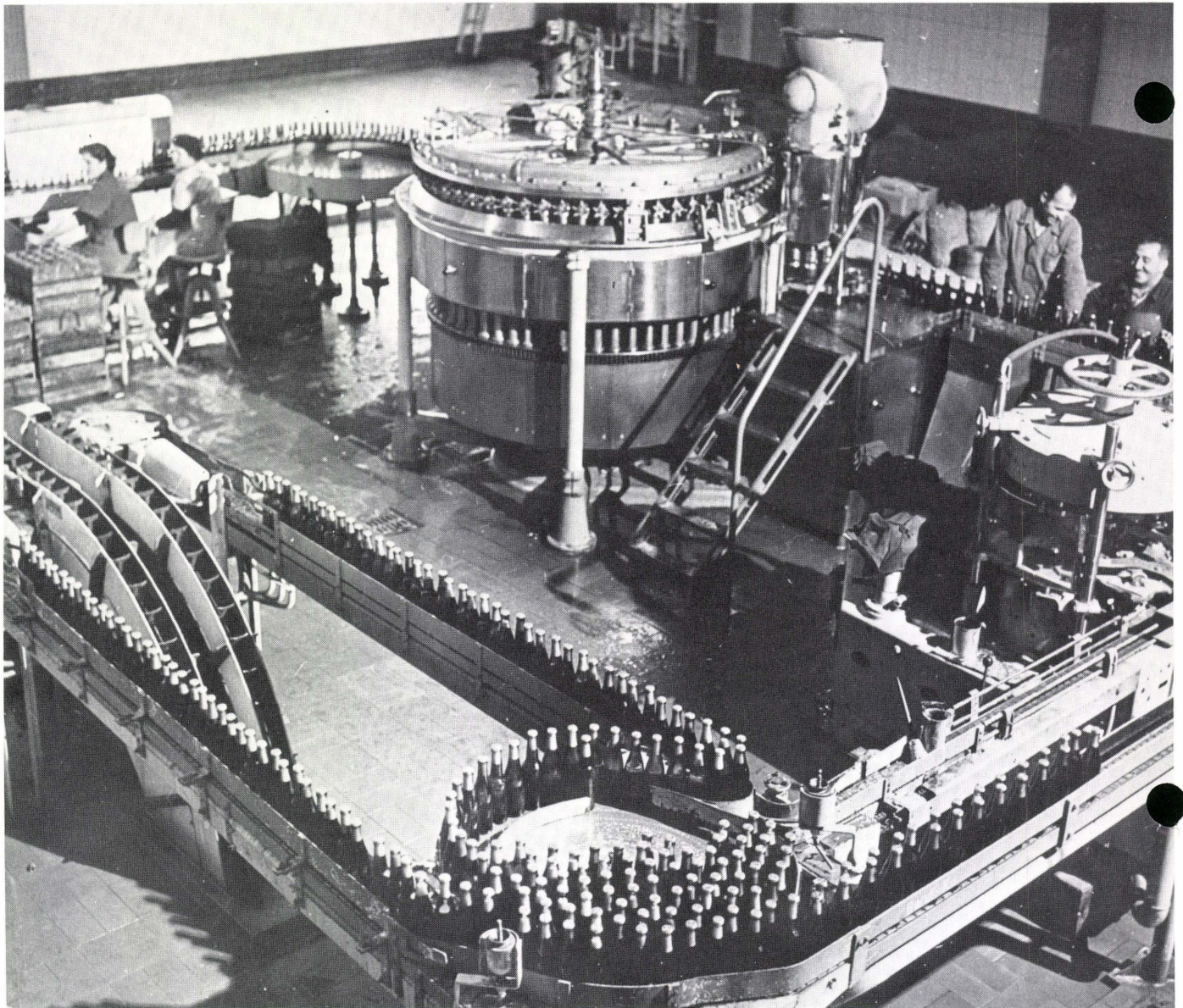
The member states themselves will have to ensure that "beer" is put on the market only if the provisions of this directive are followed. Only "beer" complying with the provisions on brewing can be marketed under that name. Beverages which resemble beer but which do not correspond to the definition can only be marketed if there is no danger of the consumer being misled into thinking that they are beer. Presentation and advertising must be arranged accordingly.

BREWING MATERIALS

Apart from malted barley or wheat-malt, only the following starch- or sugar-containing materials can be used, and then solely in conjunction with malted barley or wheat-malt:

- Barley, wheat, corn, and rice other than malted
- Saccharose, invert sugar, dextrose, or glucose syrup.

The quantity of adjuncts and sugar used must not exceed 30 per cent of the total raw mat-



Here, in a large German brewery, 15,000-18,000 bottles are filled per hour. The brewing industry in the European Community is gradually becoming more concentrated and more international. The greatest degree of concentration has taken place in the Netherlands, the least in Germany. Photo: Courtesy German Information Center, New York.

erials used, which covers all starch- and sugar-containing materials, malt included.

An exception is made for acid, high-fermenting, or self-fermenting beer and for so-called low-alcohol beer.

ADDITIVES

The use of additives is forbidden.

Exceptions have been made allowing the addition of not more than 50 milligrams per liter of ascorbic acid (Vitamin C) and the addition of caramel or dark beer for coloring made exclusively from malted barley wort, hops, yeast, and water or from other starch or sugar products approved for brewing purposes. (These are not additives within the meaning of the German definition.)

Traces of sulphur dioxide - up to 20 milligrams per liter - are also allowed.

To clarify the wort and the beer, only additives with a mechanical or absorbing effect, proteo-

lytic enzymes, and tannins can be used, but only to the extent necessary for the process. Any traces remaining as a result of the clarifying process must not be injurious to health or affect the organoleptic properties (flavor and wholesomeness) of the beer.

The same applies to any turbidity or sediment which can appear in some beers following the brewing process (bottle fermentation in weiss beers for instance).

SACCHARIN

Special measures will be necessary for saccharin, though each member state will be free to decide whether or not to apply these on its own territory.

The use of saccharin is not banned throughout the Community at the present time. The member states allowing its use do so, because:

- Saccharin is used in the manufacture of inexpensive, weak beer.

- Its use is technically justified in certain traditional beers of regional importance.

The use of saccharin for economic reasons is not compatible with the Community rules, but it cannot be banned overnight. Provision has therefore been made for an appropriate adjustment period.

There will have to be special arrangements on the manufacture of beers which are of regional importance and require the use of sweeteners. Production of these beers can continue in areas where they have been drunk traditionally.

Where saccharin has been used, this fact must be mentioned.

CATEGORIES

The gravity of the beer, expressed in degrees Plato, corresponds to the German labeling based on original gravity. The Commission suggests that beer be divided as follows:

| Category | Original Gravity |
|----------|------------------------|
| S | 15.5% or more |
| II | 7% to 9.5% inclusive |
| I | 11% to 13.5% inclusive |
| III | 1% to 4% inclusive |

CONTAINERS

From January 1, 1986, beer must be presented in containers with a capacity of 0.25, 0.33, 0.50, 0.75 or 1 liter.

The use of metal containers holding 0.35 liters will be allowed as an exceptional measure.

No provision is made for containers holding more than 1 liter.

Beers containing saccharin may also be presented in 0.40 and 0.80 liter containers, the saccharin content being indicated in all instances.

PACKAGING

Beer can only be put up in bottles or other containers which will not affect its chemical or organoleptic properties. Under no circumstances may these containers contaminate the beer.

LABELING

The word "beer" with an indication of the category to which it belongs must appear on the lower left-hand side of the label in letters at least 4 millimeters high.

On Category III beers the words "small beer" must appear.

Beer with a low alcohol content must be clearly labeled as such.

Where saccharin has been used, the words "artificially sweetened" must appear on the label.

Nominal capacity must be shown either on the container or the label.

SPECIAL INDICATIONS

The words "pure malted barley" can only be used for beers made exclusively from malted barley, hops, yeast, and water. The indications "Bock" and "Export" are reserved for Category S and Category I beers.

Internationally approved indications will not be affected by the directive, and special labeling peculiar to one member state can also be retained.

THE CONSUMER

Any advertising which is misleading, or claims properties for a beer which the beer does not in fact possess, is forbidden.

If beer contains ascorbic acid, the use of the words "rich in vitamins", or any other description which might mislead the consumer into believing that the beer is of therapeutic value, is forbidden.

MARKETING

If beer complies with the provisions of this directive, the member states cannot forbid or hinder its marketing for reasons associated with composition, manufacturing features, packaging, or labeling.

Exceptions to this general rule apply to:

- Beer made with the addition of saccharin.
- Container sizes which can be used or introduced up to January 1, 1986.
- Provisions requiring the language of the country concerned to be used on the label.

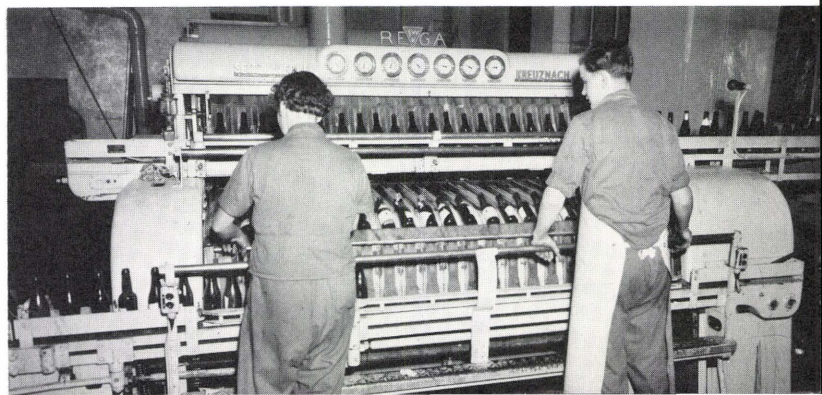
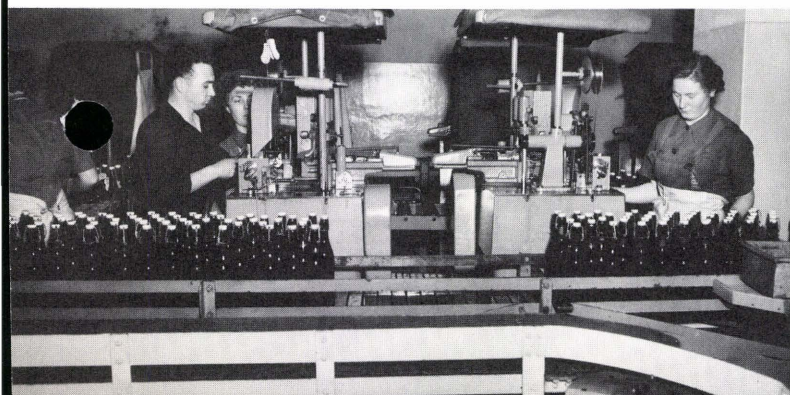
SUPERVISION

Sampling and methods of analysis required to test the composition, original gravity, and manufacturing features of beer will be covered by purely technical provisions to be adopted by the Commission.

EXPORTS

The directive will not apply to beer for export outside the Community.

Left: Labeling machine. Right: Bottle rinsing machine. Dortmund Union Brewery, Germany. Photo: Courtesy German Information Center, New York.



COMMUNITY BEER EXPORTS TO THE UNITED STATES—1969

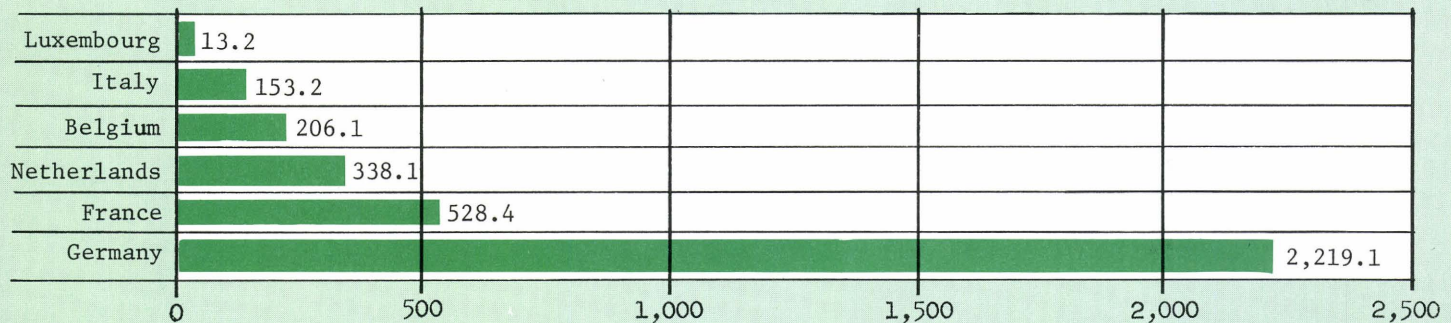
| | |
|-------------------------|---------------|
| France | \$ 26,000 |
| Belgium-Luxembourg | 89,000 |
| Netherlands | 7,178,000 |
| Germany | 11,170,000 |
| Italy | 25,000 |
| TOTAL EXPORTS TO U.S. | \$ 18,488,000 |
| TOTAL EC EXPORTS | \$ 49,756,000 |
| TOTAL EC IMPORTS | \$ 40,590,000 |
| TOTAL IMPORTS FROM U.S. | --- * |

* Too insignificant to be included in yearly statistics.

INTRA-COMMUNITY BEER TRADE—1969

| | Intra-EC Exports | Intra-EC Imports |
|--------------------|------------------|------------------|
| France | \$ 1,790,000 | \$ 16,872,000 |
| Belgium-Luxembourg | 15,105,000 | 2,979,000 |
| Netherlands | 6,649,000 | 2,601,000 |
| Germany | 10,657,000 | 3,740,000 |
| Italy | 11,000 | 3,156,000 |
| TOTAL | \$ 34,212,000 | \$ 29,348,000 |

COMMUNITY BEER PRODUCTION—1969 (millions of gallons) TOTAL 3,458.1 U.S. (1967) 3,613.5



IMPLEMENTATION

Member states will have one year from the date of publication to harmonize their legislative provisions. Within three years of publication the amended provisions must be applied to beers brewed as from that date.

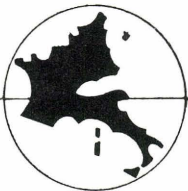
GRAIN REGULATION AMENDMENTS

Existing price advantages enjoyed by brewing materials based on corn, common wheat, and broken rice must be withdrawn so that the regional pattern of raw material use in the brewing industry is not changed by the harmonization

of legislative provisions on beer. When the harmonization directive comes into force, the relevant articles of the cereals regulations, which make refunds available for materials used in the brewing industry, will be revoked.

The refund paid to producers for corn, common wheat and broken rice used within the Community to manufacture starch and quellmehl will be retained, but will not be paid, if these products are used in the brewing industry where they compete with other cereal products. If they are used for brewing purposes the refunds paid will have to be recouped from the brewery.

A copy of this material is filed with the Department of Justice, where, under the Foreign Agents Registration Act of 1938, as amended, the required registration statement of the Information Office, European Community, 808 Farragut Building, Washington, D.C., as an agent of the European Economic Community, Brussels, the European Atomic Energy Community, Brussels, and the European Coal and Steel Community, Luxembourg, is available for public inspection. Registration does not indicate approval of the contents of this material by the United States Government.



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