

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(89) 437 final

Brussels, 14 September 1989

Proposal for a

COUNCIL REGULATION (EEC)

amending Regulations (EEC) No 2764/75 laying down the rules for calculating a component of the levy on pig carcasses and (EEC) No 2766/75 establishing the list of products for which sluice-gate prices are to be fixed and laying down the rules for fixing the sluice-gate price for pig carcasses

Proposal for a

COUNCIL REGULATION (EEC)

amending Regulation (EEC) No 2765/75 on the general rules to be applied in the event of a substantial rise in pigmeat prices

(presented by the Commission)

EXPLANATORY MEMORANDUM

Subject: Proposal for a regulation amending Regulations (EEC) No 2764/75 and 2766/75 laying down the rules for calculating the levy and the sluice-gate price for slaughtered pigs.

1. The sluice-gate price for slaughtered pigs is made up of three components:
 - an amount equal to the value on the world market of the quantity of feed grain equivalent to the quantity of feedingstuffs required for the production in third countries of one kilogramme of pigmeat,
 - the extra cost, in relation to feed grain, of feedingstuffs other than grain required for the equilibrium of the feed ration for pigs,
 - a standard amount representing overhead costs of production and marketing.

As the parameters for the calculation of these elements have not been reviewed since 1979 and taking into account the technical, genetical and management improvements which have occurred in the pigmeat sector since that time, a review and updating of these parameters is considered necessary.

- The quantity of feedstuff necessary in third countries for producing 1 kg of pigmeat has been last fixed in 1975 by Regulation (EEC) No 2766/75 (OJ No L 282, 1.11.1975, p. 25) at a value of 5,46 kg (Article 2(1) and (2)). Since that time, the improvement of pig breeds in genetic terms as well as the improvement in management of feeding and farming have led to a reduction in nutritional needs of the animals, which, on the basis of available information at present, can be fixed at 4,79 kg of compound feed to produce 1 kg of pigmeat in third countries.
- The composition of the grain ration, fixed by the same regulation at 40% barley, 35% maize and 25% oats should be adjusted to the more frequent composition on the world market where the 25% of oats can be replaced by 25% of wheat.
- The present standard amount expressing the overhead costs of producing and marketing of pigmeat has been fixed at 38,69 ecu/100 kg on the basis of information available in 1979 by Regulation (EEC) No 772/79. In the light of the most recent data available on the overhead costs of pig farms in third countries, this standard amount should be increased to 43,57 ecu/100 kg to be in line with the cost evolution occurred on the world market.
- The cost of the other components than grain in the compound remains still the same, that is to say 15% of the value of the feed grain mixture.

2. The levy for slaughtered pigs is made up of two components:

- the difference between prices within the Community and on the world market for the quantity of feed grain required for the production in the Community of one kilogramme of pigmeat adjusted regularly according to the price evolution on the world market;
- 7% of the average of the sluice-gate prices applied during the four quarters preceding the 1 April of each year.
- The composition of the feed grain mixture has last been fixed by Regulation (EEC) No 2764/75 (OJ No L 282, 1.11.1975, p. 21) and consists of: 40% barley, 20% maize, 10% oats, 20% rye and 10% sorghum. The cost of this mixture being comparable to the cost of the same quantity of the mixture currently composed of 40% barley, 20% maize and 40% wheat, it is proposed to substitute the present composition by the latter; that is to say, 40% barley, 20% maize and 40% wheat, which would simplify the calculation in the case of the levies and would unify the components within the feed grain mixture for the two instruments making part of the trade system with third countries and to adjust the feed grain mix to the market situation within the Community.
- The quantity of feed grain necessary to produce 1 kg of pigmeat within the Community has last been fixed at 4,2 kg by Regulation (EEC) No 2764/75. The favourable evolution within the Community pigmeat production allows for a reduction of this quantity down to 3,6 kg on the basis of figures available for 1989.

3. In conclusion, it is proposed to adjust the parameters mentioned hereafter and to fix them as follows:

- quantity of feed grain necessary to produce 1 kg of pigmeat within the Community: 3,6 kg;
- quantity of complete compound necessary to produce 1 kg of pigmeat within third countries: 4,79 kg;
- standard amount for overhead costs of producing and marketing within third countries: 43,57 ecu/100 kg;
- composition of the feed grain quantity within the Community:
 - 40% barley
 - 40% wheat
 - 20% maize;
- composition of the feed grain quantity within third countries:
 - 40% barley
 - 35% maize
 - 25% wheat.

Draft

REGULATION (EEC) No OF THE COUNCIL
of

amending Regulations (EEC) No 2764/75 laying down
the rules for calculating a component of the levy on pig carcasses
and (EEC) No 2766/75 establishing the list of products for which
sluice-gate prices are to be fixed and laying down
the rules for fixing the sluice-gate price for pig carcasses

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 2759/75 (1) of 29 October 1975 on
the common organization of the market in pigmeat (2), and in particular
Article 9(2) and 12(4) thereof,

Having regard to the proposal from the Commission,

Whereas the quantity of feed grain required for the production, within the
Community, of one kilogramme of pigmeat as well as the percentages of the
different feed grains making part of this quantity mentioned in
Article 9(1)(a) of Regulation (EEC) No 2759/75 has been fixed at
4,2 kilogrammes of a mixture of feed grain of which the percentages of the
different components have been established at

Barley	40%	Rye	20%
Maize	20%	Sorghum	10%
Oats	10%		

by Council Regulation (EEC) No 2764/75 of 29 October 1975 laying down the
rules for calculating a component of the levy on pig carcasses, as last amended
by Regulation (EEC) No 4160/87 (4);

(1) OJ No L 282, 1.11.1975, p. 1.

(2) OJ No L 129, 11. 5.1989, p. 12.

(3) OJ No L 282, 1.11.1975, p. 21.

(4) OJ No L 392, 31.12.1987, p. 46.

Whereas, in view of the evolution, in the course of the last years, of the conditions for pigmeat production within the Community, it is appropriate to adjust this quantity of feed grain to the requirement for producing one kilogramme of pigmeat in establishing this quantity in the form of a transformation coefficient of 1 : 3,6; whereas, in fact, this coefficient indicates the ratio between one kilogramme of pigmeat and the required quantity of feed grain for its production; whereas, furthermore, to take into account the conditions of production within the pigmeat sector, it is appropriate to take as a representative composition of this quantity within the Community, a mixture of grain with the following composition:

Barley	40%
Wheat	40%
Maize	20%;

Whereas the quantity of feed grain equivalent to the quantity of compound feed required for the production, within third countries, of one kilogramme of pigmeat, according to Article 12(2)(a) of Regulation (EEC) No 2759/75, has been fixed at 5,46 kilogrammes of a mixture of feed grain composed of

Barley	40%
Maize	35%
Oats	25%

by Council Regulation (EEC) No 2766/75 of 29 October 1975 establishing the list of products for which sluice-gate prices are to be fixed and laying down the rules for fixing the sluice-gate price for pig carcasses (5), as last amended by Regulation (EEC) No 3906/87 (6);

Whereas, in view of the evolution in the course of the last years, of the conditions for pigmeat production within third countries, it is appropriate to adjust the quantity of feed grain equivalent to the quantity of compound feed required for the production, within third countries, of one kilogramme of pigmeat, and to establish this quantity at 4,79 kilogrammes of feed grain with the following composition:

(5) OJ No L 282, 1.11.1975, p. 25.
(6) OJ No L 370, 30.12.1987, p. 11.

Barley 40%
Maize 35%
Wheat 25%;

Whereas the standard amount for overhead costs of production and marketing according to Article 12(2)(c) of Regulation (EEC) No 2759/75 has last been fixed at 38,69 ecu per 100 kilogrammes of slaughtered pigs by Council Regulation (EEC) No 772/79 of 18 April 1979 (7);

Whereas the overhead costs for production and marketing, and in particular those for production, found on the world market have increased substantially in the course of the last years; whereas the standard amount representing such costs needs to be increased to a level of 43,57 ecu per 100 kilogrammes of slaughtered pigs,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 2764/75 is amended as follows:

1. Article 1 is replaced by the following:

"Article 1

The quantity of feed grain specified in Article 9(1)(a) of Regulation (EEC) No 2759/75 shall amount to 3,6 kilogrammes composed as follows:

Barley 40%
Maize 20%
Wheat 40%".

2. In Article 2(1), the figure "4,2" is replaced by the figure "3,6".
3. In Article 3(1), the figure "4,2" is replaced by the figure "3,6".

Article 2

Regulation (EEC) No 2766/75 is amended as follows:

1. Article 2(1) is replaced by the following:

"1. The value of the quantity of feed grain mentioned in Article 12(2)(a) of Regulation (EEC) No 2759/75 shall be equal to the price of 4,79 kilogrammes of feed grain with the following composition:

Barley	40%
Maize	35%
Wheat	25%".

2. In Article 2(2), the figure "5,46" is replaced by the figure "4,79".
3. In Article 3(2), the figure "38,69" is replaced by the figure "43,57".

Article 3

This Regulation shall enter into force on 1 October 1989.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at:

For the Council

FINANCIAL STATEMENT

Date : 5.9.1989

1. BUDGET HEADING : Chapter 100

APPROBIATIONS : 1419

2. TITLE : Proposal for a Council Regulation amending Regulations (EEC) no 2764/75 and no 2766/75 laying down the rules for calculating the levy and the sluice-gate price for slaughtered pigs

3. LEGAL BASIS : Regulation 2759/75 as last amended by Regulation (EEC) no 1249/89

4. AIMS OF PROJECT : Revision and up-dating of parameters to be employed for the calculation of levies and sluice-gate price while taking into account technical, genetical and management improvements in the pigmeat sector.

5. FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR (89)	FOLLOWING FINANCIAL YEAR (90)	
5.0 EXPENDITURE				
- CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS)	-	-		-
- NATIONAL ADMINISTRATION	-	p.m.		-
- OTHER				
5.1 RECEIPTS				
- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)	- 3,2	-		- 3,2
- NATIONAL				
	1991	1992	1993	1994
5.0.1 ESTIMATED EXPENDITURE	-	-	-	-
5.1.1 ESTIMATED RECEIPTS	- 3,2	- 3,2	- 3,2	- 3,2

5.2 METHOD OF CALCULATION

The revision brings about a reduction of the sluice-gate price as well as for the levies of about 8,7%. The impact can be estimated as:

levy: 65.000 t x (513,2 - 468,6) ECU/t x 1,110 (DT) = -3,2 mio ECU (B)

6.0 CAN THE PROJECT BE FINANCED FROM APPROBIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET ?

XXXXXX

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET ?

XXXXXX

6.2 IS A SUPPLEMENTARY BUDGET BE NECESSARY ?

XXXXXX

6.3 WILL FUTURE BUDGET APPROBIATIONS BE NECESSARY ?

XXXXXX

OBSERVATIONS :

EXPLANATORY MEMORANDUM

Subject: Proposal for a regulation amending Regulation (EEC) No 2765/75 on the general rules to be applied in the event of a substantial rise in pigmeat prices

1. In the communication from the Commission to the Council on the market situation in the pigmeat sector (COM (88) 428 final) it has been established that the pigmeat sector is characterised by quite a regular cycle with upward and downward movements in production and prices.

Taking into consideration the conclusions of this communication in which the Commission has shown its willingness to propose adequate measures in order to provide for greater stability on this market and also the conclusions of an initiative report of the European Parliament (PE 128.119) concerning the crisis in the pigmeat sector, the Commission considers it necessary to submit to the Council the present proposal amending Regulation (EEC) No 2765/75 on the general rules to be applied in the event of a substantial rise in prices in the pigmeat sector.

In fact the present situation with regard to prices of slaughtered pigs within the Community and the forecasts with regard to the pigmeat market and animal feedstuffs in the coming months make it necessary, as soon as possible, to approve measures aimed at avoiding a repetition of a new serious crisis in the pigmeat sector.

2. Article 11 of Regulation (EEC) No 2769/75 on the common organization of the market in pigmeat contains measures to be applied in the event of a substantial rise in prices. The general rules on this matter are laid down in Regulation (EEC) No 2765/75 of the Council of 29 October 1975. These "shortage" rules determine the conditions under which a substantial rise in pigmeat prices is recorded on the Community market as well as the measures to be taken in such a situation (suspension, even partial, of import levies according to the so-called management committee procedure).

Experience has shown that, because of the strong interdependence between the prices for slaughtered pigs and the related production costs as well as the complexity of the formula, it is not possible any longer to apply these rules. In fact, these rules were not applied until the end of 1969 and at the beginning of 1970 (EEC Regulations No 1956/69 and 530/70).

As a result it is proposed to amend the method of calculation in order to define a situation of substantial price rise. Such a situation exists if, following a general increase in prices in all the regions of the Community, the average price for slaughtered pigs recorded on the representative markets of the Community stays, for a period of nine months, at a level higher than the last average of those monthly prices recorded over a period of 36 months.

This new formula would have meant that the "penury" rules could have been applied during years of high cyclical prices as was the case in 1969, 1973, 1976, 1980, 1982 and 1984/85; that is to say, in periods of good economical results preceding every time a period of low cyclical prices, brought about too strong expansion in pig herds.

However, during periods of low cyclical prices this formula would not have been applied.

3. It is worth remembering that the measures to be taken in the case of "shortage" are discretionary and are also dependent on elements included in Article (1) paragraph 2 of (EEC) Regulation No 2765/75, being

- the number of sows mated;
- the price of piglets
- the results of surveys on pig herds and
- foreseeable trends in market prices for pigmeat.

It is worth adding to these elements the evolution of prices for feedstuffs for pigs. The fluctuations in these prices have proved to be of crucial importance for pig economy in recent years.

Article 1

Article 1 of Regulation (EEC) No 2765/75 is replaced by the following :

"Article 1

1. A substantial price rise within the meaning of Article 11 of Regulation (EEC) No 2759/75 shall exist when, as a result of a general price rise in all regions of the Community, the sliding average of monthly prices for slaughtered pigs recorded on the representative markets of the Community stays during the last nine months at a level higher than the sliding average of these prices recorded during the last 36 months.
2. The substantial price rise is considered to be likely to continue if there is an imbalance between supply and demand in pigmeat to continue on account of :
 - a) the results of surveys and estimates made in pursuance of Council Directive 76/630/EEC of 20 July 1976, concerning surveys of pig production (4) to be made by Member States and especially the conjunctural evolution of the number of sows;
 - b) the foreseeable evolution of the market prices for slaughtered pigs and for piglets;
 - c) the evolution of the prices for feedstuffs for pigs."

Article 2

This regulation shall enter into force on the third day following its publication in the official Journal of the European Communities.

It is applicable from 1 October 1989.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

(4) OJ L 223, 16. 8.1976, p. 13

FINANCIAL STATEMENT

Date : 5.9.1989

1. BUDGET HEADING : Chapter 100

APPROBIATIONS : 1419

2. TITLE : Proposal for a Council Regulation amending Regulation (EEC) no 2765/75 on the general rules to be applied in the event of a substantial rise in pigmeat prices.

3. LEGAL BASIS : Regulation (EEC) no 2759/75, as last amended by R. (EEC) no 1249/89

4. AIMS OF PROJECT : Proposal to amend the method of calculation for the conditions on which on the Community market a substantial rise in prices is recorded as well as measures to be taken in this case (suspension, even partial, of import levies) according to the Management Committee procedure.

5. FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR (89)	FOLLOWING FINANCIAL YEAR (90)
5.0 EXPENDITURE			
- CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS)	-	-	-
- NATIONAL ADMINISTRATION	-	-	-
- OTHER	-	-	-
5.1 RECEIPTS			
- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)	p.m.	-	p.m. (1)
- NATIONAL			
	1991	1992	1993
5.0.1 ESTIMATED EXPENDITURE	-	-	-
5.1.1 ESTIMATED RECEIPTS	p.m.	p.m.	p.m.

5.2 METHOD OF CALCULATION The amendment in the method of calculation does not have a financial impact in itself. However, with the modification the Commission intends a suspension of 50% of the levies for the period 1.10.89-31.12.89. This means a loss in levies of: $65.000 \text{ t} \times 3/12 \times 500 \text{ ECU/t} \times 50\% \times 1,11 \text{ (DT)} = -4,5 \text{ MECU.B.}$ This suspension brings an increase in imported quantities about of 50.000 tons. As a result there is an increase in levies of $50.000 \text{ t} \times 250 \text{ ECU/t} \times 1,11 \text{ (DT)} = +13,9 \text{ MECU.B.}$ The global impact of the suspension will therefore be about +9,4 mio ECU (B) for the period of 1.10.89 until 31.12.89.

6.0 CAN THE PROJECT BE FINANCED FROM APPROBIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET ? XXXXX

6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET ? XXXXX

6.2 IS A SUPPLEMENTARY BUDGET BE NECESSARY ? XXXXX

6.3 WILL FUTURE BUDGET APPROBIATIONS BE NECESSARY ? XXXX NO

OBSERVATIONS :

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