

Newsletter on the Common Agricultural Policy

Weekly

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The common agricultural policy: tasks and objectives
in the second half of 1964

The framework for the common agricultural market will soon be complete

At a meeting of the Council of Ministers on 19, 20 and 21 May 1964, the EEC Commission undertook to lay before the Council at its next meeting, in the first week of June, a new implementing regulation fixing the date of entry into force of the common organizations of the markets for rice, beef and veal and milk and milk products. The new regulation has proved necessary because circumstances will probably prevent the three new market organizations from coming into existence on the date originally planned, 1 July 1964. The necessary implementing regulations could not all be finalized in time, notably as regards the organization of the milk market. Implementation on 1 July of the other two basic regulations, concerning rice and beef and veal, would, however, have been feasible. But at the meeting of the Council on 19-21 May it became clear that the Governments of the Member States wanted the three new basic regulations to come into force together. The date now contemplated for this is 1 November 1964.

The implementing regulation which the Commission has undertaken to submit to the Council should also be presented to the European Parliament for an opinion.

The postponement of the date of inception will have no serious consequences. It will make possible a thorough and unhurried preparation of the implementing regulations still to be promulgated, some by the Council and some by the Commission. To give an idea of the share which the common organizations of the market will have in the Community's overall gross national product when they cover rice, beef and veal, milk and milk products, it should be mentioned that Community gross national product, at market prices, was about £ 800 000 million in 1961, of which more than 10% - about £ 88 000 million - was accounted for by agricultural production. These figures include neither products consumed on the farm nor aids to agriculture, but do include indirect taxes. Of the total, 60% was earned by livestock farming alone, 21% by arable farming, 13% by horticulture and 6% by wine growing. This is an indication of the importance of the incorporation of the greater part of livestock products - beef and veal and milk - in the common agricultural policy.

Cereals, pigmeat, poultry meat, eggs, and fruit and vegetables, representing 50% of all farm products, are already under the common agricultural policy. With the inclusion of milk, beef and veal, and rice, the figure will be 85%. The framework of the common agricultural market will then be virtually complete.

Gross value of farm products now under common market organizations as a percentage of overall agricultural production in 1958/59

	Germany (FR)	France	Italy	Belgium	Luxem- bourg	Nether- lands
Wheat	4.0	6.5	17.1	6.6	10.5	2.0
Other cereals	4.5	1.6	3.7	2.3	1.2	2.8
Fruit	5.9)	11.6	11.1	3.7	-	3.5
Vegetables	2.4)		9.3	10.9	-	7.0
Wine	1.8	13.0	12.8	-	6.9	-
Pigs	24.0	11.1	4.3	12.2	22.9	14.2
Poultry	1.3	6.3	3.0	3.1	-	2.6
Eggs	5.4	4.3	5.1	8.8	5.9	10.4
Total	49.3	54.4	66.4	47.6	47.4	42.5

The EEC Commission urgently needs information from the member Governments

The postponement of entry into force of the new regulations is also partly due to the fact that the Member States took so long to supply data indispensable for the drafting of the implementing regulations, such as details on aids to production of milk and milk products. Exact knowledge of how much aid has been paid is essential for gradual alignment of the prices of milk and milk products in the Member States. By 25 May only Belgium and France had informed the EEC Commission of their aid measures in this sector.

In the meantime, however, the Member States' Governments have notified the EEC Commission of their national target prices for milk, and most of them have notified their guide prices for beef. This again is information the Commission must have in order to draft further implementing regulations.

The milk target prices in the individual States are as follows:

Target prices per kg of milk with 3.7% fat content for 1964/65

(in national currencies)

DM	Belgium	Germany(FR)	France	Italy	Luxembourg	Netherlands
Upper limit	5.250 Bfrs.	0.42 DM	0.5184 FF	65.63 Lit.	5.250 Lfrs.	0.3801 Fl.
0.42				65 Lit.		
0.40					4.950 Lfrs. (4.770 ")	
0.38						
0.36	4.013 Bfrs.	0.3750 DM (0.3610 DM)				
0.34						0.31 Fl. (0.2825 Fl.)
0.32			0.3935 FF (0.3206 FF)			
Lower limit	3.975 Bfrs.					
0.318 DM	(3.900 Bfrs.)	0.318 DM	0.3925 FF	49.69 Lit.	3.975 Lfrs.	0.2878 Fl.

The 1963 reference prices are given in brackets.

Guide prices in the individual States for beef and veal

(in DM per 100 kg)

	Belgium	Germany(FR) estimated	France	Italy estimated	Luxembourg	Netherlands
Beef	224	226-228	221	224	231	220
Veal	312	?	324	?	340	315

(The upper and lower limits for beef are DM 205 and DM 235)

As the two tables show, Italy will continue to have the highest milk price in the Common Market for the time being. The Italian Government has told the Commission that it will fix the farm-gate target price of milk with a fat content of 3.7% at Lit. 65 (41.60 Pfg.) for the marketing year 1964/65. This price is still a little below the upper limit of the "big" price bracket, fixed by the EEC Council on 24 March at DM 0.42.

The other member countries had undertaken not to go beyond a price ceiling of DM 0.3864.

An examination of beef and veal guide prices in the individual States shows that there is not a great deal of difference between them. This will facilitate their alignment on a single EEC guide price, as has been planned for the next marketing year.

Beef intervention prices in the member countries are based on the guide prices.

The common agricultural market awaits price alignment

The objectives and tasks for the second half of 1964 derive from the progress made to date in setting up the common agricultural market. There are two main tasks:

- (a) Work on bringing into force the market organizations for milk, beef and rice;
- (b) Work on the alignment of EEC cereal prices.

When milk, beef and rice have been brought under the common organization of the agricultural markets, virtually everything that can be covered by external structural measures will have been covered.

The other outstanding point is the common level of cereal prices, which the Council of Ministers still has to fix.

So far, all the common measures adopted have been built around the concept of a uniform price. The common agricultural market therefore awaits the Council's decision aligning prices. This decision has become, so to speak, an overripe fruit, which must be harvested without delay. Only the decision on prices can lead to an open agricultural market and to the elimination of intra-Community levies. As the customs union in the Community is planned to come into effect on 1 January 1966, it follows logically that trade in farm produce between the Member States must be liberalized through the elimination of surviving trade barriers.

The agenda of the Council's 19-21 May session included the cereals price problem. On behalf of the EEC Commission, Vice-President S.L. Mansholt exhorted the Member States' Governments to abandon ways of thinking too heavily imbued with national sentiment and to adopt a Community way of thinking and show political purpose.

The problem of cereal prices also has serious implications for the EEC's bargaining position in the GATT Kennedy Round, since

the level of support referred to in the Commission's proposal (see Newsletter No. 17) can only be calculated from a uniform price. The Council will resume discussion of the matter at its next session.

From 1 July, poultry in the Common Market
will have to "toe the line"

Article 3(3) of Council Regulation No. 21 - the basic instrument for progressive establishment of a common organization of the market in eggs - specifies that, for price-calculation purposes, the quantity of feed-grain needed to produce 1 kg of eggs in shell must be deemed to be the same in all Member States from the beginning of the third year of application of the levy system.

During the first two years of application of the egg regulation, this quantity or "conversion rate" has been based on figures differing from one Member State to another.

The six Member States were to use the transitional period to bring their poultry-farming up to the level of that of the most efficient member countries (see Newsletter No. 1). The quantity of feed-grain deemed necessary to produce 1 kg of eggs in shell was calculated for each Community country from two factors: the average number of eggs laid annually by the hens of each country, and the percentage of pullets in the total fowl stock of each country.

At the beginning of the third year of application of the levy system, a Community conversion rate had to be fixed. In order to do this, the Council had already gradually aligned the egg yields and percentages originally notified by the various Member States, and this enabled it to fix the following egg yields and pullet percentages from 1 November 1963 onwards:

	<u>Average annual</u> <u>egg yields</u>	<u>Pullet percentages</u>
Germany(FR)	179 eggs	69
Belgium	190 "	74
France	175 "	66
Italy	171 "	63
Luxembourg	176 "	67
Netherlands	205 "	80

It is on this basis that the following conversion rates were established for the period from 1 November 1963 to 30 June 1964:

Germany	3.52
Belgium	3.38
France	3.57
Italy	3.62
Luxembourg	3.55
Netherlands	3.22

The EEC Commission took the view that the very rapid technical progress achieved in producing eggs in modern and specialized poultry-farms in all the countries of the Community has stepped up yields to such an extent that even the figure of 205 eggs is now out of date.

The most recent technical studies and publications indicate that poultry-farmers in all the EEC countries concentrate almost exclusively on breeding hens with an annual yield of 240 to 250 eggs. In accordance with the recommendations of the national authorities, they have set about eliminating hens of 18 to 20 months of age, with the result that the percentage of pullets is now 85.

Taking a balanced average across the six Member States, the EEC Commission therefore proposed to the Council that the basis for calculating the Community conversion rate should be a yield of 215 eggs per hen per year and a pullet percentage of 85. The resulting uniform rate would be 3.13 kg of feed-grain for the production of 1 kg of eggs in shell.

Since the conversion rate is an essential element in calculating the import levy both on eggs from other Member States and from non-member countries, the Commission had also stressed in its explanatory memorandum the excessively protective effects which too high a conversion rate would have on egg production.

At its session of 19-21 May 1964, the EEC Council considered that it was too early to fix egg yield at 215. It therefore fixed the egg yield at 205, and the pullet percentage at 80. This means a conversion rate of 3.22 kg.

However, this compromise is to be superseded, from 31 March 1965 onwards, by the conversion rate proposed by the Commission (215 eggs, 85% pullets, conversion rate 3.13 kg).

Nevertheless, the Council's decision means that the intra-Community levy on eggs will be cut by DM 0.04 in the Community's main importing country, Germany, and that the levy on imports from non-member countries will drop by DM 0.07.

A point calling for special emphasis is that the uniform conversion rate is the first genuine measure of agricultural unification to be adopted in the Community. From 1 July 1964 onwards, the Community's hens will be reckoned to be turning out eggs at a uniform rate, having learned, as it were, to toe the same line in all six countries!

Completion of an important stage in introduction of
the common organization of the milk market

On 19, 20 and 21 May the Council approved the regulations:

- (a) Establishing the types of butter that may be considered as best butter in the Community, and
- (b) Defining the principles governing intervention on the butter market.

This constitutes an important step in the introduction of the common organization of the market for milk and milk products. The EEC agricultural market organizations have made it a principle to adopt whenever possible, as essential criterion guiding production and demand, a uniform price for the item in question, combined as appropriate with other regulation devices. This also applies to the milk and milk products regulation, in which butter, as the main milk product, plays a leading part.

The milk market will be controlled to a great extent by the machinery of intervention in the butter market, which will fix at what time, at what price and in what conditions butter can be withdrawn from the market by private and public stock-building agencies when the situation so requires.

The Council has agreed that joint Government financial responsibility for the public and private stock-building agencies can only cover butter based on pasteurized cream.

EEC private and public stock-building agencies must in the future be placed on an equal footing. Accordingly, part of the cost of butter stored by private agencies in the public interest will be refunded to those agencies. However, to forestall any speculation or excess profits, it has also been decided that refunds will be scaled down in certain cases.

Pursuant to Article 3(3) and Article 5(1) of the milk and milk products regulation, the Council has decided that the amounts of the levies on intra-Community trade in butter will be based on the price of best butter.

In order to establish these amounts satisfactorily, a definition of best butter was required, to provide a standard of comparison for all the Community countries. The Council agreed that this should be butter "consisting by weight of not less than 82% fat, not more than 16% water and not more than 2% non-fatty dry substances contained in milk, and complying with the regulations on home-produced best butter in force in the country of origin". However, this definition is to be valid only for the first two years of application of the common milk market organization, and is not to prejudice the final definition, to be agreed when the six countries' foodstuffs regulations are harmonized.

Here the main question for the Community in the future is whether only butter based on pasteurized cream may be considered as best butter - which is what the German Government would prefer - or whether other characteristics may be taken into account.
