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ADDRESS BY MR. POUL DALSAGER

COMMISSIONER FOR AGRICULTURE

AT THE GENERAL ASSEMBLY OF THE U.N.I.B.E.V.

IN COPENHAGEN JUNE 17, 1983

Ladies and Gentlemen,

I am pleased to accept your kind invitation to talk to you about the market in meat and to outline some of the problems which face the meat sector today.

Before I come to the matters which particularly concerr your organisation, I want to say a few words in a general way about the common agricultural policy.

As you know, the agricultural policy was, and remains, a central element in the construction of the European Community.

To make a common policy for the farming sector in Europe was quite a difficult task. But is went hand in hand with the creating of a common market in industrial goods, and the other basic elements of the Treaty of Rome.

Today the agricultural policy faces some difficult choices. In many ways, it is the victim of its own success: vastly improved productivity, higher self-sufficiency, increased exports, these are among the factors which have led to the higher budgetary expenditure that we are now seeing.

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It is clear that action must be taken to improve and safeguard the agricultural policy. At Stuttgart today and tomorrow, the Heads of State and Government of the Community are discussing the future of the Community's budget, and they will of course also be discussing agriculture, which accounts for a large part of that budget.

The Commission has already indicated the way ahead. We do not believe that one can apply artificial limits to agricultural spending. It is the weather and the good Lord that determines the year-to-year fluctuations of farming.

But we can and must adapt the basic policy in such a way that producers share in the cost of disposing of additional production for which there is no market at the normal price.

This means that, while respecting the principles of the common agricultural policy, we should modulate the guarantees in such a way as to discourage the formatio[n] of surpluses beyond the guarantee thresholds which have been fixed for certain products. It also means a policy of prudent prices.

I believe that, in this way, with a long-term programme adopted and applied by the Council of Ministers, we can avoid the dangers and risks to which our agricul-

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cultural policy would otherwise be exposed : the risk of arbitrary and irrational cuts in the agricultural budget, or the danger of a return to national financing.

In either case, the very existence of the common policy would be threatened; and as I said at the beginning, the rupture of the common agricultural policy would imply the dismantling of other key elements in the life of the European Community.

For these reasons, I trust that the leaders' meeting in Stuttgart will reach wise and prudent decisions.

I shall now turn to the sector most important to this assembly, meaning the meat sector.

The meat market is currently facing difficulties as a result of:

1) a slackening of demand because of the economic recession and worsening unemployment (about 12 million out of work, or almost 11% of the working population);

2) the instability of European currencies and the application of monetary compensatory amounts;

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the failure to dismantle the MCAs within a reasonable period of time is distorting competition between stockfarmers in the Community;

3) the delay in introducing a common language, namely the Community scale for the classification of adult bovine carcases,

   - for the recording of market prices and
   - for intervention purchases on the market.

I) COMMUNITY SUPPLIES

The various meat markets are affected by cyclic variations in production and prices, the variations in production may be increased or decreased by any significant change in the prices of feedingstuffs or store cattle.

In the beef sector, the most recent cyclical peak in production was recorded in 1980, at almost 7.2 million tonnes; since then production has fallen in two successive years, by about 4% in both 1981 and 1982, so that total production has dropped back to about 6.6 million tonnes.

Given the recent trend in cattle numbers, an upturn in the marketing of finished cattle is expected for both 1983 and 1984.

Elsewhere in the OECD, however, meat, and beef in particular, will be in relatively short supply in 1983 and 1984.

After a long period of expansion in the Community meat production (this was particularly true of poultrymeat production, which expanted by about 4% per year on average from '1975' to '1981'), total production levelled off in 1981 and, in 1982, for the first time in many years, it dropped by about 1%.

Thus, 1982 saw not only a further drop in beef production but also a levelling off in the supply of pigmeat.

Whereas the average increase in meat production over the period '1975' to '1981' was running at almost 500,000 tonnes per year, total meat production fell by about 200,000 tonnes in 1982; the sharp increase in recent years was due to the expansion in the pigmeat and poultrymeat sectors, where feed costs have been relatively low.

Production has been able to keep pace with the medium-term increase in consumption, so that the Community is currently about self-sufficient in meat.

At the outset of the 1980s, production and consumption of meat are running at just over 24 million tonnes, which represents an average per capita consumption of just over 89 kg per year, about 42% of which consists of pigmeat.

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The average Community market price for adult cattle is still well below the intervention price and, obviously, even further below the guide prise; the intervention agencies are currently buying in some 12,000 to 13,000 tonnes of beef per week.

Since the beginning of the year, intervention purchases have been much higher than those made at the same period in 1982 and intervention stocks of meat have been swollen still further because of the difficulties encountered with the marketing of 90,000 tonnes of intervention meat stored in Italy, Thus, since the beginning of the year there has been no reduction in the level of intervention stocks of beef, which now stand at over 260,000 tonnes.

On the markets for other types of meat, and pigmeat in particular, the price situation is just as serious. With the seasonal drop in pigmeat prices, the average Community market price has fallen to about 75% of the Community basic price.

To raise prices off the floor, the Community has increased the level of private storage aid (prices have been supported in this way for some months) and has considerably raised the levels of the export refunds granted in fresh and frozen pigmeat.

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Since meat consumption to a certain extent is linked to the general trend in the economy which is not very favourable, meat production, and in particular the production of beef, should in the medium term adjust itself to this new situation on the market in meat.

II) TRADE WITH NON-MEMBER COUNTRIES

The quantity of meat traded with non-member countries currently stands at about 1.3 million tonnes; meat imports, which are mostly covered by special arrangements, are offset by exports of a comparable tonnage to the new markets which have opened up to beef, veal and poultry meat in the Middle East and North Africa and for pigmeat in Japan.

At the beginning of the 1980s, Community imports of meat amounted to some 1.3 million tonnes.

Under special arrangements the Community has entered into commitments to import 440 to 450,000 tonnes of beef and 320,000 tonnes of sheepmeat at preferential rates of duty but the quantities actually imported have averaged only som 400,000 tonnes of beef and 250,000 tonnes of sheepmeat.

When account is taken of the edible offal imported at reduced rates bound under GATT, the total quantity of meat which may be imported in any one year under special arrangements or international agreements amounts to about 1 million tonnes of meat and offal.

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The Community is also an exporter to the world market.

At the beginning of the 1980s, Community meat exports, most of which qualified for export refunds, averaged some 1.3 million tonnes.

The Community, which is one of the world's main meat producers, is thus also one of the main suppliers of meat to foreign markets. This particularly applies to beef and veal (the Community ranks third behind Australia and Argentian), poultrymeat (alongside the United States of America and Brazil) and pigmeat (second only to China, which supplies nearby Hong Kong

III) AGRICULTURAL PRICE DECISIONS

The institutional prices for livestock products have been increased by 5.5%; although this percentage is less than the current average rate of inflation in the Community, inflation has been following a definit downward trend over the past year.

At the same time the Council decided to reduce the monetary compensatory amounts. The effect of these agri-monetary measures is that, when beef or pigmeat crossed the Franco-German frontier, for example, the level of the tax or subsidy is reduced from about

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18% to about 14%.

The premiums which currently apply in the beef and veal sector have been retained for the 1983/1984 marketing year. It was requested that all the premiums applicable in the beef and veal sector should again be reviewed and that their implementation and effects should be outlined in a report.

With a view to adjusting the price support system for beef, and given the progress made with the drafting of the Community scale for the classification of adult bovine carcases, the Council decided that the Community scale should apply to intervention buying on the market with effect from 1 January 1984.

IV) SHEEPMEAT REPORT

Turning to sheepmeat I would say that when the basic Regulation on sheepmeat and goatmeat was adopted in 1980, the Council requested that a report should be drawn up on the operation of this common market organisation, and on the intervention and premium arrangements in particular.

This report, which is to be submitted by 1 October 1983, is now being drawn up and will cover:

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- trends on the market and in producers' incomes,
- trends in imports from non-member countries, and
- the effects of such trends on the Community budget.

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To sum up, whilst the common organisation of meat markets has operated satisfactorily on the whole, particularly as regards the stabilisation of markets, the main threats are, in our opinion,

- the lack of internal monetary stability,
- the lack of harmonisation in the measures to influence stock-farming, and
- inadequate control of feed costs,

rather than any trade confrontation with non-member countries.

Despite these current problems, I would say that the Common Agricultural Policy is alive and I am sure it will show its ability to adapt to the new circumstances facing Europe.

The policy is moving with the times - as is necessary in order to survive. No one should believe it is on its way out or going to be destroyed despite the voices which are sometimes raised to that effect.

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I am convinced the Common Agricultural Policy will continue to be one of the pillars of the era. The proof of its vitality is its ability for renewal.