Brussels, August 6, 1963 P-31/63

## INFORMATION MEMO

25 THER

der Kommission

## BACKGROUNDER ON POULTRY

The dispute between the European Economic Community and the United States over the situation of US poultry exports can only be fairly judged in the wider context of overall trade between the two areas. In this connection two major elements should be borne in mind. The first is that both the value and the volume of the trade involved in the poultry dispute is slight. According to US government figures, exports of US poultry represent less than 4 % of total US poultry production. Even at their peak in 1962, US poultry sales to EEC totalled less than \$53 million, as against \$1,400 million for overall sales of US farm produce to the Community in that same year. The total for US exports of all goods to the Common Market was \$4,452 million.

Secondly, the development of the trade in poultry should be seen against the background of overall trends in US - EEC trade over the period in question. United States poultry exports to EEC rose from \$2.7 million in 1958 to \$52.6 million in 1962. Over the same period exports of all agricultural products so far covered by the Community's common policy (cereals, pigs and pork products, poultry, eggs, fruits and vegetables) increased from \$227.8 million to \$509.1 million. With the exception of poultry, no dispute has arisen over the other commodities which have continued to find a market within the Community, since the common farm policy came into effect in mid 1962.

Thirdly it must be emphasized that the market for poultry in Europe has developed with extreme rapidity over the last 4 to 5 years. Since it is in continuous evolution, the changes in trade flows are not to be attributed solely to the level of protection but also to a number of other factors (changing tastes, increased technical proficiency, trends in consumer demand and in domestic output) which are described in more detail below.

### The working of the Community system of protection

Under the Community regulations which form part of the Common Agricultural Plicy, variable levies are imposed on cereals and other farm commodities which are considered "processed cereals", such as poultry. The poultry levy is composed of two parts. The first part is not protective by nature but is calculated merely to compensate for the difference in the feed-grain price level between each Community country and the world market. As long as grain prices are not harmonized within the Community, this feed-grain differential differs from one Member State to another. The second element of the poultry levy is an amount intended to give modest protection to poultry production process within the Community.

There is no guaranteed or fixed price for poultry. The Council fixes a "sluicegate" price in order to avoid disturbances caused by offers at abnormally low prices from non-member countries. This sluicegate price is uniform throughout the Community and is fixed on the basis of the world market prices of feed grains and of the cost of raising poultry for representative producers outside the Community. This sluicegate price thus operates as a minimum import price. In other words, imports believe this price are not permitted; either the exporting country guarantees that the offer price will be at or above the sluicegate price or the importing Member State applies the supplementary levy.

In the case of Germany, which accounts for 95% of the Community poultry imports, the present basic level of protection (10.8 cents/lb or 94 Pf/kg) is to be compared with the former national regime of 15.9% advatorement the caverage 4.3 cents/lb. plus the feed-grain differential which was 6.1 cents per pound. One of the main causes of the present dispute is the fact that the explosion of world-poultry production has pushed the world market price below the sluicegate price.

Formerly the German tariff of 15.8% ad valorem was "bound" under GATT. It was unbound as a result of the renegotiations under Article XXIV, Par. 6 of GATT. In the context of the "Dillon round", the Community concluded an agreement with the U.S. indicating its willingness to negotiate about the situation of U.S. poultry exports. It was agreed that these negotiations should take place on the basis of negotiating rights the

Finally, it should be remembered that this increased production will require sereals not available in the Johnnunity. There will thus be a need for increased imports of feed grains from countries such as the United States.

BES. held as of September 1, 1960. The E.E.C. stated that any claims under these negotiating rights would, of course, be based on the same reference years as the "Dillon round".

Subsequently the American demand was for the levy to be replaced by a 25% ad valorem duty or for a tariff quota amounting to 20% of Community consumption of fresh and frozen poultry at a duty of 20%. The first proposal would have provided for a levy insufficient even to cover the feed-grain differential. The second, calling for a quantitative guarantee, would be inconsistent with the system of agricultural policy.

Experience having shown that the feed-grain conversion rates used in calculating the Community levy might be revised downward, in March 1963 the Commission proposed to the E.E.C. Council that the basic levy be lowered .57 cents/lb. (5 Pfenning/kg) and the sluicegate price 1.4 cents/lb (12 Pfennig/kg). The Council decided to lower the sluicegate price .7 cents/lb (6 Pfenning/kg) and continued consideration of the Commission proposal. The Commission was authorized to negotiate with the U.S. Government in the light of the Council dismussions at the end of July, and to try to arrive at a satisfactory solution to the current dispute on either a temporary or permanent basis.

# Factors other than the levy influencing the trade in poultry

The market in the Community for inexpensive poultry raised by intensive scientific and industries methods is a new one. As reflected in the figures quotes above for U.S. poultry exports to the E.E.C., American exporters have opened and exploited the market during the years since 1958.

With rising living standards in Europe the pattern of demand is changing. When confronted by competitive prices, the consumer has often come to prefer fresh European (produced poultry to the deep frozen poultry. Also the large stocks of deep frozen American poultry imported just before the application of the Common Agricultural Policy were sold as much as six months later. The diminished attrativeness of this poultry hastened the trend toward consumption of fresh poultry.

While superior experience and technical facilities gave American exporters an initial advantage over European producers, the latter have since acquired the necessary know-how and are in many cases applying similar techniques. As a result production of inexpensive poultry within the Community has increased considerably.

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prix à l'importation (après application du prélèvement) import-price (after application of the levy) Importpreis (nach Anwendung der Abschöpfung) prélèvement Abschöpfung levy

duty + feed grain differertial) Prélevel ent Sunjdon's Zoll fuswirkung d. unterschiedl. l'aliment; tion) différence des 6 Furtergetrædekosten) (droits + incidence de la page 5 Cif-price prix-caf CIF-Preis prix d'écluse un prélevement supplémentaire Quand le prix d'offre tombe en desscus du Zusatzabschöpfung angewandt. Einschleusungspreis fällt, wird die Wenn der Angebotspreis unter den CAF CIF prélèvement suppl. supplementary levy zusätzl. Abschöpfung prix d'écluse Einschleusungspre! sluicegate price

supplementary levy is applied. When offer price falls below the sluicegate price est appliqué.

Imports of dead poultry (fowls, ducks, geese, turkeys and guinea fowls) and edible offals thereof (except liver), fresh, chilled or frozen, into the Federal Republic of Germany from 1958 to 1962

	1958	1959	1960	1961	1962	1962 1.131.7	1962 1.831.12
EEC countries Non-member countries	53% 47%	39.8% 60.2%	36.5% 63.5%	30.3% 69.7%	33% 67%	28.5% 71.5%	43.1% 56.9%
USA	6.7%	21.9%	27.0%	36.9%	40.1%	44.6%	30.1%
Total weight (in metric tons)	47,372	77,392	104,659	147,190	179,417	123,663	55,754

The figures of imports into the Federal Republic of Germany in the four months January to April 1963 show the following results:

VI/8083/53-F-rsBRUNGERINGEL, MICHT LEBEND, UND GEMISSE RORE SCHLICHTABFILL (NUSCENCIALINE), FAISCH, GEMUHLT ODER GIFROREN
BRUNKHINS OF DELD FOULTRY ANS EDIBLE OFFNIS THENE OF (EXCEPT LIVER), FRESH, MILLED ON FACERM, MITTO

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INFOARMINIONS DE VOLGIBLE OF CONGENE ABATS ONGENENDE (a. L'ARCHASICH AND FRESH) FRANKELRES OU CONCELLE VERS BRUNSELS

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36         4,679         39         3,971         39         4,276           39         4,679         39         3,971         39         4,276           30         4,679         39         3,971         39         4,276           31         6,475         29         2,637         20         3,75c           41         26         3,583         28         3,263         20         3,75c           41         26         3,583         28         3,263         3,283         4,094           42         3,583         28         3,263         35         3,283         10           45         38         5,715         36         5,263         35         3,584         3,584         3,594         3,594         3,544         3,544         3,544         3,544         3,544         3,544         3,544         3,544         3,544         3,544         3,544         3,544         3,544         3,544         3,544         4,526         4,526         3,442         3,544         3,544         4,526         4,526         3,443         3,442         3,544         3,544         3,544         3,544         3,452         4,526         4,526		Janvier Janvier		Rebruary Rebruary Revaior	2	March March Mars		April April Avril		Mai May		Juni June Juin		Insgesunt 1. Ha Six-month total Total 12 Sementi	t 1. Halbjahr a total Sementre
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27         7,255         61         6,117         51         8,517         67         8,850         71         42,481           100         11,964         10c         10,428         10c         12,792         10c         12,244         10c         66,452         1           27         3,475         29         2,637         2c         3,75c         29         5,155         41         20,502           26         3,587         28         3,263         35         4,094         32         3,158         27         19,119           31         6,454         38         5,263         35         5,281         28         7,015         27         19,119           69         10,552         28         3,263         35         5,281         28         7,015         27         19,119           100         17,007         100         15,054         10         19,03         10         3,125         10         110,1370           100         17,007         100         15,025         10         19,03         10         2,923         10         110,1370           27         3,47         2         2,91         2,91         <	2.962	13		4.339	3)	4.679	39	3.971	39	4.276	23	3.694	59	23.971	94.
100   11.964   100   10.083   100   12.792   160   12.544   100   66.452   19     27   5.475   29   2.637   20   3.75c   29   5.155   41   20.502     26   5.555   28   5.221   32   4.094   32   5.329   27   19.119     31   6.454   38   5.265   35   2.531   28   2.5908   77   80.650     100   17.007   100   15.054   100   19.030   100   20.925   100   110.370     28   5.715   34   5.913   39   3.554   50   29.25   100   110.370     28   5.715   34   5.913   39   3.554   50   19.325   62   52.516     29   2.555   48   6.455   60   5.255   43   5.425   11   22.155     100   12.264   10c   12.034   10c   12.411   10c   11.059   100   7.160     11   2.555   22   1.376   17   2.250   34   5.005   27   13.943     29   3.844   24   2.169   2c   4.285   34   5.005   27   13.943     29   3.844   24   2.169   2c   4.285   34   5.005   27   13.943     20   25   26   2.255   24   2.055   24   2.055   25   12.097     20   20   20   20   20   20   20	5.917 67	120	,	5.755	52	7.285	19	6.117	61	8.517	67	8.850	7.1	42.481	64
27         5.475         29         2.637         20         3.75c         29         5.155         4.094         32         5.155         4.094         32         5.329         27         19.119           26         5.563         28         5.264         35         5.264         35         7.015         23         35.68c           51         6.454         58         5.264         35         5.264         35         7.015         23         35.68c           66         10.525         62         9.791         65         13.612         28         7.015         23         35.68c           100         17.007         100         15.054         100         19.090         100         30.923         10         110.37c         11           28         5.715         34         5.913         39         9.504         50         19.523         02         52.516           27         3.847         48         5.415         5.913         39         5.5412         10         110.352         12         22.1536           44         0.355         48         6.455         60         5.253         43         5.342         34.135	8.079 10U	101	- 7	10.184	100	11.964	100	IU.083	100	12.795	100	12.944	00T	66.452	100
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56         6.595         48         6.455         60         5.353         43         5.375         49         86.025           44         0.375         52         4.587         40         7.048         57         5.536         31         34.135           100         15.256         10         11.059         100         77.160         1           11         2.955         22         1.870         17         2.250         18         2.752         22         12.097           29         3.244         24         2.169         20         4.226         34         5.003         27         13.949															
44         0.875         52         4.387         40         7.648         57         5.596         31         34.135           100         1,256         100         10.341         100         11.69         100         7.160         1           11         2.955         22         1.650         18         2.630         22         12.093           29         3.244         24         2.169         20         4.226         34         3.003         27         13.949	4.520 55			7.512	56	6.595	20 -2r	6.455	3	5.263	+5	5.375	4	36.025	13
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Dritte Länder Insgesamt

USA Dänemark Source: 'Aussenbindel"

(1) t = metric tons in each case

EWG SPRECHER der Kommission C. E. E.
PORTAVOCE
della Commissione

E. E. G. WOORDVOERDER van de Commissie

Bruxelles, le 5 décembre 1963 P - 31 (suite)

#### NOTE D'INFORMATION

Nous reproduisons ci-dessous le texte intégral du communiqué de presse publié à Washington par le bureau du Représentant spécial du Président des Etats-Unis pour les négociations commerciales et concernant les suspensions tarifaires que les États-Unis envisagent comme mesures de rétorsion dans la guerre des poulets:

Office of the Special Representative for trade negotiations

U. S. suspends tariff concessions in poultry issue

The United States notified the Executive Secretary of the General Agreement on Tariffs and Trade today that it will suspend tariff concessions on brandy, trucks, dextrine and starches. Higher tariffs on these articles will go into effect on January 7, 1964. This action is being taken to restore the balance of tariff concessions upset by restrictions imposed on poultry imports by the European Economic Community.

The new rates will apply to imports of these articles from any source. The original tariff concessions on them, however, had been negotiated with member States of the European Economic Community. These nations account for 94 per cent of United States imports of the affected articles.

A GATT panel recently determined that the value of United States trade affected by the restrictions on poultry amounted to 26 million dollars. The value of imports from the European Economic Community that will be affected by the higher United States tariff corresponds to this figure.

Following the annoucement of the suspensions:

Christian A. Herter, Special Representative for trade negotiations, stressed that the tariff concessions are suspended, not withdrawn, and they can be reinstated at any time that there is an agreement with the European Economic Community to restore reasonable access for United States poultry.

The articles affected and their identifying number in the tariff schedules of the United States are:

- Brandy, in containers each holding not over one gallon and valued at more than nine dollars per gallon. TSUS 168.20
- Brandy, in containers each holding over one gallon and valued at more than nine dollars per gallon. TSUS ex 168.22
- Automobile trucks valued at one thousant dollars or more. TSUS ex 629.05
- Dextrine and soluble or chimically treated starches. TSUS 493.30
- Potato starch. TSUS 132.50

### Rates of United States duties

TSUS number	Item	Column 1 most-favored-nation	Column 2 statutory
ex 168.20	Brandy	1.25 per gallon dollars	5 dollars a gallon
ex 168.22	Brandy	1.00 per gallon dollars	5 dollars a gallon
ex 692.05	Trucks	8.5 per cent	25 per sent
132.50	Potato starch	1 cont per pound	2.5 cents per pound
493.30	Dextrine	1.125 cent per pound	3 cents per pound