

Brussels, August 6, 1963
P-31/63

INFORMATION MEMO

BACKGROUND 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.

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The working of the Community system of protection

Under the Community regulations which form part of the Common Agricultural Policy, 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 "sluicagate" price in order to avoid disturbances caused by offers at abnormally low prices from non-member countries. This sluicagate 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 sluicagate price thus operates as a minimum import price. In other words, imports below this price are not permitted; either the exporting country guarantees that the offer price will be at or above the sluicagate 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% ~~ad valorem~~ ~~on the average~~ 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 sluicagate 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

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Forecasts by Commission experts for consumption and output within the E.C. show that a marked diminution of imports needs is likely. Consumption of poultry is foreseen as increase in 1963 by 3 to 4% while a conservative estimate of the rise in E.C. poultry production is set at 13,2%.

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

EEC. 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 to 37 cents/lb. (5 Pfennig/kg) and the sluicgate price 1.4 cents/lb (12 Pfennig/kg). The Council decided to lower the sluicgate price to .7 cents/lb (6 Pfennig/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 discussions 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 attractiveness 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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Importpreis (nach Anwendung der Abschöpfung)
 prix à l'importation (après application du prélèvement)
 import-price (after application of the levy)

Abschöpfung
 prélèvement
 levy

Abschöpfung
 (Zoll + Wirkung d. unterschiedl.
 Futtergetreidekosten)

Prélèvement en FB
 (droits + incidence de la
 différence des cotés de
 l'alimentation)

Levy
 (duty + feed grain diffe-
 rental)

CIF-Preis
 prix-caf
 Cif-price

CIF
 CAF

zusätzl. Abschöpfung
 prélèvement suppl.
 supplementary levy

Einschlusspreis
 prix d'écluse
 sluiceway price

Wenn der Angebotspreis unter den
 Einschleusungspreis fällt, wird die
 Zusatzabschöpfung angewandt.
 Quand le prix d'offre tombe en dessous du
 prix d'écluse un prélèvement supplémentaire
 est appliqué.
 When offer price falls below the sluiceway price
 supplementary levy is applied.

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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 1.1.-31.7	1962 1.8.-31.12.
EEC countries	53%	39.8%	36.5%	30.3%	33%	28.5%	43.1%
Non-member countries	47%	60.2%	63.5%	69.7%	67%	71.5%	56.9%
U S A	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:

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Bruxelles, le 15
Eüßsa
FRANCS, REPRIGRES OY CONGELS VERS BRUSSELS

HAUSGERÄGEL, NICHT-LEBEND, UND GEMISSE FÜR SCHLACHTTIERE (LASCENOMEN LEBEND), FASCH, GEKÜHLT ODER GASTROPH
IMPORTS OF B.L.D FOULRY AND EDIBLE OFFALS THERE OF (KESSEFT LIVER), FESCH, KÜHLT ODER FASCHEN, INTO
IMPORTATIONS DE VOLAILLES MORTES ET DE BASS-BOUX A LEURS ABATS COMBLES (A L'EXCEPTION DES FOIES) FRAS, REPRIGRES OY CONGELS VERS BRUSSELS

La REPUBLICQUE FEDERALE THE FEDERAL REPUBLIC OF GERMANY

während der Zeit von 1. Januar bis Total de la campagne ou les Janvier au 30 Juin pour Totals for the months January to June
30. Juni 1961, 1962, 1963 In the years 1961, 1962, 1963

Insgesamt 1. Halbjahr
Six-month total

Années Year	Jahr Month	Januar January		Februar February		März March		April April		Mai May		Juni June		Insgesamt 1. Halbjahr Six-month total	
		t	%	t	%	t	%	t	%	t	%	t	%	t	%
1961	U.S.A.	2.862	35	4.339	43	4.679	39	3.971	39	4.276	33	3.694	29	23.971	36
	Non-member countries	5.917	67	5.799	57	7.285	61	6.117	61	8.517	67	8.850	71	42.481	64
	Total General	8.079	100	10.138	100	11.964	100	10.088	100	12.793	100	12.544	100	66.452	100
	U.S.A.	2.795	31	2.636	27	3.475	29	2.637	26	3.756	29	5.155	41	20.502	31
1962	Denemark	2.451	28	3.641	26	3.565	28	3.221	34	4.094	32	3.329	27	19.119	29
	U.S.A.	6.690	37	4.977	31	6.454	38	5.263	39	5.281	28	7.015	23	35.680	31
	Non-member countries	11.323	62	11.993	69	10.522	62	9.791	65	13.812	72	23.908	77	80.629	69
	Total General	18.013	100	16.970	100	17.007	100	15.054	100	19.093	100	30.923	100	116.370	100
1962	U.S.A.	1.624	32	6.147	38	5.715	34	5.913	49	5.974	50	19.323	62	52.516	45
	Denemark	3.744	21	4.364	27	3.847	23	3.341	22	3.412	18	3.429	11	22.153	19
	U.S.A.	4.820	59	7.511	56	6.593	48	6.455	60	5.253	43	5.375	49	36.025	51
	Non-member countries	4.232	47	5.301	44	6.374	52	4.387	40	7.448	57	5.394	51	34.135	49
Total General	9.052	100	13.312	100	12.967	100	10.842	100	12.411	100	11.769	100	70.160	100	
Denemark	U.S.A.	1.132	12	1.808	11	2.965	22	1.876	17	2.656	18	2.432	22	12.097	17
	Denemark	2.419	26	3.580	29	3.244	24	2.169	20	4.226	34	3.003	27	18.949	27

Quelle:
SOUFEC: "Ausserhandel"

(1) t = metric tons in each case

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 États-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 announcement of the suspensions:

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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 thousand 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 cent
132.50	Potato starch	1 cent per pound	2.5 cents per pound
493.30	Dextrine	1.125 cent per pound	3 cents per pound