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INFORMATION MEMO

FIRST THREE PROPOSALS IN PURSUANCE OF THE NEW
AGRICULTURAL REGULATIONS (MILK, BEEF, RICE)

The Commission has laid before the Council its first proposals for implementing regulations on milk, beef and rice. It has thus complied with the time-limit set at February 1 when the basic regulations were adopted in the "marathon" of last December.

The proposals are as follows:

(a) Upper and lower limits of national target milk prices for the 1964/65 marketing year. According to the basic milk regulation this bracket is based on the average price of milk ex farm which producers in each Member State have on the whole received in the course of 1963 for all the milk marketed.

For the calculation of these prices, the national prices have had to be normalized by relating them to an identical unit of weight, an identical fat content (3.7%) and an identical marketing stage. The prices are then "brought up to date", since the Council has provided that changes in 1963 and early 1964 must be taken into account in so far as they are due to changes in milk price objectives or to normal market and price developments in the Member State in question.

After correction of average prices for the year 1963, the highest price is the Luxembourg figure of 4.83 Lfrs./kg and the lowest is the French price of FF 0.3987. Each Member State must therefore fix a target price per kilogramme of milk at 3.7% fat content ex farm within the following bracket:

	In national currency per kilogramme of milk, fat content 3.7%				
	DM	FF	Lit.	Bfrs./Lfrs.	Fl.
Upper limit	0.3864	0.4769	60.37	4.83	0.3497
Lower limit	0.3230	0.3987	50.47	4.038	0.2923

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Italy, however, will be authorized to refrain from fixing a target price for the coming season. So far there has been no target price for milk in this country. After a long period of stability, ex farm prices have risen well above the seasonal price in recent months. It is not yet clear at what level prices will settle down and the correcting of prices for the year 1963 ("bringing up to date") has not been feasible.

(b) Upper and lower limits of the guide prices for beef and veal for the marketing year 1964/65. According to the beef and veal regulation this bracket is based on the weighted average of the ruling prices on the markets of each Member State from November 1, 1962 to October 31, 1963. (The weighting coefficients are given in an annex to the regulation) The Commission has corrected some of these averages, in particular those of the Netherlands and of the Federal Republic of Germany because a drought in 1962 in these two countries had led to an abnormal decline of prices. The resulting averages, including corrections, are as follows:

<u>(in DM/100 kg live weight, excluding taxes)</u>	<u>Cattle</u>	<u>Calves</u>
F.R. Germany	212	323
Belgium	200	<u>292</u>
France	207	309
Italy	213	347
Luxembourg	209	296
Netherlands	<u>191</u>	299

But in fixing the bracket for these prices, the Council must consider what guidance should be given to beef and veal production in the Community.

Beef and veal consumption has risen substantially in the last few years in all the EEC countries; from 1958 to 1962 the consumption in kg per head per year has increased as follows:

	<u>1958</u>	<u>1962</u>
F.R. Germany	17.7	20.7
France	28.2	33.4
Italy	12.4	15.9
Netherlands	17.2	22.4
B.L.E.U.	22.2	26.6
EEC	19.2	23.2

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On the other hand, production, which had grown steadily in recent years, fell off in certain countries in 1963, and all experts forecast a decline throughout the Community in 1964.

As for the relationship between milk prices and beef prices, the situation in the Community has steadily moved against meat in recent years, except in France. For example, between 1961 and 1963 the ratio declined in Germany from 1:7.6 to 1:6.4, in Belgium from 1:7.3 to 1:6.5 and in Italy from 1:6.7 to 1:5.8.

This is one reason why livestock raisers are losing interest in beef production. In order to remedy this situation, with due regard to the time needed before such a policy can bear fruit, it has been proposed to apply to the reference prices mentioned above a plus factor equal to the minimum percentage increase of milk prices in the Community.

The average increase of milk prices from 1961 to 1963 is of the order of 15%, the minimum figure being 11.3% (in the Netherlands). Thus the lower limit for beef and veal has been calculated as

$$\frac{191 \times 111.3}{100} = 213 \text{ DM/100 kg live weight and the upper limit as}$$

$$\frac{213 \times 111.3}{100} = 237 \text{ DM/100 kg live weight.}$$

		National currency/100 kg				
		DM	FF	Lit.	Bfrs./Lfrs.	Fl.
Cattle	Lower limit	213.00	262.90	33.281	2 662.5	192.77
	Upper limit	237.00	292.52	37.031	2 962.5	214.49
Calves	Lower limit	300.00	370.78	46.875	3 750.0	271.50
	Upper limit	350.00	431.99	54.688	4 375.0	316.75

An increase in output of beef and veal presupposes an expansion in production of calves and also requires the fattening of these calves. A high price policy in this field would be counter to the long-term objective pursued in the beef and veal sector. It is therefore proposed, for calves, to keep very near the lower and upper limits of the reference prices and to fix them at 300 DM/100 kg live weight and 350 DM/100 kg live weight respectively.

It should be noted that the Member States are empowered to intervene on their markets at a level between 96% and 93% of the guide price.

(c) Arrangements applicable to rice and broken rice imported from associated countries.

By the Association Convention signed last July in Yaoundé the Commission is pledged to take into consideration, in determining common

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agricultural policy, the interests of the associated States as regards products similar to and competitive with European products. Surinam and Madagascar are the main rice exporters among the associates. For this reason the Commission proposes to grant a levy reduction on imports of rice and broken rice from the associated countries of Africa and Madagascar and from the overseas countries and territories.

This reduction can be made during the transition period by a cut in the "fixed amount", or a cut in the fixed component, depending on the stage of processing of the imported product.

In addition, Madagascar is entitled at present, under French market arrangements, to export a certain quota at French home market prices. In order to enable Madagascar to adapt itself to the Community system, the Commission has proposed transitional arrangements of a graduated nature. For the marketing season 1964/65 a zero levy is proposed, for the season 1965/66 a levy of 1/5 of the levy for the other associated countries, for 1966/67 a levy of 2/5, and so on.
