EUROPEAN ECONOMIC COMMUNITY

SUPPLEMENT
TO
BULLETIN No. 5 - 1966
of the European Economic Community

EXECUTIVE SECRETARIAT OF THE COMMISSION

Contents

C.

Report by the Commission to the Council on future trends in the production of some important agricultural items and possible outlets for them

(submitted by the Commission to the Council on 4 March 1966)

This report on the probable development of the production of some important agricultural items and of possible outlets for them has been prepared by the Commission at the request of the Council, to enable the latter to consider what measures, if any, will be needed to establish a satisfactory balance between production and consumption.

The Council also asked that the report be submitted together with the Commission's proposals for the establishment of a common price level for milk, beef, rice, sugar, oilseeds and olive oil.

Accordingly, projections are given below for the supply position in 1970 as regards the above-mentioned products (except olive oil), due account taken of the effect of the common prices proposed by the Commission upon the Community's supply position and of their financial implications for the European Agricultural Guidance and Guarantee Fund (EAGGF). To this extent, the report which follows is closely connected with the Commission's proposals for common prices and special measures to be taken.

In addition, the projections are preceded by a review of the past development of agricultural production in general, of food consumption and of external trade in agricultural products between 1958 and 1965.

DEVELOPMENTS SINCE 1958

1. A preview of likely developments up to 1970 may usefully be preceded by an examination of how agricultural production, food consumption and trade in agricultural products have been developing in the recent past. Such a review has the merit of resting on concrete facts and of bringing to light orders of magnitude and trends which will not basically change in the years to come.

Agricultural production

Growing value of output in agriculture

2. In all countries of the Community the value of agricultural output has shown an upward trend. Between 1953 and 1963, the annual average rate of growth of the total product of agriculture in the EEC, in real terms (1), was 2.5% (Table 1).

The growth of agricultural production was especially vigorous in the Netherlands (average annual rate: 3.5%) and in Germany 3.0%). In France, production rose precisely at the EEC average rate, but in Belgium (1.9%) and in Italy (2.1%) the increase was less than average.

(1) At 1958 prices — which means that the growth rate refers exclusively to the volume of output.

TABLE 1

Index numbers of agricultural production in EEC countries, 1958-1963, at 1958 prices

(1953 = 100)

Country	1958	1959	1960	1961	1962	1963	Average annual rate of increase
Final output of crop products							
Belgium	116.8	97.7	116.8	122.4	122.4	122.4	2.0
Germany	114.7	98.9	124.2	93.6	108.4	120.0	1.8
France	95.1	115.6	131.3	114.4	138.5	133.7	2.9
Italy	112.3	115.7	105.6	115.7	119.1	122.4	2.0
Netherlands	118.5	102.4	140.7	127.1	125.9	125.9	2.3
EEC	106.8	111.4	120.6	112.6	125.2	126.4	2.4
Final output of livestock products							
Belgium	115.8	120.7	119.5	126.8	129.2	123.1	2.1
Germany	115.1	120.2	126.5	132.9	135.4	140.5	3.5
France	112.2	104.4	111.1	116.6	121.1	121.1	1.9
Italy	115.3	123.0	129.4	132.0	132.0	126.9	2.4
Netherlands	126.0	134.7	149.2	150.7	159.4	150.7	4.2
EEC	115.8	115.8	121.9	128.0	130.4	130.4	2.7
Final output of agriculture							
Belgium	115.2	111.7	117.6	124.7	125.8	121.1	1.9
Germany	115.6	114.4	125.3	121.6	126.5	134.9	3.0
France	104.6	110.4	120.9	117.4	129.0	127.9	2.5
Italy	112.7	116.2	112.7	119.7	122.0	123.2	2.1
Netherlands	123.2	123.2	145.2	142.4	146.5	141.0	3.5
EEC	111.9	114.2	121.4	121.4	128.5	128.5	2.5

As regards the rate of increase in separate member countries, Table 2 gives the figures since 1956/58.

TABLE 2

Rate of increase in the final output of agriculture in EEC countries, 1956/58-1962/63, at 1958 prices

Country	Annual average percentage rate of increase			
	1953/1963	1956/1958-1962/1963	1956/1958-1959/1961	1959/1961-1962/1963
	1	2	3	4
Belgium	1.9	2.2	2.3	2.0
Germany	3.0	3.3	3.1	3.4
France	2.5	4.0	3.9	4.1
Italy	2.1	2.9	3.7	2.1
Netherlands	3.5	3.9	5.6	2.0
EEC	2.5	3.5	3.7	3.2

Source: SOEC, *Agricultural Statistics*, 1965, No 4, p. 12; col. 1 : Table 1.

Compared with the ten-year average 1953-1963, the rate of increase in the value of agricultural output during the period 1956/58-1962/63 (Table 2, col. 2) was higher in all Member States. Further subdivision of this more recent period shows that during the years 1959/61-1962/63 the rates of increase were still rising in France and Germany, whereas in the other countries (Belgium, Italy and the Netherlands) they fell short of those of the preceding period 1956/58-1959/61. It should be noted, however, that 1961 was a year of unusually poor harvests (rainy autumn), which had a variable incidence on the results set out above.

Relative importance of livestock products and crops

3. The predominance of livestock products over crops is a characteristic feature of agriculture in the EEC. A breakdown of the final output of agriculture into livestock products and crops shows the former to account for a much larger share of the total value in all countries except Italy.

TABLE 3

Share of crops and livestock products in the total final output of agriculture, 1963

Country	Percentage share of	
	Final output of crops	Final output of livestock
Belgium	36.9	63.1
Germany (1)	25.1	73.6
France (1)	35.5	62.9
Italy (1)	65.5	34.0
Luxembourg (1)	17.1	82.5
Netherlands	36.5	63.5
EEC (1)	40.6	58.4

(1) The shortfall from "100" is accounted for by "other output".
Source: SOEC, *Agricultural Statistics*, 1965, No 4, p. 32 *et seq.*

Table 3 shows the final output of livestock products to account for a particularly high share of the total in Luxembourg and Germany; France, Belgium and the Netherlands follow with almost identical percentages, which are exactly reversed in the case of Italy.

Shifts in the pattern of production

4. The increase in the value of agricultural production, as shown in Tables 1 and 2, was by no means evenly spread over all products or classes of products. Though they may not have been large, shifts did occur in the pattern of production, largely in response to changing demand. These shifts may be summarized as follows:

a) Output of livestock products rose more than output of crop products;

b) Vigorous growth in fruit and vegetable production was accompanied by a pronounced shift towards higher qualities.

5. The value of livestock output increased by 2.7% a year between 1953 and 1963, whereas the corresponding figure for crop products was 2.4%; in other words, the 1963 value index of output (1953 = 100) was 130.4 for livestock products and 126.4 for crop products (Table 1).

Analysis of the separate figures for each member country shows this general rule to apply in all except France, where the value of crop production rose faster between 1953 and 1963 than did the value of livestock production. However, this is largely due to 1953 being an unfavourable base year for France; with reference to the average of the years 1959/60, France too is seen to have registered a faster increase in the value of livestock than of crop products (the average annual rate of increase 1959/60-1962/63 was 4.3% for livestock products and 3.5% for crop products). The shift toward livestock products within total agricultural production was especially marked in the Netherlands and in Germany.

6. In countries where fruit and vegetable growing accounts for a large share in the

TABLE 4

Consumption of food and beverages in the EEC, 1959-1964, at 1958 prices

(in national currencies and units of account)

	Belgium		Germany (1)		France		Italy		Netherlands		EEC	
	in '000 million Bfrs	in million u.a.	in '000 million DM	in million u.a.	in '000 million FF	in million u.a.	in '000 million Lit.	in million u.a.	in million Fl.	in million u.a.	in million u.a.	Average annual increase
1959	122.7	2 456	56.01(2)	13 400	67.60	13 783	5 953	9 592	7 760	2 056	41 287	
1960	127.8	2 561	63.40(3)	15 200	70.31	14 336	6 248	10 065	8 040	2 131	44 293	3 006
1961	131.4	2 635	67.12(3)	16 713	72.74	14 829	6 710	10 805	8 570	2 361	47 343	3 050
1962	134.9	2 711	69.79(3)	17 461	76.07	15 523	7 062	11 377	8 930	2 478	49 550	2 207
1963	139.0	2 787	71.10(3)	17 837	78.72	16 065	7 636	12 284	9 410	2 613	51 586	2 036
1964	144.2	2 898	73.79(3)	18 559	81.14	16 557	7 732	12 383	9 790	2 715	53 112	1 526
	1959 = 100											
1964 at constant prices	117.5	118.0	131.7	138.5	120.0	120.1	129.9	129.1	126.2	132.0	128.6	5.2
1964 at current prices	126.3	—	144.0	—	143.7	—	156.7	—	144.8	—	148.2	8.2

(1) Including tobacco.
(2) Excluding the Saar and West Berlin.
(3) Including the Saar and West Berlin.
Source: SOEC, *General Statistical Bulletin*, 1965/11 (allowing for rates of exchange).

Per caput *consumption of some major agricul*

Products	Germany				France				
	1951	1958	1962/63	1963/64	1951	1958	1962/63	1963/64	1951
Wheat	62.8	58.2	52.5	51.7	113.8	98.6	93.8	89.9	129.6
Coarse cereals	36.3	26.8	22.4	21.9	4.3	1.8	1.2	1.4	17.7
Total cereals (excl. rice)	99.1	85.0	74.9	73.6	118.1	100.4	95.0	92.3	147.3
Sugar	25.6	29.3	30.7	32.0	25.3	28.8	30.7	31.6	13.3
Fresh vegetables	45.9	46.3	45.4	51.1	137.8	127.2	.	.	87.3
Fresh fruit (excl. citrus)	48.4	51.5	63.5	72.3	25.5	32.8	.	.	48.9
Wine (litres per head)	7.4	9.6	13.4	12.2	129.2	124.9	120.4	125.0	90.1
Beef and veal	13.5	18.2	21.4	21.6	22.4	27.0	30.8	30.8	7.1
Whole milk	299.2	326.6	352.0	349.6	305.6	355.4	381.0	.	136.4
Pigmeat	21.5	29.3	31.9	31.2	18.9	20.0	22.0	23.9	3.7
Poultrymeat	1.2	3.1	5.1	5.6	5.8	7.9	8.8	10.9	1.4
Eggs	7.6	12.4	12.7	13.4	10.8	10.6	.	.	6.7
Oils and fats (in fat equiv.)	16.4	18.9	18.3	18.2	8.2	14.6	16.4	15.8	9.8

(1) 1951 = Av. 1950/51 - 1951/52 - 1952/53; 1958 = Av. 1957/58 - 1958/59 - 1959/60.
Source: For all products other than fruit and vegetables: SOEC; for fruit and vegetables: OECD.

tural products in the EEC, 1951-1963/64 (1)

(kg per year)

Italy			Netherlands				B.L.E.U.				EEC			
1958	1962/63	1963/64	1951	1958	1962/63	1963/64	1951	1958	1962/63	1963/64	1951	1958	1962/63	1963/64
120.5	121.0	121.1	81.9	73.3	67.0	67.0	94.9	86.1	82.2	81.0	99.5	89.6	85.7	84.3
8.9	7.7	5.5	13.3	9.5	7.1	6.1	7.8	4.3	1.5	1.6	19.0	12.5	10.3	9.5
129.4	128.7	126.6	95.2	82.8	74.1	73.1	102.7	90.4	83.7	82.6	118.5	102.1	96.0	93.8
18.9	23.4	25.3	35.3	40.7	43.1	45.3	27.7	32.7	29.6	37.4	22.6	27.1	29.5	31.2
128.0	135.1	141.4	64.7	66.2	49.1	37.3	65.4	68.0	74.7	83.9	85.4	94.2	.	.
59.2	72.9	73.3	39.3	33.6	30.4	26.6	53.8	28.8	29.9	33.8	42.0	46.3	.	.
109.4	112.0	105.6	0.6	15.5	2.6	2.6	6.1	7.4	8.3	8.9	64.3	68.9	69.3	68.3
12.1	16.7	17.4	14.0	16.9	21.9	21.2	17.1	21.2	25.2	24.3	14.2	18.9	22.9	23.0
165.4	171.4	176.3	274.7	302.0	355.6	338.7	425.2	404.3	408.1	.	258.3	290.3	311.6	.
6.6	6.9	7.0	17.4	17.7	18.1	16.1	20.3	21.0	22.1	20.6	15.2	19.0	20.7	20.7
2.8	5.0	6.0	0.3	1.2	2.8	3.2	1.9	5.4	8.1	8.2	2.5	4.3	6.1	7.1
8.5	10.3	9.8	7.1	11.1	12.0	13.5	12.6	14.3	.	.	8.5	10.8	.	.
12.6	15.7	17.1	23.7	32.1	30.7	28.6	12.1	18.1	20.3	18.4	12.5	16.8	18.0	18.0

value of agricultural production, the shift of demand toward choice vegetables and fruits, including strawberries, called forth corresponding changes in the pattern of production and at the same time raised the value of output. This applies more especially to Italy, where the contribution of fruit and vegetable output to the final output of agriculture rose from 13.7% (6.8% vegetables and 6.7% fresh fruit) in 1953 to 22.5% (12.0% vegetables and 10.5% fresh fruit) in 1963. These growth rates were well in excess of those of total agricultural production. The same applies to the EEC as a whole; between 1953 and 1963 the share of vegetables and fresh fruit in the final output of agriculture in all Member States together rose from 10.4% to 13.5%.

Food consumption

7. Food consumption in the EEC has been rising steadily, owing both to rising incomes in the course of the Community's economic development and to population growth. However, as Table 4 shows, there is no tendency for consumers' expenditure on food to grow in absolute terms; on the contrary, the increase tends to fall off.

8. The figures of Table 4 refer to total consumers' expenditure (for food and beverage), that is, they reflect both population growth and rising consumption per head.

The quantitative development of *per caput* consumption of major foodstuffs is shown in Table 5.

Two clear trends are in evidence: first, a growing consumer preference for high-value foods (sugar) and protein foods (meat, eggs, fruit and vegetables), accompanied by a fall in the consumption of carbohydrate foods (cereals), and secondly a fall-off in the increase of *per caput* consumption in recent years.

Rising consumers' expenditure, however, is attributable not only to an increase in the quantities consumed, but in part also to the purchase of better qualities and, increasingly, of agricultural products in the form of prepared and processed ready-to-serve foods. Hence the share of agriculture in consumers' expenditure has been tending to fall.

Conclusions

9. The value of agricultural output in the EEC has been steadily increasing in recent years. Predominance of livestock products is a characteristic feature of the pattern of production; among them, the products of cattle raising (milk and meat) occupy an outstanding position. Even though cereals accounted (in 1963) for no more than 10.9% of the final output value, they are an important input for conversion products (especially poultrymeat, eggs and pigmeat). Such shifts as can be observed in the pattern of production were primarily to the benefit of livestock products as well as of fruit and vegetables (and in the latter group, more particularly of choice vegetables).

10. The simultaneous increase in food consumption in the EEC — and especially in the consumption of high-quality foods — was due in part to population growth and in part to general economic development, which raised both incomes and, since prices rose less quickly than wages and salaries, etc., also real incomes. The future development of consumption will largely depend upon the vigour of further growth in the EEC economy. Even though population increase is assuming more and more importance in relation to the expansion of consumption, real income developments (particularly among non-self-suppliers) continue to exert a strong influence on demand for food, especially as regards more expensive products. It follows that the interests of agriculture will be best served by vigorous economic growth, to which agriculture itself must make a major contribution.

Degree of EEC self-sufficiency in foodstuffs

11. Divergencies in the rates at which consumption and production of individual food products increased caused the degree of overall EEC self-sufficiency to rise between

TABLE 6

Degree of self-sufficiency in some agricultural products, 1951-1962 (1)

(in %)

Products	Germany			France			Italy			Netherlands			B.L.E.U.			EEC		
	1951	1958	1962 (2)	1951	1958	1962 (2)	1951	1958	1962 (2)	1951	1958	1962 (2)	1951 (3)	1958	1962 (2)	1951 (3)	1958	1962 (2)
Wheat	57	68	74	101	114	120	84	99	94	27	30	40	44	71	71	79	93	95
Coarse cereals (4)	81	79	74	90	101	115	95	77	54	60	37	34	55	42	46	82	78	75
Total cereals (excl. rice)	73	76	74	96	108	118	88	91	75	55	35	36	50	51	54	81	85	83
Sugar	69	93	85	102	97	112	98	110	74	98	97	86	122	106	110	90	99	92
Fresh vegetables	87	75	74	99	97	98(5)	108	117	118	150	160	163	98	101	111	102	104	106(5)
Fresh fruit (excl. citrus)	89	72	72	82	74	82(5)	113	127	124	142	130	105	104	88	68	100	96	95(5)
Wine	77	59	51	91	75	89	101	105	102	5	3	2	24	16	18	94	87	91
Beef and veal	94	89	91	100	102	109	84	73	75	104	107	105	94	98	94	95	92	92
Whole milk (6)	96	95	93	98	103	105	97	96	92	180	165	157	82	96	97	101	103	102
Pigmeat	98	94	96	102	102	96	100	90	91	146	154	163	101	101	106	103	100	100
Poultrymeat	89	52	39	100	101	104	91	93	98	450	385	302	100	102	111	100	93	91
Eggs	72	57	70	99	97	.	94	82	84	227	227	205	101	110	124(7)	96	90	.
Oils and fats (8)	29	26	28	31	45	44	70	55	54	23	27	28	19	30	29	39	38	39

(1) 1951 = Av. 1950/51, 1951/52, 1952/53; 1958 = Av. 1957/58, 1958/59, 1959/60; 1962 = Av. 1961/62, 1962/63, 1963/64.
(2) Beef, veal and whole milk : 2-year averages.
(3) Beef and veal : 2-year averages.
(4) Barley, oats, maize, rye and other cereals.
(5) These figures refer to 1961/62, the latest crop year for which French figures are available.
(6) Including dairy products expressed as whole milk equivalent.
(7) This figure refers to 1961/62, the latest crop year for which figures from B.L.E.U. are available.
(8) Vegetable oils, marine oils and offal fats.
Source: SOEC except for fruit and vegetables (all years) : OECD; pigmeat, poultrymeat, eggs, oils and fats for "1951" : OECD.

1951 and 1962 in the case of wheat, sugar (1) and fresh vegetables; it remained virtually constant in the case of whole milk as well as of oils and fats, and fell in the case of coarse cereals, fresh fruit, wine, beef and veal, and pigmeat. In the case of eggs there was a decrease between "1951" and "1958" (Table 6).

At present, the Community's agriculture contributes about 87% of the EEC's total supply of agricultural products. Comparison of the last few year's consumption and production figures for the most important agricultural products shows the situation to be as follows:

a) The EEC has become fully self-sufficient in whole milk, fresh vegetables and pigmeat;

b) the EEC produces 90% or more of the wheat, sugar, fresh fruit, wine, beef, veal and poultrymeat it consumes;

c) the degree of self-sufficiency is particularly low in the case of coarse cereals, oils and fats (excluding butter).

Consumption trends in the EEC clearly indicate that agriculture can count on a good market especially for the products of animal husbandry and for high-value crops (fruit and vegetables).

Imports and exports of agricultural products (1958-1964)

Imports of agricultural products (2)

12. The total visible imports (industrial and agricultural products) of the EEC countries rose between 1958 and 1964 from 22 900 million to 44 900 million units of account (u.a.), that is, they very nearly doubled. Intra-Community trade increased by 11 300 million u.a., or 162%, from 6 800 to 18 100 million u.a. At the same time imports from non-member countries rose by 66%, from 16 100 million u.a. in 1958 to 26 800 million u.a. in 1964.

Total agricultural imports (3) increased by around 60% from 5 200 million u.a. in 1958 to 8 300 million u.a. in 1964; for intra-Community trade alone the corresponding figures are around 120%, from 1 000 to 2 300 million u.a. Imports of agricultural commodities from non-member countries also increased during the same period — from 4 200 million u.a. to 6 000 million u.a., a rise of 43% (Table 7).

13. Together with foreign trade in agricultural commodities generally, trade in the principal agricultural products (4) also expanded vigorously. Between 1958 and 1964 total foreign trade in these products increased by 55% from 2 700 to 4 200 million u.a., and intra-Community trade by 150%, from 600 to 1 500 million u.a. At a higher total value, imports from non-member countries also increased considerably, namely, from 2 000 million u.a. in 1958 to 2 700 million u.a. in 1964; this increase of 35% does not fall far short of the corresponding increase in imports of temperate products (Table 7).

---

(1) There is a tendency toward surplus production of sugar; production-restricting measures in various countries caused the degree of self-sufficiency to fall between "1958" and "1962".

(2) Source for all foreign trade figures : SOEC, *Statistique mensuelle du commerce extérieur*, 1964, No 5, and 1965. No 6, as well as *Agricultural Statistics*, 1965/5.

(3) Agricultural products of the temperate zone, that is :

0 Food (excl.07 coffee, tea, cocoa and spices and manufactures thereof);

1 Beverages and tobacco;

22 Oilseeds, oilnuts and oilkernels;

23 Animal and vegetable crude materials, n.e.s;

4 Animal and vegetable oils and fats.

(4) Principal agricultural products : pigs, cereals, fruit and vegetables, eggs, poultry, wine, rice, dairy products, cattle (See SOEC, *Commerce extérieur (statistique mensuelle)*, 1965, No 6, p.111, where these products are grouped together as "subject to market organization").

TABLE 7

EEC imports of agricultural products, 1958-1964 (1)

(million units of account)

Year	Agricultural products		Principal agricultural products	
	from EEC countries	from non-member countries	from EEC countries	from non-member countries
1958	1 002.2	4 169.4	638.2	2 061.0
1959	1 230.9	4 210.0	787.7	2 032.3
1960	1 428.7	4 591.4	930.5	2 151.5
1961	1 581.7	4 634.5	985.0	2 240.5
1962	1 796.0	5 333.8	1 095.7	2 559.6
1963	2 031.2	5 657.9	1 270.7	2 509.2
1964	2 323.5	6 024.9	1 471.8	2 721.9

(1) *Source:* SOEC, *Agricultural Statistics*, 1965/5.

TABLE 8

Imports of agricultural products into the main importing countries of the EEC 1958-1964 (1)

(million units of account)

Country and year	Agricultural products		Principal agricultural products	
	from EEC countries	from non-member countries	from EEC countries	from non-member countries
Germany				
1958	559.8	1 500.0	412.2	711.9
1959	690.2	1 687.4	508.8	838.3
1960	795.3	1 722.8	581.8	818.0
1961	915.9	2 785.6	661.8	873.4
1962	1 060.5	2 151.5	748.0	1 053.5
1963	1 055.1	1 926.0	750.4	773.6
1964	1 162.2	2 095.9	821.4	836.2
Italy				
1958	91.5	476.2	56.1	245.9
1959	105.6	497.5	63.7	246.8
1960	149.0	718.3	99.5	374.2
1961	142.6	746.1	95.9	418.7
1962	159.1	808.2	102.8	406.1
1963	265.2	1 245.4	187.0	652.9
1964	306.7	1 136.4	215.7	645.5

(1) *Source:* SOEC, *Agricultural Statistics*, 1965/5.

14. Breakdown of the import figures by countries shows that among all Member States of the EEC Germany and Italy are the largest importers of agricultural products (Table 8). Germany's total agricultural imports increased by about 50% between 1958 and 1964, and those from other EEC countries more than doubled during the same period (rising from 560 million u.a. to 1 160 million u.a.). At the same time German imports from non-member countries also expanded, from 1 500 to 2 100 million u.a., which means that they were 40% higher in 1964 than in 1958; however, imports from EEC countries are taking up a growing share of the total. This latter trend is especially marked in the case of the principal agricultural products, where imports from other EEC countries rose from 412.2 million u.a. to 821.4 million u.a. and those from non-member countries from 711.9 million u.a. to 836.2 million u.a.

Italy's imports have been climbing even faster than those of the Federal Republic of Germany (Table 8). The figures of Table 8 clearly show Italy to have become a major importer of agricultural products. Imports from EEC countries, both of agricultural products as a whole and of the principal agricultural products, were four times as high in 1964 as they had been in 1958, and those from non-member countries nearly trebled during the same period.

Exports of agricultural products

15. These import developments were matched by similarly favourable developments in exports of agricultural products.
In intra-Community trade this must necessarily be so, since all "imports" have to show up elsewhere as corresponding "exports". But exports to non-member countries, too, have displayed a steadily rising trend.

TABLE 9

EEC exports of agricultural products, 1958-1964 (1)

(million units of account)

Year	Agricultural products		Principal agricultural products	
	to EEC countries	to non-member countries	to EEC countries	to non-member countries
1958	1 002.2	1 638.7	604.0	826.3
1959	1 230.9	1 580.4	763.2	811.9
1960	1 428.7	1 762.8	914.3	923.3
1961	1 581.7	1 879.0	984.1	1 008.0
1962	1 796.0	1 929.4	1 075.1	1 058.5
1963	2 031.2	2 106.6	1 261.7	1 215.0
1964	2 323.5	2 277.6	1 449.4	1 329.8

(1) *Source:* SOEC, *Agricultural Statistics*, 1965/5.

Much of these exports came more particularly from France and the Netherlands, which are the largest exporters of agricultural products in the Community.

Summary

16. The development of the European Economic Community has proved a strong stimulant to foreign trade in agricultural products.
Intra-Community trade has greatly increased, especially since 1962. At the same time, trade with non-member countries also expanded. This applies not only to agricultural products (of the temperate zone) as a whole, but also to the principal agricultural products.

PROBABLE DEVELOPMENTS UP TO 1970

Introduction

17. Following the preceding section's brief review of past developments in agricultural production, food consumption and foreign trade in agricultural products, an attempt will be made in the present section to assess how the production and consumption of major agricultural products, and hence the supply position, are likely to develop up to the year 1970.

With the help of certain working hypotheses concerning future economic growth in the Community, population growth and technological progress in agriculture, and on the further assumption of constant real prices (1), it is possible to project the likely future course of demand, of agricultural production and of import requirements (or export surpluses).

The projections so calculated are valid under the conditions assumed; any new factors which have not been taken into account will make actual results diverge from the projections. One relevant factor of this kind is the establishment of a common price level for agricultural products in the EEC and the creation of an internal market for agricultural products.

It is not impossible that other relevant factors may appear between the moment of projecting and the year to which the projection applies (here "1970") and may alter the projected supply position. Such factors may be, for instance, rapidly spreading innovations in production techniques, changes in the world market situation and in economic policies, etc.

Even factors which have been taken into account (e.g. price movements, the growth rate of the economy) will cause the real situation to diverge from the projection, if they take a course different from what has been assumed.

The following projections for "1970" (average of the year 1969/70 to 1971/72) as regards a number of separate products, namely milk, beef, sugar, rice and oilseeds, are in the first instance based on the assumption of constant prices. Developments between "1962" (average of the years 1961/62 to 1963/64) and 1965 will then be examined with a view to discovering what changes, if any, they require to be made in the projection for "1970". Finally, there follows a discussion of the effects of the introduction of common prices for important agricultural products upon production and consumption (and hence on the foreign trade balance).

Thus each product will be discussed under three main headings: a review of the supply position "1962" and projections for "1970" will be followed by a discussion of developments between "1962" and 1965, and then by an assessment of the production and consumption effects of price changes resulting from the introduction of a common price at the level proposed by the Commission. Special measures which may have to be taken are discussed at the end of each product section.

18. The method used for the projections, and especially the assumptions on which they are based, are set out in earlier publications by the Directorate-General for Agriculture (1). As regards foreign trade, in particular, it should be noted that in principle projections can be made only for the difference between consumption and production, that is, for import requirements or export supluses.

(1) Constant real prices : all prices in the economy vary to the same extent and in the same direction, so that relative prices do not change.

(2) Sources : *Le Marché commun des produits agricoles, perspectives « 1970 »*, Etudes, série agriculture, No 10, 1963;
Comparaison entre les « trends » actuels de production et de consommation et ceux prévus dans l'étude des perspectives « 1970 », Informations internes sur l'Agriculture, No 7, November 1965.

I. MILK

The supply position of the EEC in " 1962 " and projections for " 1970 "

19. The milk budget of the Community was slightly in surplus over the average of the years 1961/62 to 1962/63 (here to be designated as "1962"). Total output of 66.3 million tons of milk was 2% in excess of total consumption of 65.0 million tons (Table 10, col. 1). Gross exports to a value of 251.3 millions u.a. (1) were made up mainly of condensed milk (103 million u.a.), cheese (68.7 million u.a.) and butter (38.6 million u.a.), and on the whole found

(1) Average 1961, 1962, 1963.

a ready market abroad. Gross imports to a total value of 114.5 million u.a. consisted mainly of cheese and butter from Denmark, Switzerland and Austria (Table 11).

In the light of detailed studies (1) of the "1962" situation and of the prospective conditions for the development of the production and consumption of milk and milk products, it may be assumed that by "1970" the EEC's milk budget will by and large be in balance, with a similar slight export surplus (Table 10, col. 2), provided three essential conditions are fulfilled, as follows:

1. That the number of dairy cows in the EEC remains more or less at its "1962" level;

2. That *per caput* consumption of butter and cheese increases considerably, especially in France, Germany and the Netherlands;

3. That there is no decrease in the use of whole milk in animal feed.

20. Two questions now have to be examined, namely, *(a)* whether and to what extent these equilibrium conditions for the EEC milk budget can in fact still be expected in the light of developments since "1962" and of any resulting new factors which may have to be taken into account, and *(b)* what effects the proposed common target price of 9.5 u.a. per 100 kg will have on the development of production and consumption, and hence on the supply position in "1970".

(1) See the two publications named in the footnote on p. 17.

TABLE 10

Milk and milk products: The supply position of the EEC in "1962" and projections for "1970"

('000 tons of whole milk equivalent)

	"1962" (1)	"1970" (2) (projection)
	1	2
Milk output (3)	66.3	76.1
Milk consumption	65.0	74.5
of which : — human consumption	54.9	64.6
of which : . milk for liquid consumption and similar products	19.2	21.8
. cheese	10.6	13.0
. butter	24.7	29.3
. other dairy products + losses	0.4	0.5
— animal feed (estimate)	10.0	10.0 (5)
Surplus	1.3	1.6
Degree of self-sufficiency (%) (4)	102	102

(1) Average of the years 1961/1962 and 1962/1963.
(2) On the working assumptions set out in *Informations internes sur l'agriculture*, No 7, November 1965.
(3) Milk of cows, buffaloes, sheep and goats.
(4) Milk production per cent of milk consumption.
(5) On the assumption that (a) the amount of whole milk used to feed calves will diminish, and (b) the number of fattening calves will increase.

Developments since « 1962 »

21. The actual 1970 supply position for milk and milk products will be determined not only by the common price policy and the creation of a common market for milk, but also by such developments as have taken place in Member States between the base year ("1962") of the projection and the introduction of a common target price for milk and milk products, that is, between 1962 and 1967. What happened in the years 1962-1965 is known by now; the main questions to investigate are what real price changes, production developments and consumption trends can be observed during that period.

22. Producer prices for milk showed more or less marked increases in all Member States between "1962" and 1965/66. Average produced prices expected for 1965/66 in Member States in some cases represent a real price rise in comparison with "1962", as can be seen from Table 12.

TABLE 11

EEC gross imports and exports of milk and milk products, av. 1961/63

('000 units of account)

Non-member countries	Total	Butter (023)	Cheese (024)	Condensed milk (022.10)	Dried whole milk (022.21)	Dried skim milk (022.22)
			Imports			
Total	114 521	27 604	73 984	642	6 703	5 241
of which from :						
Denmark	35 816	6 175	27 726	152	705	361
Switzerland	29 493	—	26 316	26	3 100	49
Austria	9 933	1 446	6 654	—	1 798	—
			Exports			
Total	251 305	38 575	68 696	103 009	30 295	7 215
of which to :						
United Kingdom	32 015	18 549	8 714	1 820	1 395	1 492
Algeria	29 342	6 804	11 271	6 938	2 155	499
United States	17 423		17 252			

Source : Analytical Bulletins of the SOEC.

TABLE 12

Producer prices for milk, "1962" and 1965/66

(units of account per 100 kg)

Country	"1962" (1)	1965/1966 (2)	Percentage increase nominal	Percentage increase real (3)
Belgium	7.400	9.854	33.1	+ 25.3
Germany	8.620	9.500	10.1	+ 4.5
France	7.970	8.507	6.5	+ 0.2
Italy	8.000	10.296	28.7	+ 13.2
Luxembourg	9.050	9.900	9.3	—
Netherlands	7.420	8.840	19.1	+ 7.4

(1) Average selling price 1961/1962 - 1962/1963.

(2) Target price = producer price; see Part B I, Table 2 in Supplement to Bulletin No. 4

(3) *i.e.* nominal rise less the percentage rise in the wholesale price index, as follows : Belgium 7.8; Germany 5.6; France 6.3; Italy 15.5; Netherlands 11.7 (base : average for the period 1 July 1961 to 30 June 1963; reference period : 1 October 1964 to 30 September 1965).

Source : SOEC, *General Statistical Bulletin*, 1965, No 11, Table 74.

Real increases in producer prices for milk in the period "1962" to 1965/66, that is, increases in excess of the rise in the wholesale price indices, are seen to have been particularly sharp in Belgium, Italy and the Netherlands.

23. As regards production developments,

a) the number of dairy cows, and

b) deliveries to dairies.

Recent developments in the stock of dairy are discussed in Part B I, section 1 of the report on the establishment of common prices; in the present context the following points are of interests:

1. The number of dairy cows in the European Economic Community reached a peak in 1962, after several years of steady increase, and since then has been declining;

2. in 1964, there were 21.4 million dairy cows, compared with 22.3 million in 1962;

3. *it is too* early to judge whether the slight increase observed since May/June 1964 in Belgium, the Netherlands and Germany is of basic and long-term importance.

In the light of these facts and of the real price increase in some countries, as noted in section 22 above, it seems realistic to assume that, given constant prices, the stock of cows in the EEC will not increase appreciably and will number around 22.2 million in "1970".

It was also noted in Part B I that the quantities of milk delivered to dairies have been rising more than milk production, which implies a falling tendency for consumption and processing of milk on farms and its use as animal feed.

In this respect, too, the projections of the above-mentioned study must be regarded as conservative, for they were based on the

assumption that, in spite of the well-known changes in feeding techniques, the same amount of whole milk would be fed to animals in "1970" as in "1962", that is, close to 10 million tons (see Table 10). However, the diminution of consumption per animal may well be made good by an increase in the number of fattening calves.

24. With farmers producing, or marketing, increased quantities, the key question is whether consumers, in their turn, buy more. Figures for *per caput* consumption of milk products in Member States are shown in Table 13.

TABLE 13

Per caput *consumption of butter and cheese in the EEC, 1962-1964* (1)

(kg per head)

Country	Butter					Cheese				
	"1962"	1962	1963	1964	"1970" (2)	"1962"	1962	1963	1964	"1970" (2)
B.L.E.U.	9.8	9.36	9.58	10.05	9.8	5.9	5.45	6.16	5.73	5.9
Germany	8.9	9.03	9.19	8.85	9.5	7.4	7.44	7.72	8.16	8.8
France	7.6	8.08	8.13	8.32	8.2	10.3	10.56	10.66	10.62	12.2
Italy	1.8	1.82	1.97	1.67	1.9	7.4	7.92	6.97	6.75	7.6
Netherlands	5.5	5.89	4.79	5.75	7.2	7.9	9.90	8.16	9.33	9.5
EEC	6.4	6.53	6.49	6.52	6.9	8.1	8.47	8.25	8.36	9.3

(1) *Source:* "1962" — Projections "1970", No 7; 1962, 1963, 1964 — Annex B I/2.
(2) Projection.

Per caput consumption in the EEC in "1962" has been estimated at 6.4 kg of butter and 8.1 kg of cheese. Since then (that is, up to 1963/64 or 1964/65) the overall EEC *per caput* consumption figures for both butter and cheese have risen only slightly beyond those assumed for "1962" (1). The latest official publications in Germany show *per caput* cheese consumption to have declined fractionally from 7.9 kg in 1963/64 to 7.8 kg in 1964/65, while butter consumption fell more sharply, by 4.5%, from 8.9 kg in 1963/64 to 8.5 kg in 1964/65.

So far, the growing output has been absorbed by the market, but not solely as a result of the slight increase in *per caput* consumption and the expansion of aggregate consumption in line with population growth; a contributory factor has been increasing aid to milk production in some Member States, in the form of direct aids for milk and milk products, export subsidies, market support, etc. (see Annex B I/8).

The "1970" projections of the above-mentioned study with respect to *per caput* consumption of butter and cheese (Table 13 and Charts 2 and 3 in the Annex) must, therefore, even on the assumption of constant prices, be taken in some countries as an upper limit of the possible rise in consumption.

Summary

25. The developments which have taken place since "1962" in the production and consumption of milk and milk products suggest that the forecast of approximate balance

(1) See Annex, Charts 2 and 3.

for the EEC's milk economy in "1970" in the absence of price changes (Table 10) rests on somewhat optimistic assumptions. In actual fact:

a) The number of dairy cows does not seem to be increasing, yet deliveries to dairies continue to rise more rapidly than milk production;

b) Per caput consumption of the most important milk products has been virtually stationary in the last few years;

c) The use of whole milk for feed per animal is falling, because milk fat is being replaced by vegetables fats.

Consequently, balance betwee production and consumption in "1970" can be expected only on condition that, once a common target price is introduced;

a) the number of dairy cows in the EEC does not appreciably increase;

b) per caput consumption of milk products in the EEC expands;

c) there is no increase in the rate of replacement of whole milk by feeding stuffs (fats being added to skim milk) in calf raising and fattening;

d) the price relation with concentrates (oil cakes) is not such as to provide an additional incentive for their use in milk production.

To assess how producers and consumers in the separate Member States may react to the price changes resulting from the introduction of a common target price for milk on 1 April 1968, it is first of all necessary to show what these price changes themselves are likely to be (Table 14).

Price changes resulting from the introduction of a common target price for milk

26. For expected changes in the different milk-market price data relevant for an assessment of the effect of the common target price reference is made to the detailed discussion of the reasons underlying this price proposal (Part B I).

In the context of the projections here under discussion, it will be enough to treat price changes in summary form.

Changes in producer prices

27. As will be seen from Table 14, the establishment of a common target price will raise producer prices above their 1965/66 level only in France (+ 8.2%) and in the Netherlands (+ 9.3%).

Allowing for the probable increase in target prices for 1966/67 in these two countries as well as for a certain rise in the general price level, the real increase in producer prices in these two countries is likely to be quite small.

More meaningful indications of the relative movement of milk prices at the level of production can be obtained by comparing them with wheat prices (as representative of cereal prices generally) and with beef prices.

The following observations may be made as regards the price relation between milk and cereals on the one hand, and between milk and beef on the other (see Annex A/1).

In comparison with the 1967/68 wheat price (producer price), a target price of 9.5 u.a./100 kg would place milk in France and the Netherlands in a slightly better position than in previous years.

This would, in France, more or less re-establish the price relation of 1963/64, but in the Netherlands the position of milk would improve against cereals.

In the milk/beef price relation, on the other hand, beef prices would gain an advantage in France compared with earlier years, while in the Netherlands the opposite would happen and the price margin would narrow to the benefit of milk.

All in all, the conclusion is that the proposed common prices will improve the economic position of milk in relation to both cereals and beef in the Netherlands, whereas in France they will restore the milk/cereals price ratio of recent years but widen the margin between milk and beef prices to the detriment of milk.

Changes in market prices for dairy products (1)

28. The determining factor in an assessment of prospective consumption developments are changes in the prices of milk products at the marketing level (selling prices of the dairies, wholesale prices, etc.), which in turn directly influence consumer prices. However, price movements at the marketing stage are not as closely linked with producer prices in the case of the various milk products as in that of most other agricultural products (live animals — meat, cereals — flour, etc.). The reason is twofold.

a) Frequently, Member States grant aids, either upon delivery to dairies (Germany, Netherlands) or only for certain products (Belgium, Luxembourg). This means that proceeds on the milk market fall short of proceeds to the producer.

In France, the milk sector essentially has the benefit only of export refunds.

(1) See full discussion in Part B, under "Milk".

TABLE 14

Changes in the prices of milk and milk products, 1965/66-1968/69

(in national currencies per 100 kg, and per cent)

Prices		Belgium		Germany		France		Italy		Luxembourg		Netherlands	
	Product	Bfrs.	%	DM	%	FF	%	Lit.	%	Lfrs.	%	Fl.	%
Producer prices	Milk	— 17.5	— 3.5	± 0	± 0	+ 3.45	+ 8.2	— 46.87	— 0.7	— 22.5	— 4.5	+ 2.99	+ 9,3
Market prices for dairy products	Butter	—1 000.0	— 10.1	+ 33	+ 4.8	+ 25.00	+ 3	.	—	+ 300.0	+ 3,6	+ 160.00	+ 34.0
	Cheese total	+ 700.0	—.—	+ 51	—.—	+ 25.00	—.—	—	—	+ 700.0	—.—	+ 150.00	+ 34
Consumer prices	Milk for liquid consumption	—	—	—	—	+ 2.47	+ 3	—	—	—	—	—	—
	Condensed milk	—	—	—	—	—	—	— 155	— 20	+ 250.0	+ 10.0	—	—
	Butter	—1 000.0	— 9	+ 33	+ 4.2	+ 25.00	+ 2.5	.	.	+ 300.0	+ 3.4	+ 160.00	+ 30.0
	Cheese	+ 700.0	—.—	+ 51	—.—	+ 25.00	—.—	—	—	+ 700.0	—.—	+ 150.00	+ 20

Source: Part B I.

Symbols: —.— Not significant; — No major change expected; . Not available.

In Italy, to all intents and purposes no public funds are made available for milk production and processing.

b) Processed milk gives differential yields according to the different products made therefrom generally speaking, higher proceeds can be obtained from the direct use of milk for liquid consumption than from processing milk.

29. For these reasons and for some others as well (e.g. questions of cost calculation in dairying, support for special reasons, etc.), the movements of producer prices and market prices, as shown in Table 14, are not always parallel; indeed, in the case of some major products, contrary price movements are to be expected.

Market prices for butter may be expected to rise, to a varying extent, in Germany, Luxembourg, France and especially in the Netherlands, to fall in Belgium, and to remain close to their present level in Italy. As regards cheese prices, their overall movement is treated here with some reserve, because different developments must be expected in the various countries according to type and kind of cheese; all in all, prices are likely to go up, especially in Germany and the Netherlands (semi-hard cheeses), though in France they should remain more or less constant or rise only slightly.

Changes in consumer prices for milk products

30. Barring only a few exceptions (e.g. butter in Italy), consumer prices for milk products may be expected to move in the same direction as market prices for the same products.

As regards milk for liquid consumption, it is assumed that the target price of 9.5 u.a. per 100 kg will lead to no changes in the consumer price except in France, where a price increase of 3% (0.5 u.a./100 kg) is likely.

Outlook for milk production up to " 1970 " with the common target price

31. As was stated above (section 27), the introduction of a common target price for milk will lead to a nominal rise of producer prices in France and the Netherlands. It is hard to estimate just how the producers' reactions to these higher prices will be reflected in the number of dairy cows; however, in the light of the development of other agricultural prices and of production costs, the following assumptions seem reasonable.

In the Netherlands, no increase in the number of dairy cows need be expected, because the real price rise is small, the price relation of milk to cereals and beef will shift to the benefit of milk, and because, in that country especially, manpower problems are likely to prove an obstacle to any expansion of dairy farming.

Nor is it very likely that the number of dairy cows will increase in France, if the rise in milk prices is accompanied by a rise in beef prices at the producer level. Should, however, beef prices fail to rise, or should their rise not be effective at the producer level, then it is not so certain that French farmers will not increase their stock of dairy cows. Even a relatively small increase in their number would raise the EEC's milk output by an amount which might not be easy to dispose of, given the existing slight surplus position (1).

In addition, deliveries to dairies may continue to increase faster than production, and increasing use may be made of oil-cake as feed, which would raise milk yields per cow beyond the figures assumed in the "1970" projections; both these practices will indeed be the more strongly stimulated the higher the level at which the target price is fixed. In that case there is every likelihood that the marketed output of milk in "1970" will be such as to constitute a serious danger to equilibrium in the EEC's milk supply position (Table 10).

Outlook for the consumption of milk products up to " 1970 " with the common target price

32. The forecast of near-balance between supply and demand in the EEC rests on the assumption that *per caput* consumption of milk products will increase, especially as regards butter and cheese in Germany, France and the Netherlands (Table 13).

Careful analysis of the data illustrated in Charts 2 and 3, as well as of consumption trends between "1962" and 1964/65 (see section 24), suggests that such an increase is possible only on condition that the prices of these products do not go up appreciably. In the Community as a whole the milk budget could still be in balance even if the above-mentioned countries fail to reach the *per*

(1) A 3 % increase in the number of cows in France would mean an additional 300 000 head; at an average annual yield of 3 000 kg of milk per cow, as assumed for "1970", additional milk output would be in the neighbourhood of 1 million tons.

caput consumption levels projected for "1970", provided the decline in consumer prices expected for other Member States raises consumption (this applies especially to butter in Belgium, and to butter, cheese and other milk products in Italy).

33. Butter prices to the consumer are, according to Table 14, likely to go up as follows:

in Germany	4.2%
in Luxembourg	3.4%
in France	2.4%
in the Netherlands	30.9%

Consumer reactions will no doubt in this case be determined by nominal price increases, because, given competition from vegetable fats, demand will primarily respond to the widening margin between the rising butter and the price of margarine.

It needs no econometric research on the price elasticity and cross elasticity of butter consumption to feel safe in assuming that price rises such as those listed above are bound to dampen the expansion of consumption in the countries concerned. On very cautious estimates it might be assumed that the forecast increase in butter consumption may conceivably materialize in Germany and France (for reasons of available information, the projections for Luxembourg were worked out in the combined framework of the B.L.E.U.).

For the Netherlands, however, it must be assumed that unless special measures are taken butter consumption will continue to decline, and indeed more sharply than it has done since "1962". Such a decrease in total consumption would be too big to be made good, at the level of the Community as a whole, by a possible increase of consumption in Italy, where prices may fall. Even though butter prices will probably go down also in Belgium, no appreciable expansion of consumption (in milk equivalent) in the Community as a whole may thus well turn out to be 0.4 million tons of milk less than was estimated on the assumption of constant prices.

34. Similar considerations apply to the outlook for cheese consumption. Price increases must be expected, especially for semi-hard cheeses in the Netherlands, Germany and Belgium. Other types of cheese should be less affected even in those countries, either because they account for only a small part of total consumption or because, these being specialities, demand for them has a low price elasticity.

The types of cheeses subject to an economically significant price increase account for almost 100% of consumption in the Netherlands, for 25% in Germany and for more than 50% in Belgium. In nominal terms, the price increases will be highest in the Netherlands and in Germany, where they will range from 15 to 35%. Even if these figures be reduced to allow for the rise in the general price level, cheese consumption in Germany cannot be expected to reach the level projected for "1970", rather will it remain static or even decline.

The resulting diminution in milk consumption may be estimated at approximately 200 000 tons of milk.

Prospective "1970" supply position of the EEC as regards milk and milk products with the common target price

35. If the introduction of a common target price causes the production and consumption of milk and milk products to develop in the way suggested above, the effect of the common target price on the supply position in "1970" may be summed up as follows.

On the output side, an expansion of production in France is not to be excluded. Furthermore, output and especially deliveries to dairies have been increasing faster during the period "1962" to 1965/66 than was assumed in the projections for "1970"; producers have already cut down their own consumption of whole milk by more than was assumed in the projections; and finally output may wel rise as a result of an increased use of concentrated feeding stuffs (in case of a favourable milk/oil-cake price relation). Nevertheless it may be estimated, with all due caution, that "1970" output will in fact be the same as was calculated in the projections for "1970" on the assumption of constant prices.

On the demand side, on the other hand, the introduction of a common target price as well as the reduction of national aids in some Member States must be expected to slow down the expansion of *per caput* consumption still further, or even to arrest it altogether. As was seen in section 24, *per caput* consumption of the most important milk products (butter and cheese) advanced little if at all in some countries between "1962" and 1964/65.

It is true that the introduction of common milk prices ought in some countries to bring down consumer prices, so that consumption may expand more by "1970" than was estimated on the assumption of constant prices. What counts most for the Community's total milk consumption, however, are the price increases for semi-hard cheese in Germany and for butter in the Netherlands.

If the Community establishes common target prices for milk, its "1970" supply position

is, therefore, on the whole less likely to be unbalanced by additional increases in output than by the contraction of demand which must be expected in some countries if prices rise too much, unless special measures are taken.

To quantify the effect of the various factors which determine production and consumption, we may advance the following tentative figures.

The Community will, in "1970", have an export surplus (that is, an excess of milk output over milk consumption).

a) of the order of 1.6 million tons of milk, on the assumption of constant prices — amounts of similar magnitude were taken up by traditional markets in past years;

b) or, if a target price of 9.5 u.a./100 kg is introduced, of roughly 2.4 million tons of milk, in the absence of aids to consumption [1].

Measures suggested

36. Prices for milk products, and especially for butter and cheese, will rise if a common target price of 9.5 u.a. (DM 38) per 100 kg is introduced; if they rise too quickly, there may be a danger of curtailing consumption with consequent structural surpluses. This danger would be considerably mitigated if the price rise took effect only gradually at the consumption stage.

To this end, Member States in which such price rises do take place might grant consumption subsidies on a decreasing scale up to 31 December 1969.

This applies to butter in the Netherlands and to medium-hard cheese in Germany.

The sums involved are set out in Table 15, where the calculations are based on the assumption that the subsidies will decrease progressively and terminate on 31 December 1969.

Additional sales of milk thanks to subsidies in the amounts indicated in Table 15 may be estimated at around 200 000 tons for "1970".

(1) See Annex C I/1.

TABLE 15

Sums required for consumption subsidies for butter in the Netherlands and for medium-hard cheese in Germany (1 April 1968 to 31 December 1969)

Year	Consumption ('000 t)	Price increase [1] 1967/1968 - 1968/1969 (DM/kg)	Subsidies		
			in million DM	in million Fl.	in million u.a.
		A. NETHERLANDS			
		Butter			
1968/69	62	1.12 0.74	45.88	41.52	11.47
1969 (1.4-31.12)	47	0.38	17.86	16.16	4.46
		Total	63.74	57.68	15.93
		B. GERMANY			
		Medium-hard cheese			
1968/69	121	0.96 0.64	77.44	70.08	19.36
1969 (1.4-31.12)	92	0.32	29.44	26.64	7.36
		Total	106.88	96.72	26.72
		Grand total	170.62	154.50	42.65

(1) Due account taken of price changes to be expected in both countries in 1966/1967 and 1967/1968.

TABLE 16

Financial implications of the establishment of a common target price for milk, "1970"

(million units of account)

Common target price for milk	*9.5*
Exports refunds	150
Aids for skim milk used as animal feed (1)	190
Effects of binding of Emmental, Cheddar and casein (1)	80
Seasonal equalization payments for butter (1)	30
Total	450

(1) See Part B I, section 28 in supplement to Bulletin 4.

Financial implications of the establishment of a common price level for milk

37. The total sums which would need to be provided by the European Agricultural Guidance and Guarantee Fund (EAGGF) to finance expenditure on the milk market in "1970" may be estimated as in Table 16.

38. The estimates for export refunds in 1970 (Table 16) were calculated as follows. After deduction of 200 000 tons of milk representing possible additional internal sales attributable to consumption aids, the Community's surplus was assumed to be 2.2 million tons of milk. To this, an amount of 800 000 tons of milk was added for import requirements to be expected even after the establishment of the common market; the gross milk surplus thus works out at 3.0 million tons.

Assuming that on the average about 5 u.a. per 100 kg have to be allowed to match average proceeds on the world market (10 u.a./100 kg of milk ex dairy in the Community, and 5 u.a./100 kg on the world market), the total sum required for export refunds would be 150 million u.a.

The estimates for skim milk supports, for seasonal equalization payments for butter and for the effects of binding Emmental, Cheddar and casein are discussed in detail in Part B I, section 28.

II. BEEF

The supply position of the EEC in "1962" and prospects for "1970"

39. Beef is one of the most important agricultural products of which the Community has not so far produced enough to satisfy its own demand. In "1962" — that is, the average of the years 1961/62 and 1962/63 — net imports of beef (including veal) amounted to more than 5% of consumption. Total output was 3 668 000 tons, total consumption 3 884 000 tons, leaving a deficit of 216 000 tons (Table 17, col. 1).

Gross imports of beef, veal and live cattle have been rising and, on the average of the years 1961/62/63, amounted to 242.3 million u.a., compared with gross exports to the value of 54.4 million u.a. (Table 17).

40. Assuming prices remain steady, import requirements in "1970" would still have to be estimated at around 430 000 tons (1) (Table 17, col. 2). The size of import requirements will be decisively influenced by the development of production, which in turn must, in the given circumstances, be regarded as closely connected with milk policy. If the milk price is favourable in

(1) Without offal fats (≈ 4.1 %); with offal 448 000 tons.

relation to the beef price, farmers will raise more dairy cows. As an immediate result, meat production diminishes through the withdrawal of calves set aside for later milk production; beyond a certain increase in the dairy stock, however, the larger number of calves again raises meat production.

A second factor which has an important bearing on the development of meat production is the proportion of slaughtered calves in the total of calves born. Other things being equal, beef output is the larger the smaller the proportion of calves slaughtered. In the absence of precise statistics on the number of calves born (only the number of calves slaughtered is known), it may nevertheless be assumed that something like 40% of live calves born are slaughtered as calves in the Community (1). This proportion could be reduced by a long-run policy to favour meat production as against milk production. Production would be maximized to the technically feasible extent if the number of births could be increased (at present, the number of live births of calves amounts to about 90% of the number of cows) and if 85% of all calves born were reared. A proportion of only 15% of calves slaughtered, however, seems unrealistic for two reasons. First of all, in the given market conditions, especially in France and Italy, effective demand for veal could then no longer be met; secondly, in some areas of the Community animal husbandry methods can, for structural reasons, be changed only gradually.

41. Even if output were increased to the technically feasible maximum, which must be regarded as unlikely, there would still be import requirements in "1970".

Unlike pig and poultry production, beef production has its limiting factor not in fodder supply, but in the number of calves, which for biological reasons cannot be appreciably increased. On the other hand, to keep more cows for the purpose of increasing the number of calves, would automatically lead to an increase in milk output unwarranted in the given milk supply position; hence it is neither desirable nor indeed, because of the manpower problem, possible (see chapter on milk and milk products).

It follows that the size of import requirements for beef in "1970" will largely depend on how the supply of calves is utilized.

Supposing the proportion of calves slaughtered remained at its present level of 40%, import requirements in "1970" would, other things being equal, amount to about 1 million tons of beef.

(1) For "1962" a proportion of 35 % has been assumed.

TABLE 17

Beef and veal: The supply position of the EEC in "1962" (1) and projections for "1970" (2)

(thousand tons)

	"1962" (1)	"1970" at a constant stock of cows
Beef output	3 668	4 730
Consumption	3 884	5 161
Import requirements	— 216	— 41
Degree of self-sufficiency (%) (3)	94.4	91.6

(1) Average of the years 1961/1962 and 1962/1963.
(2) On the working hypothesis set out in *Informations internes sur l'agriculture*, No 7, November 1965.
(3) Beef output per cent of beef consumption.

TABLE 18

EEC gross imports and exports of beef and live cattle, 1961-1963

('000 units of account)

	Beef and veal (011.1)				Live cattle			
	1961	1962	1963	Av. 1961/1963	1961	1962	1963	Av. 1961/1963
				Imports				
Imports from non-member countries	52 638	80 211	168 582	100 477	128 240	124 454	173 150	141 948
of which from :								
Argentina	31 920	38 371	55 615	41 968	—	—	—	—
Denmark	5 598	22 385	50 671	26 218	65 302	57 051	65 126	62 493
Austria	—	—	—	—	20 490	23 209	33 554	25 751
				Exports				
Exports to non-member countries	34 407	52 400	39 689	42 165.3	13 597	9 200	13 975	12 257
of which to :								
Algeria	10 709	7 872	5 928	8 169	6 929	4 828	8 532	6 763
Switzerland	5 595	5 323	7 236	6 051	—	—	—	—
United Kingdom	4 537	5 288	5 512	5 112	—	—	—	—

Source: Analytical Bulletin of the SOEC.

Developments since " 1962 "

42. The projections for "1970" were based upon the assumption of "constant real prices". The first thing to examine, therefore, is what economically relevant developments have taken place since "1962" (that is, since 1961/62-1962/63) which may have a bearing on these projections. The examination must cover the development of

a) production

b) producer prices

c) consumption

d) the supply position.

The purpose of the examination is to ascertain whether there is any need to revise the projections for "1970".

43. The changes in the Community's beef and veal supply position between 1961/62 and 1964/65 are shown in Table 19.

TABLE 19

Beef and veal: changes in the Community's supply position, 1961/62-1964/65 (1)

(million tons)

	1961/62	1962/63	1963/64	1964/65(2)
Output	3 560	3 764	3 583	3 375
Consumption	3 729	4 026	4 113	3 995
Net imports	137	292	497	620
Degree of self-sufficiency (%)	95.5	93.5	87.1	84.6

(1) Figures do not include offal fats.
(2) Estimates.

44. It will be seen that in absolute figures production has been falling since 1963/64 and total consumption since 1964/65.

The reason is that, because of the drought in 1962, an exceptionally large number of animals were slaughtered both in that and in the following year (1963). This made inroads even into the stock of animals necessary for herd maintenance and breeding, so that production fell in the following years (1954, 1965). As a consequence, prices rose sharply from 1963 onwards, and consumers were forced to cut down their consumption to an extent which is reflected not only in *per caput* figures, but also in aggregate consumption (see Table 19 for the fall in total consumption 1964/65).

45. The movement of beef prices both in the producer and the consumer side explains and confirms these facts.

TABLE 20

Changes in EEC cattle prices (1), *"1962"* (2) - *1964/65*

(in national currencies per 100 kg)

Country	Prices		Percentage increase	
	"1962"	1964/1965 (3)	nominal	real
Belgium	2 375.00	3 262.50	37.4	29.6
Germany	211.00	271.00	28.4	22.8
France	239.45	307.33	28.4	22.1
Italy	32 968.75	43 593.75	32.2	15.7
Luxembourg	2 637.50	3 125.00	18.5	—
Netherlands	164.71	218.10	32.1	20.4

(1) Weighted average of all categories.
(2) "1962" = average of the years 1961/1962 and 1962/1963.
(3) 1 November 1964 to 31 October 1965.
(4) Measured by reference to the wholesale price index in Member States, which showed the following percentage increases : Belgium 7.8; Germany 5.6; France 6.3; Italy 15.5; Netherlands 11.7 (base : average 1 July 1961 to 30 June 1963; 1964/1965 : 1 October 1964 to 30 September 1965).

The figures of Table 20 show that in all Member States wholesale cattle prices rose faster between "1962" and 1964/65 than would correspond to the general price increase; hence cattle prices rose in real terms during that period.

The simultaneous movements of retail prices for beef (good quality; 1958 = 100) are shown in Table 21.

TABLE 21

Index numbers of consumer prices for beef (1) in the EEC

(1958 = 100)

Country	1961	1962	1963	1964
Belgium	106	108	110	127
Germany	113	115	117	131
France	113	117	126	130
Italy	102	106	116	134
Luxembourg	103	104	105	105
Netherlands	104	101	102	138

(1) Good quality: *Belgium:* Entrecôte - Tussenribstuk; *FR Germany:* Rindfleisch zum Schmoren, bez. Braten vom Blatt oder Bug, z.T. ohne Knochen; *France:* Bifteck; *Italy:* Carne bovina (senz'osso); *Luxembourg:* Roastbeef sans os; *Netherlands:* Doorregen runderlappen 30-40 % vet B-rund.

At the consumption stage, too, beef prices are seen to have risen sharply, especially in 1964, but in France and Italy already in 1963.

46. It follows from the above description of developments in the beef market between "1962" and 1964/65 that both production and, somewhat less markedly, consumption of beef have been falling (1). There is probably no case for modifying the "1970" projection, but as things are at present it seems safe to assume that import requirements will, if anything, be larger rather than smaller than the projected 430 000 tons.

Increase in production, of which the first signs are already discernible, will depend primarily upon

a) the composition of the cattle stock, and especially the number of cows, and

b) the proportion of calves slaughtered.

For consumption, prices will be the determining factor, since demand for beef is still, as in the past, relatively elastic in comparison with demand for other foods.

In order to assess the extent to which the common price policy is likely to affect the projected supply position "1970", it is first of all necessary to estimate probable price changes at the producer and consumer level.

Price changes resulting from the introduction of a common guide price for beef cattle

47. Prices in different Member States can be compared with the help of the weighted average of market prices for all categories, as defined in Regulation 14/64/CEE.

In view of the overall deficit of the Community it may be assumed that market prices will more or less correspond to the proposed guide price.

The figures here given are meant primarily to show the likely trend of price movements. It must be remembered, therefore, that the prices for the different qualities which underlie the calculation of this market price may well move differentially, as they have done more or less in the past in member countries (see Part B II, section 24).

(1) See Annex, Chart 4.

In addition, it may be safely assumed that market prices will fall into a regional pattern within the Community, as they already do on the national plane. Although this problem has not so far been studied more closely, it may be supposed that prices will be higher in the Federal Republic of Germany and in Italy than in France and the Netherlands.

Taking account solely of transport cost as a factor of price differentiation, the difference between the German and the French average market price might be around 2.5 u.a./100 kg.

However, the discussion which follows rests on the figures of Table 22.

TABLE 22

Market prices for beef catile (weighted average of all categories) in the EEC, 1964/65 and 1968/69

(u.a./100 kg)

Country	1968/1969	1964/1965 (1 July - 30 June)	Changes	
			u.a.	%
Belgium	66.25	65.00	+ 1.25	+ 1.9
Germany		67.50	— 1.25	— 1.9
France		62.25	+ 4.00	+ 6.0
Italy		68.75	— 2.50	— 3.8
Luxembourg		63.50	— 2.75	+ 4.1
Netherlands		60.00	+ 6.25	+ 9.4

Table 22 shows that the alignment of beef prices will lead only to relatively small changes in market prices. This applies with even greater force if allowance is made, on the one hand, for real price changes, that is, general price increases, and on the other hand, for intervening changes in milk prices.

48. Price changes at the consumer stage ought to be negligible, given the order of magnitude of the changes in wholesale prices for live cattle (Table 22). Furthermore, demand for beef at the consumption level has still a relatively high income elasticity. The (in this case favourable) income effect (growing consumer incomes) is therefore likely to be stronger than the price effect (slight nominal price rises in four Member States).

Outlook for beef production up to "1970"

49. According to the projection for "1970", beef production in the Community was to rise from 3.67 million tons in "1962" to 4.7 million tons in "1970". This expansion can come about only on condition that

a) the number of dairy cows in the Community as a whole remains at its "1962" level, and

b) the policy to encourage meat production is continued.

What is important for the orientation of beef production is not only the absolute (and relative) level of cattle prices, but also their relation to the price of milk. The guide price of 66.25 u.a./100 kg, which the Commission proposes, stands in the ratio of 7:1 to the proposed guide price for milk of 9.5 u.a./100 kg. Past experience suggests that this is the minimum ratio which still encourages meat production; in any event, it is unlikely to call forth any shift towards milk production. But this price relation will not be sufficient to raise beef production to its technically feasible maximum. From the point of view of encouraging meat production, the price ratio ought to be a little higher than 7:1. However, in some major production areas of the Community (e.g. France) the ratio of prices actually obtained for beef and for milk probably does exceed 7:1, and therefore this ratio may for the time being be regarded as adequate — all the more so since the price relation of prime quality beef to milk is 7.3 : 1.

Outlook for beef consumption up to "1970" with the common guide price

50. The projections for the "1970" supply position rest on the assumption that, thanks to vigorous income growth and allowing for increasing population, *per caput* consumption of beef and veal in the Community will, at constant prices, rise from 22.1 kg in "1962" to 27.2 kg in "1970". Particularly high increases in consumption were assumed for Germany (+ 5.1 kg) and Italy (+ 7.7 kg).

TABLE 23

Consumption of beef and veal in the EEC, "1962" - "1970"

(kg per head)

Country	"1962"	"1970"	Increase
Germany	20.9	26.0	5.1
France	30.5	33.5	3.0
Italy	15.6	23.3	7.7
Netherlands	20.6	23.0	2.4
B.L.E.U.	23.8	26.9	3.1
EEC	22.1	27.2	5.1

51. The question is, therefore, whether this increase is in fact likely to take place, especially in the two countries for which particularly high increases were assumed.

Demand for beef is influenced not only by the absolute level of beef prices themselves, but also by the prices of competing kinds of meat, especially pig and poultry meat. In Germany, the introduction of a common price level for coarse cereals will probably tend to lower pig and poultry prices. In Italy the opposite may happen, since coarse cereal prices will go up; but in that country there is no appreciable demand for pigmeat. If in these two countries consumer prices for beef follow market prices for cattle, that is, if they decline from their 1964/65 level, it may be assumed that the introduction of a common guide price will not depress beef consumption below the figures of the "1970" projections. In Germany, there may be some cross-elasticity effect of prices on the relative demand for pigmeat and beef, which in this case might operate to the benefit of beef.

52. No appreciable rise in real prices is to be expected in the other four countries of the Community, with the possible exception of France; but there competing kinds of meat (pig and poultry meat) will also go up in price as a result of the establishment of a common market in cereals. The same applies to the Netherlands.

53. Briefly, it may be concluded that the introduction of a common guide price for cattle is unlikely to have any adverse effect on consumption, because in all member countries beef prices have already reached a level not far below the proposed common guide price. On the beef market, therefore, the primary effect of the price alignment will be that — in comparison with the present situation of national guide prices ranging from DM 232.5 to DM 240 per 100 kg — the establishment of a higher level of guide prices will give the producer an incentive and thereby influence his production decisions.

Summary

54. The preceding consideration may be summarized as follows. On the producer side, the proposed guide price will no doubt not induce producers to produce as much beef as is technically feasible, but it ought to be just sufficient to orient them towards higher meat production; on the consumer side, no adverse effects on demand are to be expected.

As regards the "1970" supply position of the Community, therefore, it must be expected

that import requirements will be larger than was estimated assuming constant prices, mainly because output is likely to expand relatively less fast.

Net import requirements may therefore increase to somewhere in the region of 1 million tons of beef.

Financial implications

55. In these circumstances, namely, if the Community is a net importer of beef in "1970", there are no financial implications as regards export refunds in so far as they concern net exports. It is likely, however, that special circumstances — traditional trade relations, trade with neighbouring countries, temporary surpluses after abnormal slaughterings due, e.g. to drought — will cause some cattle and beef to be exported even after the establishment of the common market, as indeed happens now in spite of the Community's overall beef deficit. For such exports appropriate financial provision will have to be made, but the sums involved cannot be estimated at present.

The cost of possible market intervention can be calculated only after the Council has laid down the relevant conditions on a proposal of the Commission. Intervention will no doubt be necessary to support prices during the short period when cattle are being brought in from pasture.

III. RICE

The supply position of the EEC in "1962" and projections for "1970"

56. Unlike the items discussed so far, which are produced in all countries of the Community, rice is grown in two countries only: Italy and France. By far the more important producer country is Italy. The rice supply position in "1962" (1) was such that the Community needed to import 0.123 million tons of paddy, that is, 8% of total consumption (Table 24).

(1) Average of the years 1961/62 — 1963/64.

TABLE 24

Rice: The supply position of the EEC in "1962" and projections for "1970"

('000 tons)

	"1962"	"1970"
Area cultivated ('000 ha)	150	150
Yield (paddy 100 kg/ha)	40.5	42.0
Output (1)	607	630
Consumption (1)	740	869
Stock movements (1)	— 10	—
Import requirements (1)	123	239
Degree of self-sufficiency (%)	82	78

(1) Husked rice.

As consumers in the Community mostly prefer long-grain rice, which is less extensively grown in the two producer countries, a pattern of foreign trade has established itself whereby round-grain rice is exported and long-grain rice imported. The value of rice imports and exports is shown in Table 25.

TABLE 25

EEC gross imports and exports of rice (1), 1961-1963

('ooo units of account)

	1961	1962	1963	Av. 1961/63
	Imports			
Imports from non-member countries	32 088	45 019	37 135	38 080
of which from :				
United States	11 073	14 804	12 334	12 737
Egypt	2 319	452	4 946	2 572
Madagascar	4 014	5 969	4 542	4 841
Cambodia	3 731	3 767	4 297	3 931
	Exports			
Exports to non-member countries	29 238	32 533	25 772	29 181
of which to :				
United Kingdom	2 827	2 799	1 572	2 399
Switzerland	3 169	4 016	3 572	3 585
Austria	3 769	4 337	4 399	4 168

(1) Rice : S.I.T.C. 0.42.

Source :
For imports — Doc. No 15681/VI/65-F (VI/F-1).
For exports : "Evolution de 1960 à 1963 des exportations de la CEE vers les pays tiers de produits agricoles et alimentaires et quote-part pour les produits les plus importants de ces exportations dans les importations de ces pays" (Division Bilans, Etudes et Information).

57. Consumption must be expected to rise (though *per caput* consumption is low, it rises with growing incomes) and output is likely to expand only slightly (probably solely as a result of improved yields per ha); hence import requirements in "1970" will no doubt be higher (239 000 tons). Demand being unlikely to be appreciably influenced by price changes (provided they are not unduly large), the supply position "1970" will depend primarily upon developments on the production side.

58. In France, the long-term trend (that is, since 1955) has been for output to expand, thanks to an increase both in acreage and in unit yields; at the same time Italian output has shrunk considerably, exclusively as a result of a decrease in acreage (by about 30% since 1955). The chances of higher production in Italy will therefore depend upon the common target price, and more especially upon the price ratio between maize and rice at the producer level in Italy. The Council's decision on the alignment of cereal prices will cause maize prices in Italy to go up from 1 July 1967; it follows that if rice acreage is to be kept constant (by means of the price), the economic effect of price alignment upon the rice producer must be the same as in the case of maize. It is on this consideration that the proposal for the level of the basic target price for rice is largely based. This is why the "1970" projections at constant prices (which assumed also constant maize prices), also rest on the assumption that areas sown to rice will be the same as in "1962".

Developments since " 1962 "

59. As only one year has elapsed since the base year of the projections ("1962"), no final assessment can yet be made of developments since then, especially because, in the absence of figures from some countries, no supply balance sheet for 1964/65 can be established at present. So far as can be seen, neither production nor consumption was subject to special influences; producer prices and consumer prices alike underwent only slight changes. For 1965 it can only be said that the harvest was poor because of unfavourable weather conditions, so that there will be larger import requirements for 1965/66.

60. It remains to be examined how far the proposed common target price for rice will affect the supply position for "1970" (at constant prices). To this end it must first be established what price changes will result from the common price.

Price changes resulting from the introduction of a common price level for rice

61. The changes in producer prices to be expected in the producer countries are shown in Table 26.

TABLE 26

Changes in producer prices, 1964/65 to 1967/68

(units of account)

Country	Producer price	1967/68	
	1964/65	1967/68	Change (in %)
Italy	10.68	12.00	+ 12.3
France	12.88	12.45	— 3.4

It will be seen that in France there ought to be only insignificant nominal changes, which roughly correspond to the change in maize prices as a result of the cereal price alignment. The same applies to Italy, where the increase in rice prices corresponds to that in maize prices from 1967/68 onward.

62. In non-producer countries, possible changes in consumer prices will largely be determined by the threshold price in the case of constant absolute margin between the import price and the consumer price.

Threshold prices for non-producer countries will alter as follows :

Threshold price 1964/65 (valid also for 1965/66)	14.20 u.a.
Threshold price 1967/68	12.00 u.a.
(base: husked rice)	17.78 u.a.
Increase in u.a./100 kg	3.58 u.a.
in %	25.2 %

Supposing the changes in threshold prices to be reflected in market prices, the latter may rise by about 20% in real terms. This implies an increase of about 0.04 u.a. per kg; at an annual *per caput* consumption of 3 kg the consumer in non-producer countries would have to spend an additional 0.12 u.a.

This increase applies exclusively to the four non-producer countries (Belgium, Germany, Luxembourg and the Netherlands); the threshold prices of producer countries, by contrast, will either fall (in France from 18.92 u.a./t to 17.78 u.a./t, that is, by about 6-9% in nominal terms); as regards consumption in these two countries, which in any event is higher per head than the EEC average, the effect will therefore either be favourable, owing to a possible decline in prices (France), or less unfavourable (Italy) to the consumer than in non-producer countries.

Two points should be noted in this connection. First, the threshold prices for husked rice at present differ considerably in the various member countries (for 1964/65: 14.20 u.a./t in non-producer countries, 17.73 u.a. in Italy and 19.64 u.a. in France), and the same applies to the result of their

conversion into milled rice (1). Secondly, consumer prices in member countries differ only relatively slightly from each other.

It follows that these latter prices show very variable margins according to country, of which the highest can hardly be maintained after the establishment of common prices.

The implication is that in non-producer countries consumer prices need not rise as much as threshold prices.

Outlook for rice production up to " 1970 " with common prices

63. Developments since "1962" display no evidence of significant and lasting influences upon production; nor will the proposed common prices alter the economic position of rice (volume of harvest x price) in relation to its most serious competitor for land (maize). In these circumstances the common prices ought not to affect the outlook for production as it was projected for "1970" on the assumption of constant prices. In other words, output in "1970" may be expected to correspond to roughly 630 000 tons of husked rice.

Outlook for rice consumption up to " 1970 " with common prices

64. Demand is unlikely to react much to price changes (as may be concluded from past experience), but will rather be a function of income growth — which, if it is vigorous, favours rice as a "superior" staple food compared with the "inferior" potato. Hence the establishment of a common price level for rice should have no adverse effects on consumption. The "1970" consumption projections worked out on the assumption of constant prices may, therefore, be regarded as valid also under the conditions of a common price. This means that consumption is likely to rise to 869 000 tons of husked rice, corresponding to an annual consumption of 3.0 kg per head (compared with 2.7 kg in "1962").

In the light of the assumed production developments, therefore, import requirements in "1970" must be expected to be nearly twice as high as in "1962".

Financial implications of the common target price for rice

65. As regards the financial implications of the alignment of rice prices in "1970", the crucial point is that the Community will have net import requirements, as explained above. However, since it is likely that, as today, surplus round-grain rice will have to be exported, the Community (and especially Italy) will no doubt have some gross exports in 1970; assuming an increase of about 50 000 tons in intra-Community trade, gross exports in 1970 might be estimated at 150 000 tons, as against 200 000 tons at present. The cost to the EAGGF will be 10 million u.a. (150 000 x 66.2 u.a./t export refund (2).

(1) Conversion : Non-producer countries : (14.20 + 0.71 — 1.94)/0.75 = 16.74;
Italy : (17.73 + 0.71 — 1.94)/0.775 = 21.29;
France : (19.64 + 0.71 — 1.94)/0.775 = 23.75;
Common threshold price : (17.78 + 0.71 — 1.94) /0.775 = 21.35.
(2) On the assumption of constant world market price : — threshold price : 177.8 u.a./t; world market price : 111.6 u.a./t.

IV. SUGAR

The supply position of the EEC in " 1962 " and projections for " 1970 "

66. Under the economic conditions of the Community there are two determining factors in the production of sugar-beet: the prices which growers receive, and the special measures which Member States take with respect to production. Past experience has shown a relatively strong response of sugar-beet acreage to price changes. In addition, yields per ha (weight of beet and sugar content) are influenced more strongly by favourable or unfavourable weather conditions than are those of most other agricultural products. Thus the Community's sugar output rose from 4.5 million tons in 1962/63 to 5.3 million tons in 1963/64 (+ 18%), while the area under sugar-beet was increased, during the same period, from 1.03 to 1.13 million ha (+ 10%). These circumstances make estimates of prospective developments somewhat hazardous.

In "1962" (average of the years 1961/62 - 1963/64) the Community produced 3 000 tons of sugar more than it consumed; total output was 5 317 000 tons and total consumption 5 314 000 tons.

TABLE 27

Sugar: The supply position of the EEC in "1962" and projections for "1970"

('000 tons)

	"1962"	"1970"
	EEC excluding DOM (1)	
Output	4 865	5 500
Consumption	5 295	6 400
Import requirements	+ 430	+ 900
Degree of self-sufficiency (%)	92	86
	EEC including DOM (1)	
Output	5 317	5 925
Consumption	5 314	6 419
Import requirements	— 3	+ 494

(1) Départements d'outremer — French overseas Departments.

The French overseas Departments alone, which consume 19 000 and produce 425 000 tons, have a surplus of 406 000 tons. The same figures are assumed for "1970".

67. On the assumption of constant prices and continuance of the measures introduced in "1962" by Member States to restrict beet growing, especially in Germany, France and Italy, that is, on the assumption of constant acreage, the Community excluding DOM would, in "1970", have import requirements (Table 27, col. 2) amounting to 14% of consumption. However, these import requirements for "1970" are to be expected only on the following conditions:

a) That the area sown to sugar-beet in the Community is not increased between "1962" and "1970", but remains the same;

b) That output increases exclusively thanks to higher yields per ha (effect of technical progress);

c) That *per caput* consumption continues to increase, so that, with the additional effect of population growth, total sugar consumption expands.

For the rest it has been assumed that in "1970" no stocks from previous years will be available to bridge the gap between output and consumption, that is, import requirements.

Developments since "1962"

68. As "1962" comprises the crop years 1961/62 - 1963/64, information on developments since "1962" is available only for one year (1964/65) as regards consumption, and for two years (1964/65 and 1965/66) as regards production. It is hardly possible, especially in the case of consumption, to draw from such scanty material any conclusions which might justify a modification of the "1970" projections.

69. On the production side, there has been a tendency in recent years for more land to be sown to sugar-beet; but much the stronger influence on output came from the general high yields of the last few years. As a result, output was well in excess of consumption especially in 1964/65, but also in 1965/66.

TABLE 28

Sugar: Supply position of the EEC, "1962" - 1965/66

(millions tons)

	"1962"	1964/65 (1)	1965/66 (1)
	EEC excluding DOM		
Area cultivated ('000 ha)	1 007	1 129	1 072
Output	4 865	6 171	5 559
Consumption	5 295	5 520	5 660
Balance	+ 430	— 651	+ 101
Degree of self-sufficiency (%)	92	112	98
	EEC including DOM		
Output	5 317	6 611	5 999
Consumption	5 314	5 541	5 682
Balance	— 3	— 1 070	— 317

(1) Provisional figures.

TABLE 29

Changes in sugar-beet prices and ex factory sugar prices in the EEC, "1962" - 1965/66

(units of account)

Country	Sugar-beet (per ton) (1)				Sugar (per 100 kg) (2)			
	"1962"	1964/65	Percentage increase		"1962" (6)	1964/65	Percentage increase	
			nominal	real (3)			nominal	real (3)
Belgium	14.07	16.86	19.8	+14.2	17.24	19.96	15.8	+10.2
Germany	16.88	18.13	7.4	+ 2.9	21.17	22.17	4.7	+ 0.2
France	12.83	13.09	2.0	— 2.0	17.52	17.81	1.7	— 2.3
Italy	15.45	19.05	23.3	+17.2	18.58	23.79	28.0	+21.9
Luxembourg								
Netherlands	13.03 (4)	16.26 (4)	24.7	+16.0	17.18	20.52	19.4	+10.7

(1) Basic prices for beet at 16 % sugar content.
(2) Ex factory, excluding taxes.
(3) Measured with reference to the wholesale price index, which showed the following percentage increases : Belgium 5.6; Germany 4.5; France 4.0; Italy 6.1; Netherlands 8.7 (base : average 1 October 1961 to 30 September 1964; 1964/1965 : 1 October 1964 to 30 September 1965).
(4) Corrected for growers' claims for return of sugar-beet chips.
(5) The beet taxes levied in 1963/1964 in France, Italy and Belgium and the invoice charges in Belgium were imputed at the same rate to 1961/1962 and 1962/1963.

Thus output was slightly above the trend line assumed for the "1970" projections, while consumption coincided with it (1).

70. As regards price movements, it will be enough here to consider beet prices and sugar prices ex factory (excluding taxes). Consumer prices are not left free in any Member State to find their own level, but are influenced by various taxes and by price control (fixed prices or maximum prices).

It will be seen from Table 29 that the nominal prices of both beet and sugar (ex factory) have been rising in all member countries, and that in all countries except France real prices also rose (in relation to the general movement of wholesale prices). These price movements in favour of producers have indeed already led to some increase in cultivated area during the last few years (Table 28); but increase in acreage was possible only in so far as it was not restricted by direct or indirect national controls. To this extent, therefore, the sole effect of the price rise described is to raise receipts per hectare of sugar-beet area.

71. Given these developments since "1962", and given also the special position of sugar production as regards its determining factors, there seems to be no case for revising the projections for the "1970" supply position.

It remains to discuss how far the "1970" supply position estimated on the assumption of constant prices and constant effects of measures concerning production, may be affected by the introduction of a common price level and by the substitution of the proposed common measures concerning both production and consumption for the existing national measures.

Price changes resulting from the introduction of a common target price for sugar-beet

72. Comparison of the 1964/65 basic price for sugar-beet with the proposed minimum sugar-beet price of 16.5 u.a. per ton, suggests that prices should decline in Germany, Italy and Belgium, and rise in France and the Netherlands (Table 30).

(1) See Annex, Chart 5.

TABLE 30

Basic prices for sugar-beet (1) *1964/65 and 1967/68*

(u.a. per ton)

Country	Basic price for sugar-beet 1964/65	Change in 1967/68 prices in comparison with 1964/65	
		u.a./t	%
Belgium	16.86	— 0.36	— 2.1
Germany	18.13	— 1.63	— 9.0
France	13.09	+ 3.41	+ 26.1
Italy	19.05	— 2.55	— 13.4
Netherlands	16.26	+ 0.24	+ 1.5

(1) Prices for 16 % sugar content; Netherlands : prices allowing for growers' claims for return of sugar-beet chips.

73. Although in France virtually the whole level of farm prices is going to rise with the introduction of a common price level in the EEC — and this applies especially also to those products which compete for land and labour with sugar-beet, such as cereals, rape and forage crops — the 26.1% increase in producer prices for sugar-beet is considerably higher than that for most other products. As a result, the price relation between producer prices for sugar-beet and for other agricultural products will shift to the benefit of sugar-beet.

In Belgium the basic sugar-beet prices will slightly decline; altogether, the introduction of a common price level will, in that country, either not raise producer prices for other agricultural products (milk, wheat), or raise them only fractionally (beef, coarse cereals, pigs). The change in sugar-beet prices in the Netherlands can be regarded as negligible. In Germany, on the other hand, producer prices will fall. But since the introduction of a common price level will also lower the producer prices for cereals, the economic position of sugar-beet in relation to wheat will not alter much.

Even more than in Germany, producer prices will fall in Italy as a result of the introduction of the common minimum prices for sugar-beet. It is the intention, however, to apply a system of aids to mitigate the effects of this price fall on the climatically and structurally handicapped Italian growers.

74. By contrast, changes in consumer prices for sugar keep within a much narrower range (Table 31). Allowing — as in the case of the other products (milk and beef) — for the rise in the general price level between 1964/65 and 1967/68, real prices will probably fall, and most sharply in Italy and Germany.

TABLE 31

Consumer prices for sugar, 1964/65 and 1967/68

(u.a. per 100 kg)

Country	1964/1965			1967/1968		
	Price ex factory, excl. taxes	Taxes and marketing costs (1)	Consumer price	Consumer price (2)	Change u.a.	Change %
Belgium	19.96	7.65	27.61	27.99	+ 0.38	+ 1.4
Germany	22.17	7.58	29.75	28.42	— 1.33	— 4.5
France	17.81	5.69	23.50	25.58	+ 2.08	+ 8.9
Italy	23.79	10.61	34.40	30.89	— 3.51	— 10.2
Netherlands	20.52	11.06	31.58	31.89	+ 0.31	+ 1.0

(1) Of which sugar tax : Belgium 1.20; Germany 1.50; France —; Italy 5.23; Netherlands 5.25 u.a./100 kg.
(2) Calculated from ex-factory price, by adding taxes and marketing costs obtaining in 1964/1965.

Outlook for sugar consumption up to "1970"

75. The projected "1970" supply position of the EEC was calculated on the assumption that, at constant real prices, the effect of income growth, allowing for population growth, would be to raise *per caput* consumption of sugar in the Community from 29.8 kg in "1962" to 33.7 kg. An especially strong expansion of consumption is expected in Italy and the Netherlands.

76. It remains to be examined how consumption is likely to be affected by the introduction of a common price level for sugar. Since, as was seen above (section 74), price standardization will bring down the real market prices for sugar in all countries except France, sugar consumption will go up further, provided demand proves elastic. This can indeed be expected. It is here assumed that the price elasticity of the demand for sugar will be as high as its income elasticity (with reversed sign). It follows that in the Community as a whole consumption is likely to be larger than was estimated for "1970" at constant prices.

TABLE 32

Per caput *consumption of sugar in the EEC, "1962" - "1970"*

(kg per head)

Country	"1962"	"1970"	Increase
Germany	30.9	33.7	2.8
France	30.4	33.0	2.6
Italy	23.8	29.8	6.0
Netherlands	44.0	51.2	7.2
B.L.E.U.	33.4	35.3	1.9
EEC	29.8	33.7	3.9

TABLE 33

EEC sugar consumption "1970" at various levels of common prices

Country	*Per caput* consumption (kg)		Aggregate consumption ('000 tons)
	at constant prices	at a beet price of 16.5 u.a./t	at a beet price of 16.5 u.a./t
Germany	33.7	35.1	2 175
France (1)	33.0	33.9	1 764
Italy	29.8	33.4	1 769
Netherlands	51.2	52.3	680
B.L.E.U.	35.3	35.7	357
EEC (1)	33.7	35.5	6 745

(1) Including French overseas Departments.

The figures of Table 33 were calculated on the assumption of vigorous economic growth (an annual increase of 4.9% in consumers' expenditures between "1962" and "1970") and population growth (190 million inhabitants in the EEC by "1970"), due allowance being made for real changes in sugar prices. Elasticity of demand during the period "1962" to "1970" was allowed for as follows: Belgium and Germany, 0.20; France 0.21; Italy 0.52; Netherlands 0.35 (1).

Outlook for sugar production up to "1970"

77. The following factors are regarded as relevant for an assessment of the prospective

(1) That is, for every rise of 1 % in incomes, *per caput* consumption of sugar increases, e.g., by 0.2 % in Germany and Belgium; the same happens when sugar prices fall by 1 % (when prices rise, sugar consumption contracts correspondingly).

acreage sown to sugar-beet and underlie the projections for sugar-beet cultivation: changes in producer prices, past effects of price changes upon acreage, the share of sugar-beet acreage in total cultivated area, the possibilities of a change in crop rotation, and finally (for aggregate output), changes in sugar yields per ha.

In the light of these factors, production in Member States is expected to develop by "1970" as indicated in Table 34.

TABLE 34

Projections for sugar-beet area and sugar output in the EEC, "1962" and "1970"

Country	Area cultivated ('000 ha)		Sugar output ('000 tons)	
	"1962"	"1970"	"1962"	"1970"
Germany	283.7	340.0	1 535	2 071
France	360.6	560.0	1 640	2 987
Italy	227.3	231.0	890	1 097
Netherlands	77.0	85.0	448	515
B.L.E.U.	58.7	70.0	351	430
EEC (excl. DOM)	1 007.3	1 286.0	4 865	7 100
EEC (incl. DOM)			5 317	7 537

78. The table shows that output will rise in all member countries, and more especially in France. The sole abolition of existing quantitative restrictions in France should lead to acreage increases, even if the French basic price remained unaltered but applied from the outset to the whole output.

79. In comparison with the "1970" consumption figures, the EEC is thus expected to have a considerable sugar surplus (0.8 million tons). To avoid surpluses of this order, the Commission proposes special measures designed to limit the price and sales guarantees to producers (see B IV and the relevant draft resolution).

These supplementary measures, which are to be applied in the light of consumption developments, should prevent the possible sugar surplus of the EEC (including the French overseas Departments) from exceeding approximately 400 000 tons.

Financial implications

According to the proposed special measures, common financial liability is in effect limited to export refunds for an amount of sugar corresponding to at most 5% of consumption (for "1970" at most 0.34 million tons).

What expenditure may be required for market intervention cannot be estimated in the absence of a common organization of the sugar market. The sums involved ought not to be large, since the product does not deteriorate in storage, and storage and transport costs are to be covered by the market price.

TABLE 35

Financial implications of the common sugar-beet and sugar prices for the EAGGF

Sugar-beet price (u.a./t)	16.5(3)
1. Export surplus ('000 tons of sugar)	337
2. Export price without refund (1) (u.a./100 kg of refined sugar)	21.74
3. World market price (2) 1964/65 (u.a./100 kg of refined sugar)	8.19
4. Refund (u.a./100 kg)	13.55
5. Total amount of refunds ('000 u.a.)	45 664

(1) Support price plus standard allowance for transport and handling costs.
(2) Quotations on Paris exchange.
(3) Including 417 000 tons of surplus from the French overseas Departments.

V. OILSEEDS

The present supply position

80. Vegetable oils and fats (other than olive oil) are among the major agricultural products of which the Community needs to import sizeable quantities. Home-grown oilseeds from which the EEC produces vegetables oils are mostly colza, rape and sunflower seeds, production of which is in practice concentrated in two member countries only: rape and colza seeds are grown in France and Germany, and sunflower seeds, for reasons of soil and climate, in central and southern France.

The EEC's own output of vegetable oils at present covers less than 9% of its total consumption (200 000 tons out of a total consumption of 2.3 million tons). Even that much is produced only thanks to support measures in both producer countries, in the form of guaranteed prices and outlets.

No close studies have so far been made on the EEC's probable supply position in vegetable oils in "1970"; given the present supply position, it seems hardly necessary to do so.

81. In these circumstances, the discussion which follows will be limited to certain considerations on the possible reactions of growers to the common price for colza and rape.

The outlook for sunflowers in France is much the same as for colza, with the sole difference that in the rotation pattern sunflowers compete mostly with maize, and that they occupy less than one tenth of the acreage sown to colza in France. In addition, it seems possible that sunflower growing might spread in Italy.

The consumption aspects need not be discussed, since the common prices for oilseeds will have no effect at the consumer stage. Market prices for oilseeds in the Community will in fact be reduced, by direct aid, to the level of competing oilseeds originating in non-member countries.

Production effects of the common prices for colza and rape

82. The following factors are relevant for an assessment of the economic effects of the common price for oilseeds upon producers:

a) Change in producer prices (in absolute terms);

b) Changes in price relations with products competing for land (especially wheat and sugar-beet);

c) Potential production in member countries which so far have not grown any oilseeds.

83. According to the explanatory memorandum of the price proposals, producer prices will change as indicated in Table 36.

TABLE 36

Producer prices for colza in Germany and France, 1964/65 and 1967/68

(u.a. per ton)

Country	1964/1965	1967/1968		
	Producer price	Producer price	Price changes	
			u.a.	%
Germany	166.83	170	+ 3.17	1.9
France	161.63	170	+ 8.37	5.2

Given that French producer prices are now lower than German, they will, in nominal terms, rise more than the latter in the case of the introduction of a common price at the level proposed.

84. However, the economic effect on producers will depend, in addition, on developments in the prices of competing products, that is, wheat and sugar-beet.

In the last few years, German prices exceeded French prices by 20 and 31%, respectively, in the case of wheat and sugar-beet, but by only 3% in the case of colza.

It follows that, quite apart from the price level for colza, the farmers' interest in this crop in comparison with wheat and sugar-beet will be different in France and in Germany.

It needs to be examined, therefore, how the competitive position of wheat and sugar-beet in relation to colza is likely to change.

For France, the calculation is as follows:

	u.a. per ton
a) Wheat price 1963/64	82.86
Wheat price 1967/68	92.20
Increase	9.34
Increase in income per hectare (3.8 × 9.34)	35.49
b) Sugar-beet price 1963/64	12.91
Sugar-beet price 1967/68	16.50
Increase	3.59
Sugar-beet yield per hectare (tons)	35.0
Increase in income per hectare (35 times 3.59)	125.65
c) Colza price 1963/64	161.63
Colza price 1967/68	170.00
Increase	8.37
Colza yield per hectare (tons)	2.1
Increase in income per hectare (2.1 × 8.37)	17.58

This calculation shows that the common price will be less favourable for colza than for wheat and sugar-beet.

Colza growing must therefore be expected to decline in favour of sugar-beet and possibly also wheat. However, the proposed supplementary measures to limit price and outlet guarantees for sugar-beet may also limit the latter's potential substitution for colza.

85. In Germany, on the other hand, the situation is that the wheat price will fall as a result of the alignment of cereal prices from 1 July 1967, while the colza price will rise at the same time. Thus the economic position of colza will improve against wheat.

Producer prices for sugar-beet will slightly decline in the Federal Republic.

	u.a. per ton
a) Wheat price 1963/64	105.50
Wheat price 1967/68	94.40
Decrease	11.10
Wheat yield per hectare (tons)	37.0
Decrease in income per hectare	— 41.1
b) Sugar-beet price 1963/64	16.87
Sugar-beet price 1967/68	16.50
Change	—0.37
Sugar-beet yield per hectare (tons)	37.0
Change in income per hectare	— 13.69
c) Colza price 1963/64	166.83
Colza price 1967/68	170.00
Increase	+3.17
Colza yield per hectare (tons)	2.3
Increase in income per hectare	+ 7.29

In Germany, the improvement in the position of colza, small though it may be on the whole, is likely to lead to an increase in the area under this crop.

86. So far as natural conditions are concerned, rape and colza could be grown in the Benelux countries just as well as in Germany and France, and it is likely, therefore, that these crops will be taken up by farmers in these countries, especially those farming on heavy clay soils.

The development of the crops in these countries will largely depend upon the price relation between colza and sugar-beet.

It is hard to say how colza growing may develop in Italy, seeing that it has made no progress so far in spite of duties on imported oilseeds.

Summary

87. All in all it seems likely that oilseed cultivation in the Community will more or less remain at its present level, since the expected decline in France should be made good by expansion in Germany and in the Benelux countries.

Financial implications

88. The proposal for a common norm price for oilseeds has financial implications for the EAGGF only so far as aids to growers are concerned. The sums involved correspond to the difference between the norm price and the world market price, and to the prompt-purchase bonus which is designed to facilitate sales of domestic oilseeds during the first few months following the harvest.

No special measures are envisaged for and the need for market intervention will be reduced provided that the prompt-purchase bonus has been calculated correctly.

On the assumption of constant output and world market prices, the amount of aid needed in "1970" would be as follows:

Aid for colza and rape:

$18.60 - 12.00 \times 4.0$ million =
26.40 million u.a.

Aid for sunflowers:

$18.60 - 10.30 \times 0.3$ million =
2.34 million u.a.

Prompt-purchase bonus:	3.26 million u.a.
Total expenditure:	32.00 million u.a.

VI. OLIVE-OIL

89. As the proposed price and market policy for olive-oil are not intended to influence production or consumption, it seems unnecessary to work out special projections for the production and consumption of this Product.

Part B VI includes a discussion of the possible effects of the common price for olive-oil on the future development of production and consumption.

Financial implications

90. Financial implications for the EAGGF arise from the Commission's proposal mainly in connection with aids to producers. The other measures considered (especially storage contracts, market support in the strict sense and export refunds) ought to occasion no appreciable expenditure, provided the support price is fixed correctly. Finally, possible buffer stocks should give rise to Community expenditure only to the extent of part of the storage costs and possible deterioration of quality.

The amount of aids required depends upon the volume of output and the difference between the norm price and the target price. The present output of olive-oil in Italy may be taken as a basis for "1970".

The target price will be fixed by the Council in the light of oilseed prices. It is hard to say at this stage what the level of this price will be. Assuming that oilseed prices in Italy will be the same as those in member countries which have completely liberalized imports, and that the Council determines the ratio between the prices of olive oil and seed oil in such a way that the olive crop can be sold within the Community, the resulting financial requirements for aids are unlikely to be less than 135 million units of account.

Other market intervention costs may be estimated at a round sum of 5 million units of account, so that 140 million units of account would have to be provided for the olive-oil market in "1970".

SALES OFFICES

AGENTS

UNITED KINGDOM AND COMMONWEALTH
H.M. STATIONERY OFFICE
P.O. Box 569 – London S.E. 1

FRANCE
SERVICE DE VENTE EN FRANCE DES PUBLICATIONS DES COMMUNAUTES EUROPEENNES
26, rue Desaix – Paris 15e
Compte courant postal: Paris 23-96

BELGIUM
MONITEUR BELGE
40, rue de Louvain – Bruxelles
BELGISCH STAATSBLAD
Leuvensestraat 40, Brussel

GRAND DUCHY OF LUXEMBOURG
OFFICE CENTRAL DE VENTE DES PUBLICATIONS DES COMMUNAUTES EUROPEENNES
9, rue Goethe, Luxembourg

GERMANY (Fed. Rep.)
BUNDESANZEIGER
Postfach – Cologne 1
Fernschreiber: Anzeiger Bonn 08 882 595

ITALY
LIBRERIA DELLO STATO
Piazza G. Verdi, 10 – Rome

Branches:
Via del Tritone, 61/A and 61/B – Rome
Via XX Settembre – Rome
(Palazzo Ministero delle Finanze)
Galleria Vittorio Emanuele, 3 – Milan
Via Chiaia, 5 – Naples
Via Cavour, 46/R – Florence

NETHERLANDS
STAATSDRUKKERIJ- EN UITGEVERIJ-BEDRIJF
Christoffel Plantijnstraat, 's-Gravenhage

OTHER COUNTRIES

CENTRAL SALES OFFICE FOR PUBLICATIONS
OF THE EUROPEAN COMMUNITIES
2, place de Metz - Luxembourg (C.C.P. No. 191-90)

PRICE PER ISSUE

£0.2.6	$0.30	FF 1.50	FB 15.–	DM 1.20	Lit. 180	Fl. 1.10

PUBLISHING SERVICES OF THE EUROPEAN COMMUNITIES

4001*/5/1966/5