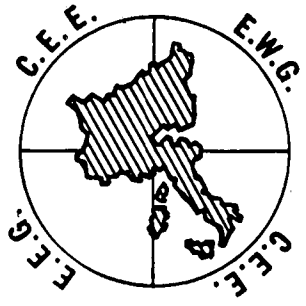

STUDIES

The tropical oils and oilseeds market in the Member States of the EEC

Recent evolution and actual situation

Overseas Development Series

4

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BRUSSELS
1966

This report was established by C. Lemonnier of METRA INTERNATIONAL

The tropical oils and oilseeds market in the Member States of the EEC

Recent evolution
and actual situation

STUDIES
OVERSEAS DEVELOPMENT SERIES, No. 4
BRUSSELS 1966

The survey described in this volume was preceded by a consolidated report on the world fats and oils situation, published by the European Economic Community (Overseas Development series, No. 2, Brussels 1964). It forms the second stage of a "Study of the Tropical Oils and Oilseeds Market in the E.E.C" and will be followed by an econometric analysis giving forcasts for 1970 and 1975.

The European Economic Community Commission committed the carrying out of this work to Metra International.

We would be grateful to the reader if he would kindly let us know what are his remarks concerning this report and if he would also draw our attention to any material error he may find; this information is to be sent to the Commission of the European Economic Community, General Directorate of Development of Overseas Countries, Brussels.

FOREWORD

Trade in tropical oils and oilseeds is certainly a problematic sector in the field of economic relations between the developing countries which produce them and the industrialized countries that consume them.

Considerable agricultural progress in the developed countries, especially in commodities linked directly or indirectly with meat production, results in the marketing of increasing quantities of fats and oils, mostly as by-products of stock-rearing (fat, lard) or of the animal fodder industry (soya and fish oils).

Since production of fats in countries which traditionally import them is tending to develop faster than demand, and competition on their markets between suppliers from other industrialized countries is becoming more intense, there may well be a risk in the not-too-distant future that the traditional outlets for tropical oilseeds in Western Europe will diminish.

One of the main objects of the Association between the European Economic Community and eighteen African States is to promote the growth of trade between the two groups of states. It is in this spririt that the Member States undertook to study the best ways of stimulating consumption of products from the associated States.

For its part, the EEC Commission thought it should encourage such efforts mainly by gathering the maximum of information on the present state and future development of the Community market for exports from these countries of some products judged especially vulnerable.

Therefore, the Commission charged a group of European research offices "METRA INTERNATIONAL", with a complete survey of the tropical oilseed market in the six Community countries.

The first task in this survey was the detailed analysis of the development and structure of the fats and oils sector in the Community countries, prior to any attempt at making forecasts for 1970 and 1975, so as to facilitate the assessment of the economic opportunities for producers of tropical oilseeds, particularly those in the associated African States.

The forecasts are still being worked out. The document presented now, is concerned solely with recent developments and the present situation in the fats and oils sector as a whole, with special reference to the import trade, processing industries and final consumption. One of the main aims of the survey was to study the trend of the share of tropical oilseeds from the associated African States in Community imports and the conditions of competition encountered by these products. Apart from this, the survey has been limited to establishing certain general theories on future market trends.

Like all surveys, that drawn up by METRA INTERNATIONAL leaves gaps and uncertainties — most of them resulting from the difficulty of obtaining reliable information. Although the Commission defined the aims and closely supervised the execution of this survey, the actual responsibility for the work — both methods and results — obviously lies with METRA INTERNATIONAL.

H. ROCHEREAU

Member of the EEC Commission

President of the Overseas

Development Group

TABLE OF CONTENTS

INTRODUCTION

1 – *PURPOSE OF THE STUDY*

Two main considerations presided over the execution of this survey, as follows:

— determination of the size of the market offered by the E.E.C. to oils and oilseeds producers in the A.A.S.M. and to tropical oils and oilseeds producers in general,

— the need to identify the prospects for these products and to define the broad outlines of a promotion policy for tropical oils and oilseeds in the E.E.C. at a time when a common policy of the Six Member countries is about to change considerably the European oils and fats market.

The E.E.C. is the world's leading oils and fats importer; its output covers only half of its total requirements and only 22 % of its vegetable oils consumption. Tropical products (groundnuts, copra, palm-kernel seeds and oils, palm oil) represented half of the E.E.C's net imports in 1963.

The E.E.C. therefore offers an exceptionally large market for tropical oils and oilseeds producers and to the A.A.S.M. in particular; the following figures give an idea of its scale:

— from 1954 to 1963, the Member countries of the E.E.C. consumed each year between 39 and 43 % of total World exports of tropical oils and fats;

— in 1963, 91 % of the A.A.S.M's oils and oilseeds exports went to Member countries of the Community (1).

This outlet's incidence on the A.A.S.M's economy is illustrated by the fact that, in 1963, exports of oils and oilseeds accounted for:

— 74 % of the exports of Senegal,

— 67 % of the exports of Dahomey,

— 55 % of the exports of Niger,

— 39 % of the exports of Mali,

— 11 % of the exports of the Congo.

With an eye to the ultimate unification of the European economies, the E.E.C. authorities have laid down the broad lines of a common policy for fats and oils; the proposed regulations are designed to take the place of the national systems, on which, up to now, trade was based, not only with the A.O.T. and with third countries, but also between Member countries. These important changes involve in certain European States a complete alteration of their trade with supplying countries.

It seems therefore that the common organization may prove an essential step towards outlet evolution for A.A.S.M. oils and oilseeds. In order to precise the course, the cause and the consequence of this evolution, particular attention will be given to:

— competition concerning tropical oils and oilseeds in their main uses on one hand,

— probable incidence of the new common regulation on the conditions of this competition, on the other hand.

Nevertheless, before studying the problems regarding the outlets in the E.E.C., it seemed desirable to give certain methodological precisions, and to compare the European Market with the main features of the world fats and oils market.

2 – *METHODOLOGICAL NOTE*

2.1 – THE PERIOD CONCERNED

The period taken into account for this study goes from 1954 to 1963: the number of years it covers seems sufficient to show current trends of the world oils and fats market, especially since statistical information had previously been collected on output and trade of oils and fats in the E.E.C. between 1920 and 1963, thus giving us a broader view of the period concerned.

The ten years taken into account are no longer affected by the Second World War's aftermath nor by the uncertain nature of provisional figures when this report was written. Nevertheless, whenever it was possible, figures for 1964 and the first term of 1965 have been included and it has been checked that the latest information obtained is not inconsistent with the statements regarding the period under review.

2.2 – MEASURE OF THE EVOLUTION

So that the trends should appear clearly from the chronological series taken into account, we

(1) By value: based on data published in the General Statistics Report AOM, October 1964 – Statistics Office of the Communities, Brussels.

chose among the different possible methods that which consists of linear adjustments over time. For each series, measurement of the variations is given by a recession line drawn between two points representing the first and last year (see following diagram).

When percentages applying to the beginning or end of the period are given they have been worked out with the help of pre-existing figures and not with those resulting from the previous method. When these are average percentages covering several years, it is mentioned by a foot-note.

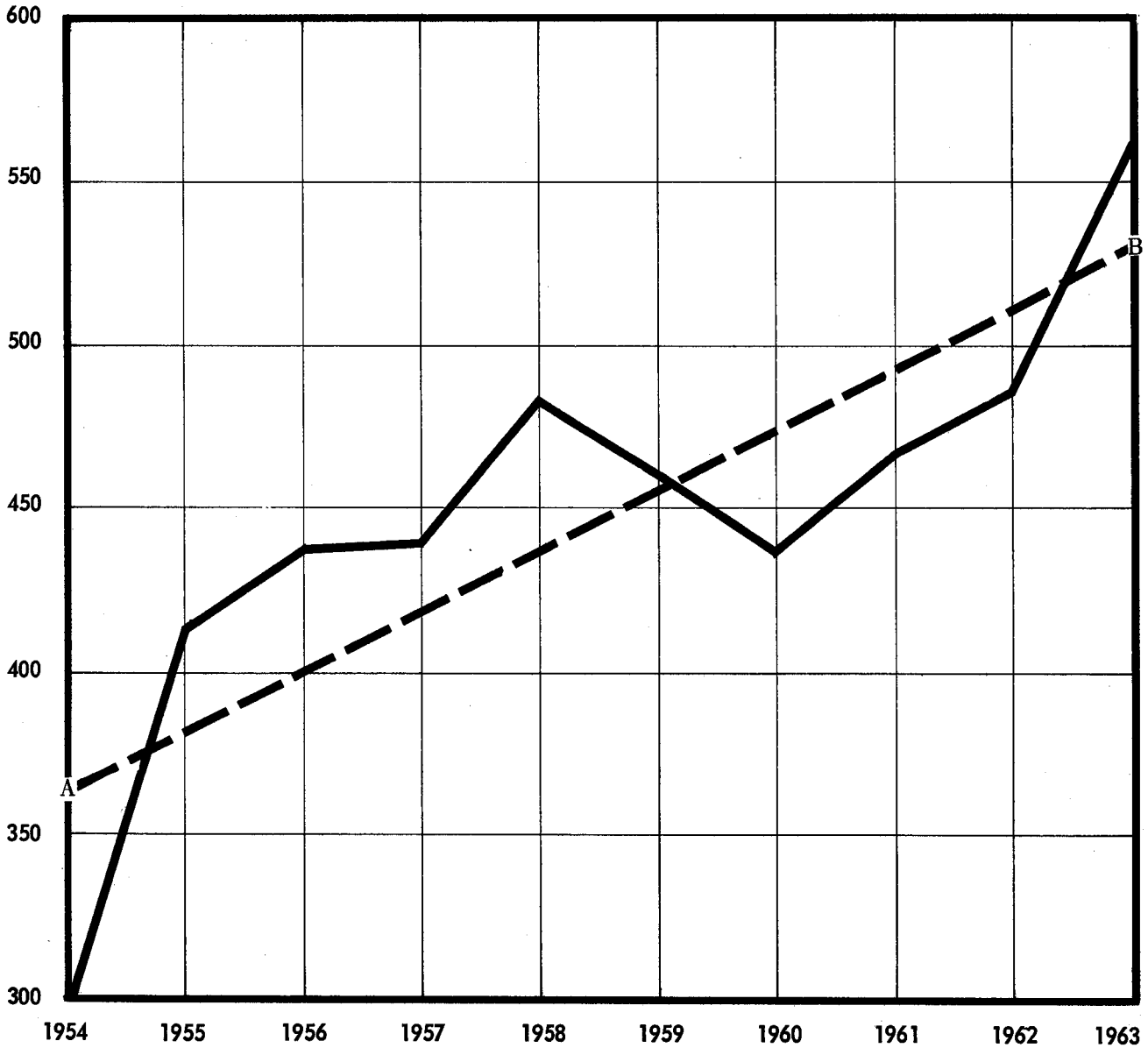
2.3 – THE COMMODITIES CONCERNED

The basic figures obtained apply to the following commodities:

— *soft edible oils* (1): cottonseed, groundnuts, soya, sunflower, rapeseed, olive, sesame, other soft edible oils;

— *Hard oils:* copra, palm kernel oil, palm oil;

(1) The figures given in this report cover both oils and crude oil-equivalents for oilseeds.



— *drying oils :* linseed, castor, tung, other drying oils;

— *animal fats :* butter, lard, tallow;

— *marine oils :* whale oil, fish oil.

All these figures are taken from " The tropical oils and oilseeds market in the member-countries of the E.E.C.: basic statistical information on output and trade regarding fats and oils — December 1965 ".

3 — *MAIN FEATURES OF THE WORLD MARKET OF FATS AND OILS*

World exports (1) of fats and oils in 1962 covered just over a quarter of world output, that is to say 8.8 million tons in crude oil-equivalent. Between 1954 and 1962, total trade rose at the same rate as output, i.e. by 13.5 % per annum, thus causing for the period taken into account a rise of 30 %; world population rose during these nine years by approximately 24 %.

Under this general trend lie sharp differences, for the different commodities' comparative importance with respect to world trade has changed and therefore trade between the different geographical areas and economic groups has altered.

3.1 — MAIN COMMODITIES' SHARE IN WORLD TRADE

70 % of the products subject to trade are of vegetable origin, 30 % of animal origin; this percentage remained stable during the period but for each group the share of fats and oils which seem to be economically speaking direct or indirect by-products of meat rose sharply whereas trade of other fats and oils, tropical particularly, declined in comparative importance and sometimes dropped in quantities.

One may consider as by-products the fats and oils whose output is connected with that of meat, whether directly (tallow, lard) or indirectly through oil cake and meal for animal feeding (soya, fish); these outputs seem to be amply independent of demand for fats and oils; yet they rose by 48 % and corresponding exports by 96 % over the period.

Tables No. 1 and No. 2 illustrate this trend (2).

1. The soft edible oils' share in trade rose from 28 % to 35 % (3). This increase reflects chiefly the expansion of soya exports whose share in world total rose from 6 % to nearly 15 %. On the contrary, groundnut quantities exported decreased slightly and only represented 9 % of trade instead of 11 %. Yet, over the same period, groundnut output rose by over 50 %.

2. Share in exports of hard oils, which are tropical commodities, fell from 31 to 25 %, the quantities themselves subject to trade decreasing slightly in comparison with the beginning of the period. This fluctuation confirms a trend already visible since 1950; the decline due to insufficient supply in 1958-1959 has not been halted yet.

3. Regarding commodities of animal origin, exports of tallow (64 %) and of fish oil (171 %) showed a sharp increase.

4. Exports of drying oils which are used for technical purposes and cannot be substituted for other products remained stable in quantities and therefore showed a slightly decreasing trend.

By-products connected with meat production (soya, lard, tallow, fish) accounted for 34 % of trade instead of 25 % at the end of the period; increase in output lead to an even greater increase in exports. Tropical commodities (groundnuts, copra, palm, palm-kernels) now only account for 35 % of exports instead of 42 %.

3.2 — EXPORTING COUNTRIES

3.2.1 — *A change in supplying sources*

During the period, two important changes took place: Asia, a traditional oil and oilseed exporter, gradually dropped out of the market, American exports expanded (table No. 3).

The fact that Asia, whose shipments fell by 23 % over the period, is dropping out of the market is due to increasing domestic consumption of

(1) E.E.C. — Overseas Development series No. 2 — Brussels 1964.
Exports are those of producing countries and re-exports have been excluded.

(2) Comments apply both to seed and oil in crude oil-equivalent

(3) Three-year average.

output by an ever-growing population and to this output's comparative stagnation.

America currently accounts for 39 % of world exports, instead of 33 % at the beginning of the period. This is mainly due to the expansion of exports from the U.S. (+ 43 %), the largest world exporter. These exports mainly consist of soya and tallow, these being the commodities whose increase is highest.

On another hand, attention must be drawn to the rise of European exports, those from the E.E.C. and the U.S.S.R. in particular, although they are not significant as regards world exports (cf E.E.C.: 2.2 % — U.S.S.R.: 1.8 %).

3.2.2 — *Share of Africa and the A.A.S.M.*

African exports account for more than half of these countries' output and approximately for 20 % of world trade, this percentage showing a declining trend. Nigerian sales fell by 8 % over the period and accounted for only 7 % of world exports, reflecting a decline in exports of tropical commodities which is largely connected with an increase in domestic consumption.

By contrast, the A.A.S.M.'s share in output and exports (approx. 7 % of total exports) remained the same, their sales increasing by about 16 % in spite of the tropical commodities' decline with respect to world trade.

Table No. 4 shows the different commodities' share in the A.A.S.M.'s oils and oilseeds exports. Output figures, probably underestimated, are given only as an indication. Groundnuts account for over half of the shipments, the rest consisting mainly of palm-tree products (palm oil 29 %, palm-kernels 17 %). Copra exports are insignificant. Nevertheless outlets for copra in the E.E.C. will be examined in this report, since copra and palm-kernel oil have very similar uses.

Table No. 5 shows that the A.A.S.M.'s share in world sales of palm (31 %) and palm-kernel (28 %) remained more or less the same whereas groundnut sales from the A.A.S.M. rose sharply and accounted for 39 % of world exports instead of 26 % at the beginning of the period. It seems therefore that the special agreements concerning trade of some A.A.S.M. tropical commodities preserved exports of these commodities from the world oils and oilseeds market's downward trend, at least as regards groundnuts.

3.3 — IMPORTING COUNTRIES

Over two-thirds of the exports of fats and oils are shipped to Europe (table No. 6); the E.E.C., from 1954 to 1962, accounted for 30 % of total imports; it is by far the world's largest market for international trade of fats and oils, and is followed by the United Kingdom (17 % of imports). We will examine later on the E.E.C.'s economic deficiency concerning fats and oils and its evolution between 1954 and 1963.

Attention must also be drawn to expanding Asian imports (15 % of world total, instead of 11 % at the beginning of the period); this continent is also showing a debit-balance and becoming a net importer of fats and oils.

Imports throughout the rest of the world are low, the United States' imports in particular now only account for 6 % of world total.

TABLE 1

World output and exports by commodity group

In crude oil-equivalent

In '000 t
(in %)

Commodity group	Average 1954/1955/1956			Average 1960/1961/1962		
	Output	Exports	Exports in % of Output	Output	Exports	Exports in % of Output
Soft edible oils	10 890 *(40.3)*	2 019 *(28.1)*	18.5	13 696 *(41.7)*	2 984 *(35.0)*	21.8
Hard oils	3 479 *(12.9)*	2 210 *(30.8)*	63.5	3 637 *(11.1)*	2.164 *(25.4)*	59.5
Drying oils	1 520 *(5.6)*	696 *(9.6)*	45.8	1 805 *(5.5)*	701 *(8.2)*	38.8
Vegetable oils	15 889 *(58.8)*	4 925 *(68.5)*	31.0	19 138 *(58.3)*	5 849 *(68.6)*	30.6
Animal fats	10 297 *(38.0)*	1 499 *(20.9)*	14.6	12 569 *(38.4)*	1 904 *(22.3)*	15.2
Fish oil	373 *(1.4)*	508 *(71)*	59.3	578 *(1.8)*	625 *(7.3)*	58.7
Whale oil	484 *(1.8)*			487 *(1.5)*		
Animal fats and oils	11 154 *(41.2)*	2 007 *(28.0)*	18.0	13 634 *(41.7)*	2 529 *(29.6)*	18.6
World total	27 043 *(100.0)*	7 188 *(100.0)*	266	32 772 *(100.0)*	8 520 *(100.0)*	26.0
of which : tropical oils	5 521 *(20.4)*	3 041 *(42.3)*	55.1	6 500 *(19.8)*	2 961 *(34.8)*	45.6

TABLE 2

World output and exports by commodity

In crude oil-equivalent

In '000 t
(in %)

Commodity	Average 1954/1955/1956			Average 1960/1961/1962		
	Output	Exports	Exports in % of Output	Output	Exports	Exports in % of Output
Groundnuts	2 084 *(7.7)*	831 *(11.6)*	39.9	2 927 *(8.9)*	795 *(9.3)*	27.2
Cottonseed	1 906 *(7.1)*	361 *(5.0)*	18.9	2 345 *(7.2)*	273 *(3.2)*	11.6
Soya	2 451 *(9.1)*	582 *(8.1)*	23.8	3 840 *(11.7)*	1 237 *(14.5)*	32.2
Copra	2 014 *(7.5)*	1 252 *(17.4)*	62.2	2 058 *(6.3)*	1 248 *(14.7)*	60.6
Palmoil	1 001 *(3.7)*	559 *(7.8)*	55.8	1 077 *(3.3)*	550 *(6.5)*	51.1
Palm-kernel	422 *(1.6)*	399 *(5.6)*	94.6	438 *(1.3)*	368 *(4.3)*	84.0
Butter	3 893 *(14.4)*	435 *(6.1)*	11.2	4 573 *(14.0)*	482 *(5.7)*	10.5
Lard	3 549 *(13.1)*	338 *(4.7)*	9.5	4 415 *(13.5)*	387 *(4.5)*	8.8
Tallow	2 856 *(10.6)*	727 *(10.1)*	25.5	3 583 *(10.9)*	1 035 *(12.2)*	28.9
Fish	373 *(1.4)*	139 *(1.9)*	37.3	577 *(1.8)*	263 *(3.1)*	45.6
World total	27 043 *(100.0)*	7 188 *(100.0)*	26.6	32 772 *(100.0)*	8 520 *(100.0)*	26.0
of which:						
— tropical	5 521 *(20.4)*	3 041 *(42.3)*	55.1	6 500 *(19.8)*	2 961 *(34.8)*	45.6
— products connected with meat	9 229 *(34.1)*	1 786 *(24.9)*	19.4	12 415 *(37.9)*	2 922 *(34.3)*	23.5

TABLE 3

Output and exports by continent and main economic area

In crude oil-equivalent

In '000 t
(in %)

	Average 1954/1955/1956			Average 1960/1961/1962		
	Output	Exports	Exports in % of Output	Output	Exports	Exports in % of Output
Europe	7 145 *(26.4)*	449 *(6.3)*	6.3	9 550 *(29.1)*	971 *(11.4)*	10.2
Africa	2 408 *(8.9)*	1 551 *(21.6)*	64.4	3 108 *(9.5)*	1 704 *(20.0)*	54.8
America	8 487 *(31.4)*	2 356 *(32.8)*	27.8	10 850 *(33.1)*	3 345 *(39.3)*	30.8
Asia	8 263 *(30.6)*	2 038 *(28.3)*	24.7	8 472 *(25.9)*	1 642 *(19.3)*	19.4
Oceania	740 *(2.7)*	460 *(6.4)*	62.2	792 *(2.4)*	529 *(6.2)*	66.8
Antartica	—	334 *(4.6)*	—	—	329 *(3.8)*	—
World total	27 043 *(100.0)*	7 188 *(100.0)*	26.6	32 772 *(100.0)*	8 250 *(100.0)*	26.0
EEC	1 909 *(7.1)*	112 *(1.6)*	5.9	2 416 *(7.4)*	188 *(2.2)*	7.8
USA	6 220 *(23.0)*	1 892 *(26.3)*	30.4	7 662 *(23.4)*	2 443 *(28.7)*	31.9
USSR	2 187 *(8.1)*	19 *(0.3)*	0.9	3 317 *(10.1)*	152 *(1.8)*	4.6
AAMS	681 *(2.5)*	532 *(7.4)*	78.1	871 *(2.7)*	619 *(7.3)*	71.1
Nigeria	871 *(3.2)*	642 *(8.9)*	73.7	872 *(2.7)*	595 *(7.0)*	68.2

TABLE 4

Output and exports of different oils and oilseeds in A.A.M.S'

In crude oil-equivalent

In '000 t
(in %)

Commodity	Average 1960/1961/1962			Average 1960/1961/19962		
	Output	Exports	Exports in % of Output	Output	Exports	Exports in % of Output
Groundnuts	222 *(32.7)*	215 *(42.6)*	96.9	372 *(42.8)*	310 *(52.4)*	83.3
Palmoil	331 *(48.7)*	167 *(33.1)*	50.5	365 *(42.0)*	171 *(28.9)*	46.9
Palm-kernels	101 *(14.9)*	111 *(22.0)*	109.9	105 *(12.0)*	103 *(17.4)*	98.1
Others (sesame, cotton, copra)	26 *(3.7)*	12 *(2.3)*	46.2	28 *(3.2)*	8 *(1.3)*	28.6
Total	680 *(100.0)*	505 *(100.0)*	74.3	870 *(100.0)*	592 *(100.0)*	68.1

TABLE 5

The A.A.M.S's share in output and exports of tropical commodities

In crude oil-equivalent

In '000 t
(in %)

Commodity	Average 1954/1955/1956			Average 1960/1961/1962		
	Output	Exports	Exports in % of Output	Output	Exports	Exports in % of Output
Groundnuts						
Total	2 084	831	39.9	2 927	795	27.2
of which : AAMS	222	215	96.9	372	310	83.3
	(10.7)	*(25.9)*		*(12.7)*	*(39.0)*	
Palmoil						
Total	1 001	559	55.8	1 077	550	51.1
of which : AAMS	331	167	50.4	365	171	46.9
	(33.1)	*(29.9)*		*(33,9)*	*(31,1)*	
Palm-kernels						
Total	422	399	94.5	438	368	84.0
of which : AAMS	101	111	109.9	105	103	98.1
	(23.9)	*(27.8)*		*(24.0)*	*(28.0)*	
Others (sesame, cotton, copra)						
Total	4 461	1 607	36.0	4 868	1 543	31.7
of which : AAMS	26	12	46.1	28	8	28.6
	(5.8)	*(7.5)*		*(5.8)*	*(5.1)*	
Tropical world						
Total	7 968	3 396	42.6	9 310	3 256	35.0
of which : AAMS	680	505	74.3	870	592	68.1
	(8.5)	*(14.9)*		*(9.3)*	*(18.1)*	

TABLE 6

Imports by continent and by main geographical area

In crude oil-equivalent

	Average 1954/1955/1956		Average 1960/1961/1962	
	in 1000 t	in %	in 1000 t	in %
EEC	2 211	31.5	2 555	30.3
United Kingdom	1 274	18.2	1 424	16.9
Other countries of Western Europe	722	10.3	849	10.1
Western Europe	4 207	60.0	4 828	57.3
Eastern Europe	663	9.5	719	8.5
Europe	4 870	69.5	5 547	65.8
AAMS	10	0.2	23	0.3
Other African countries	254	3.6	375	4.5
Africa	264	3.8	398	4.8
USA	454	6.5	501	5.9
Other American countries	599	8.5	634	7.6
America	1 053	15.0	1 135	13.5
Japan	350	5.0	584	6.9
Other Asian countries	413	5.9	686	8.2
Asia	763	10.9	1 270	15.1
Oceania	58	0.8	71	0.8
World total	7 008	100.0	8 421	100.0

PART ONE

SHARE OF THE A.A.S.M. IN MEMBER-COUNTRIES' SUPPLIES

Chapter I

Primary fats and oils consumption and output of the E.E.C.

The present and future oulets for tropical oils and oilseeds in the E.E.C. are connected at the same time with the development of total consumption (1) and with that of the E.E.C.'s shortage of fats and oils in quantity and quality.

Section I of this chapter will deal with the evolution of primary commodities consumption; section II with output evolution and its effects on the Six's oils and fats policy.

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(1) Consumption examined in this chapter is apparent consumption, edible and inedible; stock changes are not therefore taken into account. Individual edible consumption will be dealt with in Part Two, chapter III.

ESTIMATED CONSUMPTION OF PRIMARY COMMODITIES (1)

1 – *CONSUMPTION IN THE E.E.C.*

1.1 – GENERAL TREND

The E.E.C.'s consumption rose by 28 % between 1954 and 1963 (+ 2.8 % per annum), i.e. slightly less than world output and trade. Consumption amounted to approximately 5 million tons in crude oil-equivalent in 1963 (table No. 7). Population in the six states rose by 8.5 % during the same time.

Consumption did not increase at the same rate over the period. Despite annual fluctuations, it seems it reached a new level in 1960 (index 122). Since then the increase of consumption has come to a slow down (approximately 1.5 % per annum) (2).

1.2 – CONSUMPTION OF DIFFERENT COMMODITY GROUPS

Five trends hold our attention (table No. 7):

1. The slow increase of vegetables commodities in total consumption (54 % instead of 53 %);

2. The high increase of soft edible oils (+ 78 %) which account for 34 % of total consumption. The rise by 739,000 tons between 1954 and 1963 is mainly due to three commodities:

— olive: 26 % of total increase,

— soya: 35 %,

— groundnuts: 22 %.

Nevertheless these three products increased differently (3).

In '000 t
(in %)

Commodity	1954	1963	Increase
Groundnuts	368	530	*(+ 44)*
Olive	283	477	*(+ 69)*
Soya	102	358	*(+ 249)*

It seems therefore that soya is the leading item of consumption; however, consumption for 1960 (356,000 metric tons) is near the total worked out for the end of the period; the figures available for 1964-1965 show however a recovery of imports which had been stationary for the past three years;

3. The considerable fall of hard oils and drying oils, both in comparative importance and in consumption;

4. A rise by 36 % of butter consumption;

5. The stagnation of the tropical commodities' consumption since 1957, in spite of the rise in groundnut consumption. This stagnation is due to reduced availabilities of hard oils (copra, palm, palm-kernel) because of insufficient supplies. Tropical oils and oilseeds now account for only 27 % of total consumption instead of 29 % in 1954.

2 – *CONSUMPTION IN EACH OF THE SIX COUNTRIES*

2.1 – INCREASE IN CONSUMPTION

This increase is not evenly distributed between the six states; Western Germany consumed in 1963 38 % of the fats and oils used in the Community, France 25 %, Italy 22 %, the Netherlands 11 %, Belgium and Luxembourg 6 % (table No. 8).

Most of the rise in E.E.C. consumption is due to the fact that consumption doubled in Italy, where consumption per capita is the lowest. On

(1) Since certain statistical figures are approximative — especially for output — the figures which are given are purely indicative.
(2) Since 1960 the increase of consumption does not seem sensibly higher than the annual rate of population growth.
(3) This was worked out with the help of the method described in the methodological note.

Table 7

Consumption of EEC countries by commodity group

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oil	963 *(100)*	1 062 *(110)*	1 057 *(110)*	1 149 *(119)*	1 274 *(132)*	1 358 *(141)*	1 515 *(157)*	1515 *(157)*	1 597 *(166)*	1 666 *(173)*
Hard oils	848 *(100)*	778 *(92)*	822 *(97)*	861 *(102)*	753 *(89)*	675 *(80)*	804 *(95)*	830 *(98)*	704 *(83)*	785 *(93)*
Drying oils	289 *(100)*	289 *(100)*	262 *(91)*	276 *(130)*	246 *(85)*	259 *(90)*	283 *(98)*	261 *(90)*	267 *(93)*	242 *(84)*
Hydrogenated oils	2 *(100)*	— —	6 *(260)*	6 *(260)*	7 *(282)*	9 *(363)*	11 *(454)*	6 *(260)*	5 *(212)*	6 *(260)*
Vegetable oils	2 102 *(100)*	2 129 *(101)*	2 147 *(102)*	2 292 *(109)*	2 280 *(108)*	2 301 *(110)*	2 613 *(124)*	2 612 *(124)*	2 573 *(122)*	2 699 *(128)*
Animal fats	1 548 *(100)*	1 595 *(103)*	1 744 *(113)*	1 731 *(112)*	1 706 *(110)*	1 800 *(116)*	1 961 *(127)*	1 926 *(124)*	1 980 *(128)*	1 967 *(127)*
Marine oils	356 *(100)*	281 *(79)*	262 *(74)*	253 *(71)*	276 *(78)*	267 *(75)*	320 *(90)*	325 *(91)*	288 *(81)*	302 *(85)*
Animal fats and oils	1 904 *(100)*	1 876 *(99)*	2 006 *(105)*	1 984 *(104)*	1 982 *(104)*	2 067 *(109)*	2 281 *(120)*	2 251 *(118)*	2 268 *(119)*	2 269 *(119)*
Total	4 006 *(100)*	4 005 *(100)*	4 153 *(104)*	4 276 *(107)*	4 262 *(106)*	4 368 *(109)*	4 894 *(122)*	4 863 *(121)*	4 841 *(121)*	4 968 *(124)*
of which : tropical oils	1 150 *(100)*	1 189 *(103)*	1 258 *(109)*	1 302 *(113)*	1 237 *(108)*	1 138 *(99)*	1 239 *(108)*	1 299 *(113)*	1 191 *(104)*	1 344 *(117)*

In %

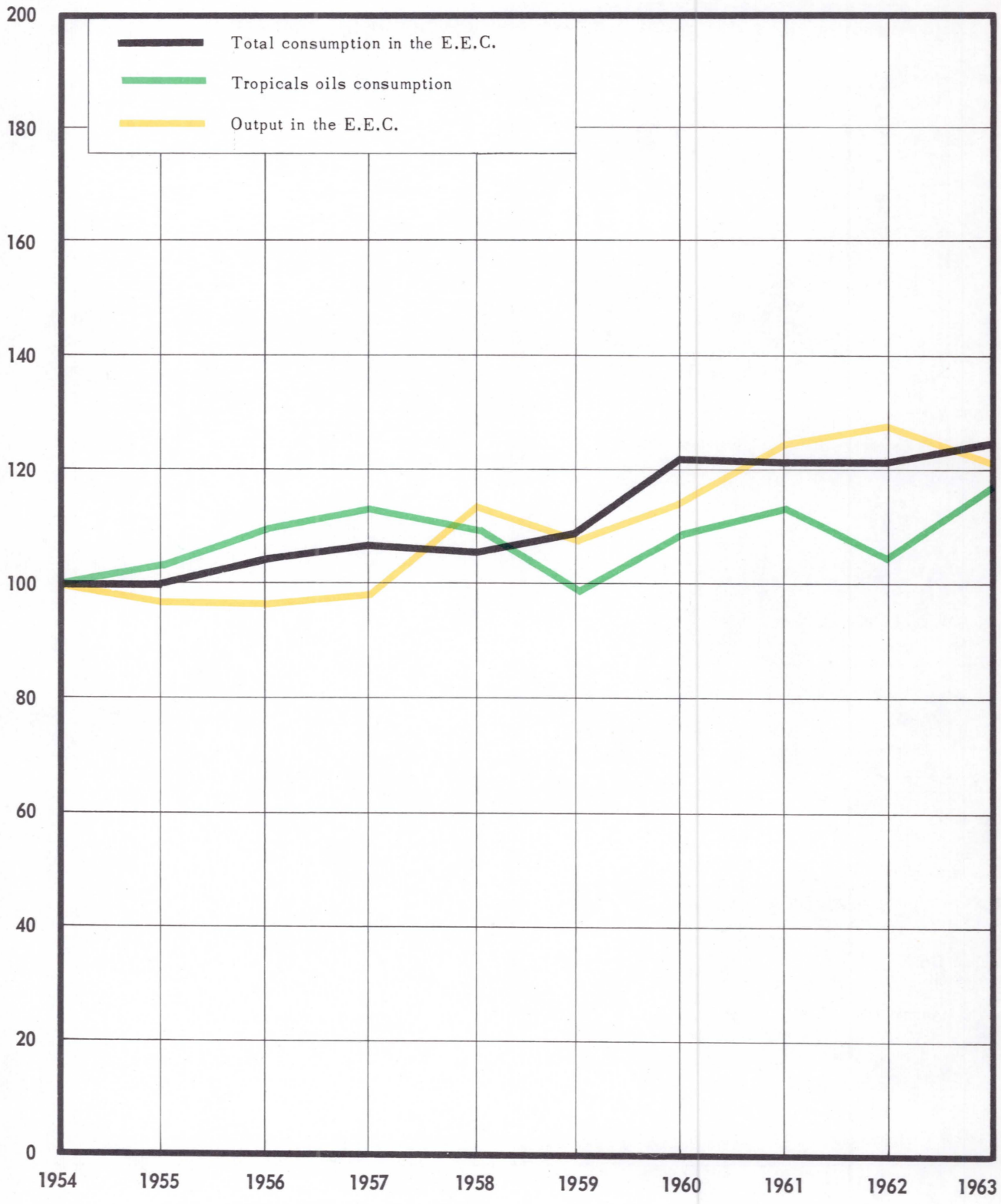
Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oil	24.0	26.6	25.5	26.9	29.8	31.1	31.0	31.2	33.1	33.5
Hard oils	21.2	19.4	19.8	20.1	17.7	15.5	16.4	17.1	14.5	15.8
Drying oils	7.2	7.2	6.3	6.5	5.8	5.9	5.8	5.4	5.5	4.9
Hydrogenated oils	0.1	—	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Vegetable oils	52.5	53.2	51.7	53.6	53.5	52.7	53.4	53.8	53.2	54.3
Animal fats	38.6	39.8	42.0	40.5	40.0	41.2	40.1	39.5	40.9	39.6
Marine oils	8.9	7.0	6.3	5.9	6.5	6.1	6.5	6.7	5.9	6.1
Animal fats and oils	47.5	46.8	48.3	46.4	46.5	47.3	46.6	46.2	46.8	45.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which : tropical oils	28.7	29.7	30.3	30.4	29.0	26.1	25.3	26.7	24.6	27.1

DIAGRAM No. 1

Output and consumption in the E.E.C.

Index (100 = 1954)

Source: tables Nos. 7, 14



the contrary, consumption increase in France, the Netherlands, Belgium and Luxembourg was well below average level, stagnation being particularity noticeable in France and the Netherlands since 1960. German consumption and the E.E.C.'s general consumption show similar trends. We meet these trends again when examining individual edible consumption (Part two, Chapter II).

This shows that consumption in the E.E.C. is nearing saturation level since 1960.

2.2 – CONSUMPTION STRUCTURE

Consumption structure differs greatly according to the country concerned (tables 9 to 13), first of all as regards the vegetable commodities' and the animal products' share in total consumption at the end of the period. In Germany, France, the Netherlands, Belgium and Luxembourg, vegetable oils account for 46 % to 54 % of the total, against 71 % in Italy. This specific feature of Italian consumption grew stronger over the period.

Utilisation of soft edible oils in the six countries differs in importance, in rate of development, and in the commodity concerned. Soft edible oil consumption accounted:

— in Italy: for 62 % of total consumption; it doubled between 1954 and 1963 and this increase is due for 55 % to the increase in olive oil consumption,

— in France: for 35 % of total consumption; it rose by only 35 % over the period. This rise reflects the increase in groundnut consumption,

— in Germany: for a quarter of total consumption; it doubled between 1954 and 1963, 45 % of the increase proceeds from soya consumption,

— in Belgium and Luxembourg, in the Netherlands: for 17 % of total consumption. It increased by 69 %, the rise in soya consumption accounts for the increase in soft edible oils.

Utilization of hard oils is more important in Dutch consumption (29 %), Belgian consumption (24 %) and German consumption (19 %), (margarine consumption being high in these countries) than in France (11 %) and in Italy (6 %). Share of these commodities fell in all the countries; the decline is particularly significant in the Netherlands where the quantities consumed fell by 23 % between 1954 and 1963.

Weight carried by the six on the tropical oil and oilseed market differs greatly according to the country concerned. In 1963, the different consumptions were of:

— 422,000 metric tons in Germany,

— 495,000 metric tons in France,

— 167,000 metric tons in the Netherlands,

— 160,000 metric tons in Italy,

— 100,000 metric tons in Belgium and Luxembourg.

Tropical commodities accounted for:

— 40 % of French consumption

— 35 % of consumption in Belgium and Luxembourg.

— 32 % of Dutch consumption (instead of 45 % at the beginning of the period),

— 23 % of German consumption (instead of 27 % in 1954),

— 15 % of Italian consumption.

The supplies consumed rose in absolute value in France and in Italy, stagnated in Germany, Belgium and Luxembourg, fell in the Netherlands (- 23 %). Groundnuts chiefly account for tropical oil and oilseed consumption in France and in Italy, whereas drying oils are predominant in the other countries.

To conclude, the study of consumption trends shows that:

— consumption in the E.E.C. in general is inclined to draw near saturation level since 1960, the increase proceeding chiefly from Italian consumption which is catching up with the others,

— structure of consumption differs greatly from country to country, these being unequal consumers of tropical oils and oilseeds,

— consumption of tropical products — hard oils in particular — stagnated or fell except in two countries: in France where groundnuts from the A.A.S.M. benefit by a protected market, in Italy where annual fluctuations of olive oil output call for groundnut imports in order to make up for the deficiency in soft edible oils.

— the leading commodities on the market are non-tropical products; on one hand, soya in the Netherlands, Germany, Belgium and Luxembourg, where the import system is more liberal, on the other hand, olive oil which benefits by a preferential market in Italy.

TABLE 8

Consumption by EEC member country

In crude oil-equivalent

In '000 t
(1954 = 100)

Country	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany	1 511 *(100)*	1 574 *(104)*	1 643 *(109)*	1 651 *(109)*	1 584 *(105)*	1 653 *(109)*	1 792 *(119)*	1 792 *(119)*	1 830 *(121)*	1 866 *(123)*
France	1 064 *(100)*	1 081 *(102)*	1 101 *(103)*	1 154 *(108)*	1 129 *(106)*	1 103 *(104)*	1 211 *(114)*	1 212 *(114)*	1 204 *(113)*	1 225 *(115)*
Italy	701 *(100)*	680 *(97)*	745 *(106)*	758 *(108)*	852 *(122)*	842 *(120)*	1 039 *(148)*	1 019 *(145)*	1 084 *(155)*	1 057 *(152)*
Netherlands	467 *(100)*	416 *(89)*	408 *(88)*	462 *(99)*	454 *(97)*	501 *(107)*	573 *(123)*	575 *(123)*	449 *(96)*	523 *(112)*
B.L.E.U.	263 *(100)*	254 *(97)*	256 *(97)*	251 *(95)*	243 *(92)*	269 *(102)*	279 *(106)*	265 *(101)*	274 *(104)*	287 *(109)*
EEC	4 006 *(100)*	4 005 *(100)*	4 153 *(104)*	4 276 *(107)*	4 262 *(106)*	4 368 *(109)*	4 894 *(122)*	4 863 *(121)*	4 841 *(121)*	4 968 *(124)*

In %

Country	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany	37.6	39.3	39.6	38.6	37.1	37.7	36.7	36.9	37.7	37.6
France	26.6	27.0	26.5	27.0	26.5	25.3	24.7	24.9	24.9	24.7
Italy	17.5	17.0	17.9	17.7	20.0	19.3	21.2	21.0	22.4	21.5
Netherlands	11.7	10.4	9.8	10.8	10.7	11.5	11.7	11.8	9.3	10.5
B.L.E.U.	6.6	6.3	6.2	5.9	5.7	6.2	5.7	5.4	5.7	5.7
EEC	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 9

German consumption by commodity group

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	180	296	307	341	321	376	409	376	407	432
	(100)	*(164)*	*(170)*	*(190)*	*(178)*	*(209)*	*(227)*	*(209)*	*(226)*	*(240)*
Hard oils	353	345	367	380	330	293	360	352	333	362
	(100)	*(98)*	*(104)*	*(108)*	*(94)*	*(83)*	*(102)*	*(100)*	*(94)*	*(103)*
Drying oils	100	91	96	97	87	93	101	92	90	86
	(100)	*(91)*	*(96)*	*(97)*	*(87)*	*(93)*	*(101)*	*(92)*	*(90)*	*(86)*
Vegetable oils	633	732	770	818	738	762	870	820	830	880
	(100)	*(116)*	*(122)*	*(129)*	*(117)*	*(120)*	*(138)*	*(130)*	*(131)*	*(139)*
Animal fats	633	670	710	686	697	749	765	824	874	851
	(100)	*(106)*	*(112)*	*(108)*	*(110)*	*(118)*	*(121)*	*(130)*	*(138)*	*(134)*
Marine oils	245	172	163	147	149	142	157	148	126	135
	(100)	*(70)*	*(67)*	*(60)*	*(61)*	*(58)*	*(64)*	*(60)*	*(51)*	*(55)*
Animal fats and oils	878	842	873	833	846	891	922	972	1 000	986
	(100)	*(96)*	*(99)*	*(95)*	*(96)*	*(101)*	*(105)*	*(111)*	*(114)*	*(112)*
Total	1 511	1 574	1 643	1 651	1 584	1 653	1 792	1 792	1 830	1 866
	(100)	*(104)*	*(109)*	*(109)*	*(105)*	*(109)*	*(119)*	*(119)*	*(121)*	*(123)*
of which : tropical oils	380	423	415	414	416	344	409	403	407	422
	(100)	*(111)*	*(109)*	*(109)*	*(110)*	*(91)*	*(108)*	*(106)*	*(107)*	*(111)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	11.9	18.8	18.7	20.7	20.3	22.8	22.8	21.0	22.2	23.2
Hard oils	23.4	21.9	22.3	23.0	20.8	17.7	20.1	19.6	18.2	19.4
Drying oils	6.6	5.8	5.8	5.9	5.5	5.6	5.6	5.1	4.9	4.6
Vegetable oils	41.9	46.5	46.8	49.6	46.6	46.1	48.5	45.7	45.3	47.2
Animal fats	41.9	42.6	43.3	41.5	44.0	45.3	42.7	46.0	47.8	45.6
Marine oils	16.2	10.9	9.9	8.9	9.4	8.6	8.8	8.3	6.9	7.2
Animal fats and oils	58.1	53.5	53.2	50.4	53.4	53.9	51.5	54.3	54.7	52.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which : tropical oils	25.1	26.9	25.3	25.1	26.3	20.8	22.8	22.5	22.2	22.6

TABLE 10

French consumption by commodity group

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	308 *(100)*	326 *(106)*	307 *(100)*	344 *(112)*	345 *(112)*	358 *(116)*	364 *(118)*	389 *(126)*	375 *(122)*	432 *(140)*
Hard oils	155 *(100)*	157 *(102)*	155 *(100)*	159 *(103)*	143 *(92)*	115 *(74)*	133 *(86)*	130 *(84)*	134 *(87)*	136 *(88)*
Drying oils	78 *(100)*	89 *(113)*	84 *(108)*	85 *(109)*	95 *(65)*	79 *(100)*	98 *(125)*	100 *(128)*	96 *(122)*	87 *(111)*
Vegetable oils	541 *(100)*	572 *(106)*	546 *(101)*	588 *(109)*	583 *(108)*	552 *(102)*	595 *(110)*	619 *(114)*	605 *(112)*	655 *(121)*
Animal fats	503 *(100)*	490 *(97)*	536 *(107)*	544 *(108)*	523 *(104)*	528 *(105)*	586 *(117)*	560 *(111)*	556 *(111)*	537 *(107)*
Marine oils	20 *(100)*	19 *(97)*	19 *(97)*	22 *(108)*	23 *(117)*	23 *(117)*	30 *(151)*	33 *(167)*	43 *(217)*	33 *(167)*
Animal fats and oils	523 *(100)*	509 *(97)*	555 *(106)*	566 *(108)*	546 *(104)*	551 *(105)*	616 *(118)*	593 *(113)*	599 *(115)*	570 *(109)*
Total	1 064 *(100)*	1 081 *(102)*	1 101 *(103)*	1 154 *(108)*	1 129 *(106)*	1 103 *(104)*	1 211 *(114)*	1 212 *(114)*	1 204 *(113)*	1 225 *(115)*
of which : tropical oils	389 *(100)*	411 *(106)*	405 *(104)*	454 *(117)*	428 *(110)*	416 *(107)*	447 *(115)*	467 *(120)*	453 *(116)*	495 *(127)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	28.9	30.2	27.9	29.8	30.6	32.4	30.0	32.1	31.1	35.3
Hard oils	14.6	14.5	14.1	13.8	12.7	10.4	11.0	10.7	11.1	11.1
Drying oils	7.3	8.2	7.6	7.4	8.4	7.2	8.1	8.3	8.0	7.1
Vegetable oils	50.8	52.9	49.6	51.0	51.7	50.0	49.1	51.1	50.2	53.5
Animal fats	47.3	45.3	48.7	47.1	46.3	47.9	48.4	46.2	46.2	43.8
Marine oils	1.9	1.8	1.7	1.9	2.0	2.1	2.5	2.7	3.6	2.7
Animal fats and oils	49.2	47.1	50.4	49.0	48.3	50.0	50.9	48.9	49.8	46.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which : tropical oils	36.6	38.0	36.8	39.3	38.0	37.7	36.9	38.5	37.6	40.4

TABLE 11

Italian consumption by commodity group

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	375 *(100)*	338 *(90)*	366 *(98)*	367 *(98)*	486 *(130)*	470 *(125)*	572 *(153)*	630 *(168)*	665 *(177)*	663 *(177)*
Hard oils	75 *(100)*	43 *(57)*	52 *(69)*	56 *(75)*	53 *(71)*	65 *(87)*	79 *(106)*	66 *(88)*	66 *(89)*	68 *(91)*
Drying oils	35 *(100)*	53 *(151)*	38 *(110)*	43 *(123)*	29 *(82)*	24 *(70)*	30 *(86)*	27 *(77)*	27 *(77)*	25 *(72)*
Hydrogenated oils	2 *(100)*	— —	6 *(260)*	7 *(282)*	7 *(282)*	9 *(363)*	11 *(454)*	6 *(260)*	5 *(212)*	6 *(260)*
Vegetable oils	487 *(100)*	434 *(89)*	462 *(95)*	473 *(97)*	575 *(118)*	568 *(117)*	692 *(142)*	729 *(150)*	763 *(157)*	762 *(156)*
Animal fats	205 *(100)*	238 *(116)*	274 *(134)*	277 *(135)*	270 *(132)*	265 *(129)*	338 *(165)*	280 *(137)*	308 *(150)*	294 *(143)*
Marine oils	9 *(100)*	8 *(91)*	9 *(100)*	8 *(91)*	7 *(82)*	9 *(91)*	9 *(91)*	10 *(101)*	13 *(153)*	11 *(131)*
Animal fats and oils	214 *(100)*	246 *(115)*	283 *(132)*	285 *(133)*	277 *(129)*	274 *(128)*	347 *(162)*	290 *(136)*	321 *(150)*	305 *(143)*
Total	701 *(100)*	680 *(97)*	745 *(106)*	758 *(108)*	852 *(122)*	842 *(120)*	1 039 *(148)*	1 019 *(145)*	1 084 *(155)*	1 067 *(152)*
of which : tropical oils	78 *(100)*	69 *(89)*	146 *(188)*	118 *(151)*	99 *(127)*	114 *(146)*	109 *(140)*	102 *(131)*	107 *(137)*	160 *(205)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	53.5	49.7	49.1	48.4	57.1	55.8	55.0	61.8	61.3	62.1
Hard oils	10.7	6.3	7.0	7.4	6.2	7.7	7.6	6.5	6.1	6.4
Drying oils	5.0	7.8	5.1	5.7	3.4	2.9	2.9	2.6	2.5	2.3
Hydrogenated oils	0.3	—	0.8	0.9	0.8	1,1	1,1	0,6	0,5	0,6
Vegetable oils	69.5	63.8	62.0	62.4	67.5	67.5	66.6	71.5	70.4	71.4
Animal fats	29.2	35.0	36.8	36.5	31.7	31.4	32.5	27.5	28.4	27.6
Marine oils	1.3	1.2	1.2	1.1	0.8	1.1	0.9	1.0	1.2	1.0
Animal fats and oils	30.5	36.2	38.0	37.6	32.5	32.5	33.4	28.5	29.6	28.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which : tropical oils	11.1	10.1	19.6	15.6	11.6	13.5	10.5	10.0	9.9	15.0

TABLE 12

Dutch consumption by commodity group

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	66	64	39	51	70	98	106	71	90	84
	(100)	*(97)*	*(59)*	*(78)*	*(107)*	*(149)*	*(162)*	*(108)*	*(137)*	*(128)*
Hard oils	194	164	179	197	163	141	167	209	103	149
	(100)	*(84)*	*(92)*	*(101)*	*(83)*	*(72)*	*(86)*	*(107)*	*(54)*	*(77)*
Drying oils	46	39	30	42	31	49	40	37	41	37
	(100)	*(84)*	*(66)*	*(91)*	*(66)*	*(107)*	*(88)*	*(81)*	*(88)*	*(81)*
Vegetable oils	306	267	248	290	264	288	313	317	234	270
	(100)	*(87)*	*(81)*	*(95)*	*(86)*	*(94)*	*(102)*	*(103)*	*(77)*	*(88)*
Animals fats	92	79	100	105	111	136	157	147	129	156
	(100)	*(86)*	*(109)*	*(114)*	*(121)*	*(148)*	*(171)*	*(160)*	*(140)*	*(170)*
Marine oils	69	70	60	67	79	77	103	111	86	97
	(100)	*(102)*	*(87)*	*(98)*	*(115)*	*(112)*	*(150)*	*(162)*	*(124)*	*(141)*
Animals fats and oils	161	149	160	172	190	213	260	258	215	253
	(100)	*(93)*	*(99)*	*(107)*	*(118)*	*(132)*	*(161)*	*(160)*	*(134)*	*(157)*
Total	467	416	408	462	454	501	573	575	449	523
	(100)	*(89)*	*(88)*	*(99)*	*(97)*	*(107)*	*(123)*	*(123)*	*(96)*	*(112)*
of which : tropical oils	203	185	191	209	191	163	180	226	124	167
	(100)	*(91)*	*(94)*	*(103)*	*(94)*	*(80)*	*(89)*	*(111)*	*(61)*	*(82)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	14.1	15.4	9.6	11.0	15.4	19.6	18.5	12.3	20.0	16.1
Hard oils	41.5	39.4	43.8	42.7	35.9	28.1	29.1	36.4	23.0	28.5
Drying oils	9.9	9.4	7.4	9.1	6.8	9.8	7.0	6.4	9.1	7.1
Vegetable oils	65.5	64.2	60.8	62.8	58.1	57.5	54.6	55.1	52.1	51.7
Animals fats	19.7	19.0	24.5	22.7	24.5	27.1	27.4	25.6	28.7	29.8
Marine oils	14.8	16.8	14.7	14.5	17.4	15.4	18.0	19.3	19.2	18.5
Animals fats and oils	34.5	35.8	39.2	37.2	41.9	42.5	45.4	44.9	47.9	48.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which : tropical oils	43.5	44.5	46.8	45.2	42.1	32.5	31.4	39.3	27.6	31.9

TABLE 13

Consumption by commodity group in B.L.E.U.

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	35 *(100)*	38 *(108)*	38 *(110)*	45 *(128)*	50 *(143)*	57 *(162)*	64 *(185)*	49 *(139)*	59 *(169)*	57 *(164)*
Hard oils	70 *(100)*	68 *(97)*	70 *(99)*	70 *(100)*	65 *(92)*	62 *(88)*	66 *(94)*	74 *(105)*	66 *(94)*	68 *(97)*
Drying oils	30 *(100)*	18 *(57)*	13 *(43)*	10 *(32)*	5 *(17)*	15 *(51)*	14 *(47)*	5 *(16)*	14 *(48)*	7 *(24)*
Vegetable oils	135 *(100)*	124 *(92)*	121 *(89)*	125 *(92)*	120 *(89)*	134 *(99)*	144 *(107)*	128 *(94)*	139 *(103)*	132 *(98)*
Animal fats	115 *(100)*	120 *(104)*	124 *(108)*	116 *(101)*	105 *(91)*	118 *(103)*	114 *(99)*	114 *(99)*	115 *(100)*	129 *(112)*
Marine oils	13 *(100)*	10 *(77)*	11 *(85)*	10 *(77)*	18 *(138)*	17 *(131)*	21 *(162)*	23 *(177)*	20 *(154)*	26 *(200)*
Animal fats and oils	128 *(100)*	130 *(100)*	135 *(105)*	126 *(98)*	123 *(96)*	135 *(105)*	135 *(105)*	137 *(107)*	135 *(105)*	155 *(121)*
Total	263 *(100)*	254 *(97)*	256 *(97)*	251 *(95)*	243 *(92)*	269 *(102)*	279 *(106)*	265 *(101)*	274 *(104)*	287 *(109)*
of which : tropical oils	100 *(100)*	101 *(101)*	101 *(101)*	107 *(107)*	103 *(103)*	101 *(101)*	94 *(94)*	101 *(101)*	100 *(100)*	100 *(100)*

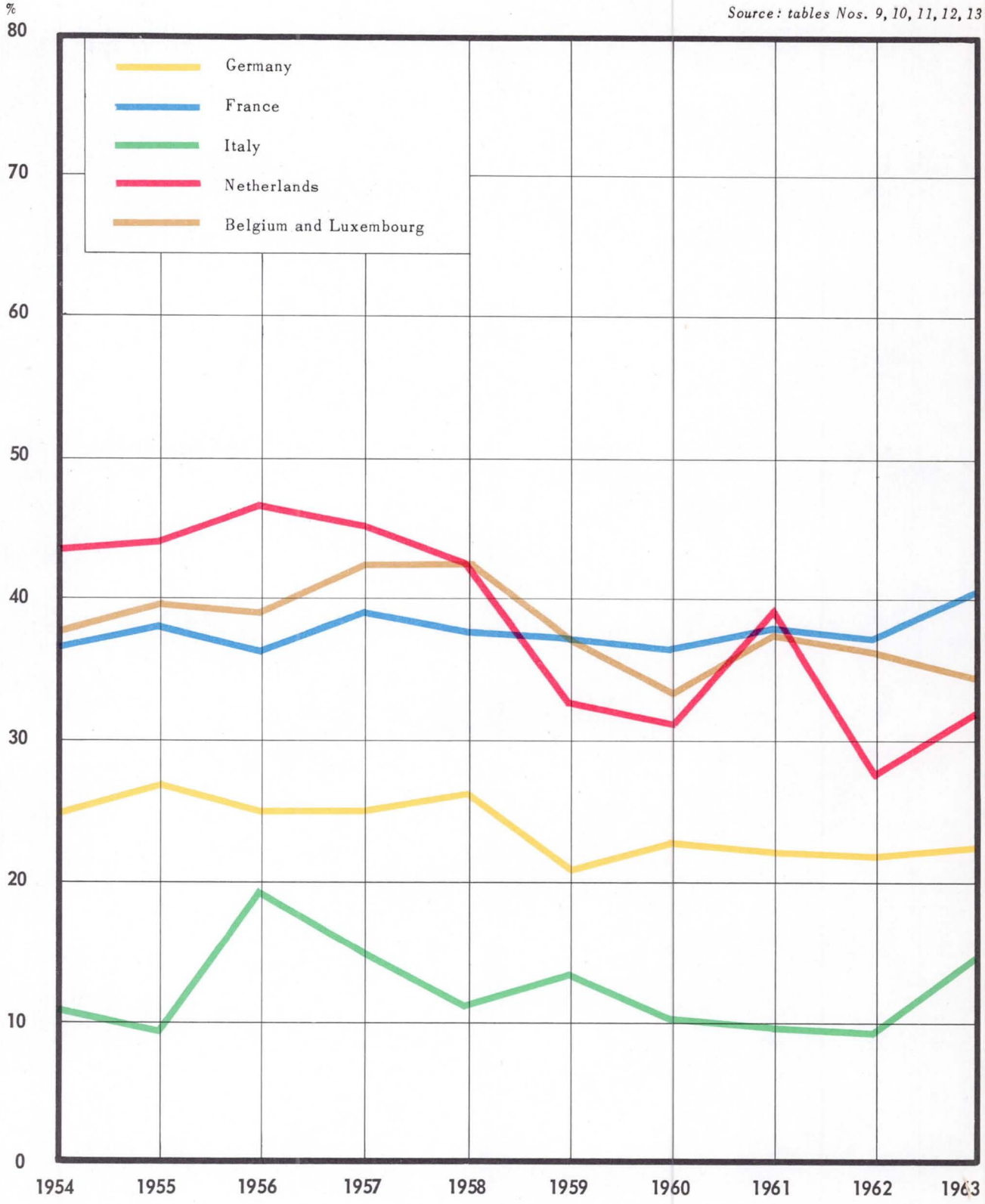
In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	13.3	15.0	14.8	17.9	20.6	21.2	22.9	18.5	21.5	19.9
Hard oils	26.6	26.8	27.4	27.9	26.7	23.0	23.7	27.9	24.1	23.7
Drying oils	11.4	7.1	5.1	4.0	2.1	5.6	5.0	1.9	5.1	2.4
Vegetable oils	51.3	48.9	47.3	49.8	49.4	49.8	51.6	48.3	50.7	46.0
Animal fats	43.8	47.2	48.4	46.2	43.2	43.9	40.9	43.0	42.0	44.9
Marine oils	4.9	3.9	4.3	4.0	7.4	6.3	7.5	8.7	7.3	9.1
Animal fats and oils	48.7	51.1	52.7	50.2	50.6	50.2	48.4	51.7	49.3	54.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which : tropical oils	38.0	39.8	39.5	42.6	42.4	37.5	33.7	38.1	36.5	34.8

DIAGRAM No. 2

Share of tropical oils in total consumption of E.E.C. countries

Source: tables Nos. 9, 10, 11, 12, 13



SECTION II

ESTIMATED OUTPUT OF THE SIX MEMBER-STATES AND COVERING OF REQUIREMENTS

1 – *OUTPUT IN THE COMMUNITY*

1.1 – GENERAL TREND

Output of the six countries totalled 2.3 million tons, in crude oil-equivalent in 1963, a record level (1). It rose one third in nine years, i.e. at the rate of 3.2% per annum, slightly higher than the rate of increase in consumption (+ 2.8%) (table No. 14).

This output only covered 47% of the Community's requirements over the period; but the deficit was unevenly distributed according to the commodity and country concerned.

1.2 – OUTPUT AND DEFICIT BY COMMODITY GROUP

The Community is chiefly an animal fats producer (table No. 14). These account for over three-quarters of production: at the end of the period, butter was the leading item and accounted for 44% of the Community's output. Over 80% of the requirements in animal fats and oils is covered by production, the rate of self-sufficiency reaching 91%, marine oils excluded.

The situation is totally different when it comes to vegetable oils; they only accounted for 20% of output at the end of the period and in spite of an increase by 42% since 1964, they do not cover more than one fifth of the Community's requirements in vegetable oils.

Among the different vegetable oils, soft edible oils are mainly produced by the Community; hard oils have to be wholly imported and also 87% of drying oils consumption. Output of the six countries covers from 25 to 30% of soft edible oil requirements.

Two commodities accounted for nearly the whole of soft edible oil output:

— olive oil which accounts for 15% of output and 7.4% of fats and oils consumption (1). This

(1) 1964 and 1965 output are higher than that of 1963.

(1) Average over the last 3 years.

Self-sufficiency of the market $\left(\frac{Output}{Consumption}\right)$ *by commodity group*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	42.0	32.1	24.3	22.5	35.9	26.6	23.6	30.6	32.2	25.6
Drying oils	10.0	12.1	14.5	10.1	7.7	6.9	10.2	11.1	15.0	12.4
Vegetable oils	20.6	17.7	13.7	12.5	20.9	16.5	14.8	18.9	21.5	16.9
Animal fats	91.2	88.6	86.3	88.4	94.3	89.4	87.9	93.3	91.4	91.1
Marine oils	12.4	16.7	15.6	16.6	16.3	19.1	15.9	15.4	13.5	10.6
Animal fats and oils	76.5	77.8	77.1	79.3	83.4	80.4	77.8	82.0	81.5	80.4
Total	47.2	45.8	44.3	43.5	50.0	46.7	44.1	48.1	49.6	45.9

TABLE 14

Output by commodity group and by main commodity in EEC

In crude oil-equivalent

In 1000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	404	341	257	259	457	361	357	464	514	427
	(100)	*(84)*	*(64)*	*(64)*	*(113)*	*(89)*	*(89)*	*(115)*	*(127)*	*(106)*
of which :										
— olive	352	289	183	173	355	261	293	382	395	302
	(100)	*(82)*	*(52)*	*(49)*	*(101)*	*(74)*	*(83)*	*(108)*	*(112)*	*(86)*
— rapeseed	44	42	65	76	93	90	56	71	109	105
	(100)	*(96)*	*(147)*	*(171)*	*(211)*	*(203)*	*(128)*	*(161)*	*(246)*	*(237)*
Drying oils	29	35	38	28	19	18	29	29	40	30
	(100)	*(119)*	*(130)*	*(97)*	*(66)*	*(62)*	*(100)*	*(100)*	*(136)*	*(101)*
Animal fats	1 412	1 413	1.505	1 531	1 608	1 610	1 723	1 796	1 809	1 792
	(100)	*(100)*	*(107)*	*(108)*	*(114)*	*(114)*	*(122)*	*(127)*	*(128)*	*(127)*
of which :										
— butter	765	746	778	796	856	837	917	954	979	1 000
	(100)	*(98)*	*(102)*	*(104)*	*(112)*	*(109)*	*(120)*	*(125)*	*(128)*	*(131)*
Marine oils	44	47	41	42	45	51	51	50	39	32
	(100)	*(106)*	*(94)*	*(96)*	*(102)*	*(115)*	*(115)*	*(114)*	*(88)*	*(74)*
Total	1 889	1 836	1 841	1 860	2 129	2 040	2 160	2 339	2 402	2 281
	(100)	*(97)*	*(97)*	*(98)*	*(113)*	*(108)*	*(114)*	*(124)*	*(127)*	*(121)*
of which :										
— vegetable oils	433	376	295	287	476	379	386	493	554	457
	(100)	*(87)*	*(68)*	*(66)*	*(110)*	*(88)*	*(89)*	*(114)*	*(128)*	*(106)*
— animal fats and oils	1 456	1 460	1 546	1 573	1 653	1 661	1 774	1 846	1 848	1 824
	(100)	*(100)*	*(106)*	*(108)*	*(114)*	*(114)*	*(122)*	*(127)*	*(127)*	*(125)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	21.4	18.6	14.0	13.9	21.5	17.7	16.5	19.9	21.4	18.7
of which :										
— olive	18.6	15.7	9.9	9.3	16.7	12.8	13.6	16.3	16.4	13.2
— rapeseed	2.3	2.3	3.5	4.1	4.4	4.4	2.6	3.0	4.5	4.6
Drying oils	1.5	1.9	2.1	1.5	0.9	0.9	1.3	1.2	1.7	1.3
Animal fats	74.8	76.9	81.7	82.3	75.5	78.9	79.8	76.8	75.3	78.6
of which :										
— butter	40.5	40.6	42.3	42.8	40.2	41.0	42.5	40.8	40.8	43.8
Marine oils	2.3	2.6	2.2	2.3	2.1	2.5	2.4	2.1	1.6	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which :										
— vegetable oils	22.9	20.5	16.1	15.4	22.4	18.6	17.8	21.1	23.1	20.0
— animal fats and oils	77.1	79.5	83.9	84.6	77.6	81.4	82.2	78.9	76.9	80.0

product's output shows an increase (+ 33%) but is irregular and localized, olive oil output proceeding almost entirely from Italy,

— rapeseed which accounts for 4,5% of total production and whose output more than doubled over the period, the rate of increase being particularly high the last two years; France and Western Germany are the only significant rapeseed producers.

On the other hand, the E.E.C.'s output only covers 13% (1) of the Community's requirements in marine oils.

The Community's general situation may be summed up as follows:

— there is an important deficiency in vegetable and marine oils,

— output of soft edible oils in the E.E.C. is centered on two commodities, one traditional, olive oil, the other, rapeseed, which has become important more recently.

These two fundamental facts presided over the drafting of a common fats and oils policy.

Before examining this policy, we will show that the six countries' situation with respect to supply problems differs greatly and that this led them to adopt separate commercial policies over the past ten years.

2 — *OUTPUT IN THE SIX COUNTRIES*

2.1 — SHARE IN WORLD TOTAL AND RATE OF SELF-SUFFICIENCY IN THE DIFFERENT STATES (Table No. 15)

Western Germany accounts for 35% of the E.E.C.'s output(1), France for 30%, Italy for 23%, the Netherlands for 7% and Belgium/Luxembourg for 5%.

Highest increase goes to Italian and German output, whereas the increase is below average in France and the Netherlands and stationary in Belgium and Luxembourg.

The covering of requirements by domestic output varies greatly from one state to another. The rate of self-sufficiency is highest in France and in Italy, but this rate is moving slightly upwards in France whereas it is moving downwards in Italy.

The comparatively important domestic output in France, Italy and to a smaller extent in Germany, lead these countries to adopt an intervention policy unknown in the Netherlands, Belgium and Luxembourg.

Self-sufficiency of the market $\left(\frac{Output}{Consumption}\right)$ *by country*

In %

Country	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany	39.2	39.2	38.9	39.2	44.7	44.4	41.9	44.2	46.8	45.1
France	52.9	51.0	56.2	55.3	58.0	57.3	54.9	59.6	58.1	56.6
Italy	70.6	64.3	46.4	44.6	60.2	51.8	45.3	55.2	53.7	43.9
Netherlands	31.8	29.1	30.3	29.3	32.3	29.3	32.1	30.5	30.0	31.3
B.L.E.U.	42.2	44.5	43.4	43.8	46.1	39.8	40.9	42.3	42.3	41.1
EEC	47.2	45.8	44.3	43.5	50.0	46.7	44.1	48.1	49.6	45.9

2.2 — DOMESTIC OUTPUT AND FATS AND OILS POLICY

2.2.1 — *Germany*

The two features of German output of fats and oils, which reflect the policy adopted by that country over the period, are:

— the importance of butter production in German agriculture,

— the low vegetable oil output which makes it necessary to resort to world markets in a large way, while allowing support, up to now inexpensive, of the low rapeseed domestic output.

(1) Three-year average.

TABLE 15

Output in EEC

In crude oil-equivalent

In '000 t
(1954 = 100)

Countfy	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany	593 *(100)*	617 *(104)*	639 *(108)*	647 *(109)*	708 *(119)*	734 *(124)*	750 *(126)*	792 *(134)*	856 *(144)*	842 *(142)*
France	562 *(100)*	551 *(98)*	619 *(110)*	638 *(114)*	655 *(117)*	632 *(112)*	665 *(118)*	722 *(128)*	699 *(124)*	693 *(123)*
Italy	495 *(100)*	438 *(88)*	346 *(70)*	338 *(68)*	513 *(104)*	436 *(88)*	471 *(95)*	562 *(114)*	582 *(118)*	468 *(95)*
Netherlands	128 *(100)*	117 *(91)*	126 *(98)*	127 *(99)*	141 *(110)*	131 *(102)*	160 *(125)*	151 *(118)*	149 *(116)*	160 *(125)*
B.L.E.U.	111 *(100)*	113 *(102)*	111 *(100)*	110 *(99)*	112 *(101)*	107 *(96)*	114 *(103)*	112 *(101)*	116 *(105)*	118 *(106)*
EEC	1 889 *(100)*	1 836 *(97)*	1 841 *(97)*	1 860 *(98)*	2 129 *(113)*	2 040 *(108)*	2 160 *(114)*	2 339 *(124)*	2 402 *(127)*	2 281 *(121)*

In %

Country	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany	31.3	33.5	34.8	34.8	33.2	36.0	34.7	33.8	35.7	36.9
France	29.8	30.0	33.6	34.3	30.8	31.0	30.8	30.9	29.1	30.4
Italy	26.2	23.9	18.8	18.2	24.1	21.4	21.8	24.0	24.2	20.5
Netherlands	6.8	6.4	6.8	6.8	6.6	6.4	7.4	6.5	6.2	7.0
B.L.E.U.	5.9	6.2	6.0	5.9	5.3	5.2	5.3	4.8	4.8	5.2
EEC	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a) The important butter production

Butter production accounted for half of the fats and oils output and totalled 400,000 tons in 1963. This heavy output reflects the prevailing character of cattle-farming in German agriculture and in particular the importance of milk production.

This situation has led the German Government to adopt a support policy for milk production consisting, since the Summer of 1957, of subsidies granted to milk producers whose produce are up to certain quality standards. This policy enabled butter production to increase quickly and steadily (48%) from 1957 to 1963, after a period of stagnation. We will see in the chapter on consumption of manufactured products the effects of this increase on margarine consumption and indirectly on that of tropical oils and oilseeds.

b) Soft edible oil production (rapeseed): purpose of the regulation

1) Production

German output (40,000 tons in crude oil-equivalent) covered in 1963 only 10% of soft edible oil consumption and less than 5% of vegetable oil consumption. In order to make up for such a deficiency, Western Germany established over the period a very liberal import system as regards oils and oilseeds (no quotas, duties on

TABLE 16

German output by commodity group and main commodity

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	6	9	16	27	24	24	28	30	47	40
	(100)	*(140)*	*(260)*	*(447)*	*(393)*	*(393)*	*(453)*	*(480)*	*(767)*	*(640)*
of which :										
— rapeseed	6	9	16	27	24	24	28	30	47	40
	(100)	*(140)*	*(260)*	*(447)*	*(393)*	*(393)*	*(453)*	*(480)*	*(767)*	*(640)*
Animal fats	566	579	603	599	665	685	701	740	786	783
	(100)	*(102)*	*(107)*	*(106)*	*(117)*	*(121)*	*(124)*	*(131)*	*(139)*	*(138)*
of which :										
— butter	279	271	275	270	309	330	339	365	380	399
	(100)	*(97)*	*(99)*	*(97)*	*(111)*	*(118)*	*(122)*	*(131)*	*(136)*	*(143)*
Marine oils	21	29	20	21	19	25	22	22	23	19
	(100)	*(137)*	*(96)*	*(100)*	*(91)*	*(117)*	*(104)*	*(104)*	*(108)*	*(91)*
Total	593	617	639	647	708	734	751	792	856	842
	(100)	*(104)*	*(108)*	*(109)*	*(119)*	*(124)*	*(126)*	*(134)*	*(144)*	*(142)*
of which :										
— vegetable oils	6	9	16	27	24	24	28	30	47	40
	(100)	*(140)*	*(260)*	*(447)*	*(393)*	*(393)*	*(453)*	*(480)*	*(767)*	*(640)*
— animal fats and oils	587	608	623	620	684	710	723	762	809	802
	(100)	*(104)*	*(106)*	*(106)*	*(117)*	*(121)*	*(123)*	*(130)*	*(138)*	*(137)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	1.0	1.5	2.5	4.2	3.4	3.3	3.7	3.8	5.5	4.8
of which :										
— rapeseed	1.0	1.5	2.5	4.2	3.4	3.3	3.7	3.8	5.5	4.8
Animal fats	95.5	93.8	94.4	92.6	93.9	93.4	93.4	93.4	91.8	92.9
of which :										
— butter	47.0	43.9	43.0	41.7	43.6	45.0	45.1	46.1	44.4	47.4
Marine oils	3.5	4.7	3.1	3.2	2.7	3.3	2.9	2.8	2.7	2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which :										
— vegetable oils	1.0	1.5	2.5	4.2	3.4	3.3	3.7	3.8	5.5	4.8
— animal fats and oils	99.0	98.5	97.5	95.8	96.6	96.7	96.3	96.2	94.5	95.2

seed and crude oil low or non-existent) while granting increasing support to rapeseed output; this was thought necessary both for farmers' income in certain areas and to maintain rapeseed cultivation in the crop rotation systems.

Thus output in 1963 was seven times higher than in 1954.

2) Regulation

The law of 10th December 1952 on milk, fats and oils is the basic text of German legislation on output and trade of fats and oils. Followed by other laws and regulation texts, it granted the Federal Government the power to issue decrees on such large matters as price establishment,

collecting and sale of dairy produce; price fixing of domestic oils and oilseeds and edible vegetable oils. This law also established the State Import and Stock Authority (EINFUHR- UND VORRATSTELLE) which was responsible for import control and stock organisation of certain fats and oils and above all, was empowered to compel oilseed crushers and margarine manufacturers to use a certain amount of domestic oils and oilseeds.

Some of these provisions have fallen into abeyance, in particular those concerning imports, German policy in this respect having been very liberal for the reason explained above; others on the contrary greatly influenced the trend of oils and oilseeds output.

Support of rapeseed output consists of an obligation of utilization for German manufacturers and price-guarantees for producers.

Since 1953 (1) German manufacturers are compelled to use, for 5% of the weight of pure fat converted into margarine (except for tallow and lard), rapeseed oil of proven domestic origin.

This requirement was gradually increased, the rate reaching 6% in 1961, then 10% in 1963 and this 10% rate applying to edible oil and fat manufacture other than margarine. For the producer, this is a sales guarantee which varies with the volume of manufactured fats and oils.

The price-guarantee (2) is since 1959 of 165 units of account, that is to say DM 660 per ton, F.O.B., nearest forward shipment. If we add a lump profit of DM 85, the wholesale price obtained, DM 745, is about 30% higher than the world price.

Since 1963, a new regulation (3) has established a subsidy and grant system in order to enable producers to sell quickly their crop at the taxed price:

— on one hand, degressive subsidies (from DM 80 to 20) are granted to manufacturers who buy their supplies during the first few months following the harvest; transport costs higher than DM 20 per ton are refunded by the Federal budget for purchases of rapeseed proceeding from certain districts distant from manufacturing centers,

— on the other hand, firms and cooperative companies receive an allowance reaching DM 100 per ton and per month for stock expenses connected with unsold stocks, starting on the 1st of October following the harvest.

A maximum expenditure of DM 12 million for the financing of this policy (4) was entered in the Federal budget in 1963.

Price-guarantee, utilization obligation and federal subsidies for output on one hand, free imports on the other hand were the main features of the German policy with respect to oils and oilseeds before the Common regulation was introduced.

2.2.2 — *France*

If the structure of German output seems to explain well enough the regulation in force in that country, it is not the same with France. The principles of the French policy as laid down and set up as an institution by the decree of 13th November 1954, concerned the Franc area, which was conceived as a single economic entity with a markedly self-sufficient policy as regards oils and oilseeds. This policy aimed at supplying the whole market without involving currency exports; it encouraged development of output by offering price and sale guarantees both to African and home producers. Since the African states have become independent, this organization is extended by means of bilateral agreements; aid to domestic oils and oilseeds is extended by annual clauses.

The study of domestic output and of corresponding regulations will explain only one aspect of the French policy (table No. 17) and will have to be completed by a study of the sales mechanisms for groundnut production of A.A.S.M. origin (see Chapter II).

a) Output

French output, like German output, includes important butter production and low vegetable oil production in comparison with total requirements.

1) Important butter production

It is similar in volume to German butter production and can be estimated to account for 56%

(1) Law of December 10th 1952 — paragraph 19.

(2) Law of December 10th 1952, paragraph 20 and agricultural law of September 5th 1955

(3) Instructions of 26th July 1963 and texts above-mentioned.

(4) Let us point out also that there are subsidies for stock building expenses in Berlin for lard and primary products used in margarine manufacture and that of similar fats (10,5 million DM in 1963).

TABLE 17

French output by commodity group and main commodity

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	36	28	40	39	65	59	23	37	58	71
	(100)	*(78)*	*(111)*	*(110)*	*(183)*	*(166)*	*(65)*	*(104)*	*(164)*	*(200)*
of which :										
— rapeseed	29	22	37	37	61	59	21	34	53	58
	(100)	*(77)*	*(128)*	*(128)*	*(214)*	*(205)*	*(74)*	*(118)*	*(186)*	*(203)*
Drying oils	11	15	19	14	8	7	13	16	22	14
	(100)	*(135)*	*(170)*	*(123)*	*(72)*	*(63)*	*(120)*	*(142)*	*(202)*	*(123)*
Animal fats	513	505	558	582	578	564	627	667	617	605
	(100)	*(98)*	*(109)*	*(113)*	*(113)*	*(110)*	*(122)*	*(130)*	*(120)*	*(118)*
of which :										
— butter	294	289	316	337	346	317	369	385	387	406
	(100)	*(98)*	*(108)*	*(115)*	*(118)*	*(108)*	*(126)*	*(131)*	*(132)*	*(138)*
Marine oils	2	3	2	3	4	2	2	2	2	2
	(100)	*(127)*	*(100)*	*(127)*	*(159)*	*(100)*	*(100)*	*(100)*	*(100)*	*(127)*
Total	562	551	619	638	655	632	665	722	699	693
	(100)	*(98)*	*(110)*	*(114)*	*(117)*	*(112)*	*(118)*	*(128)*	*(124)*	*(123)*
of which :										
— vegetable oils	47	43	59	53	73	66	36	53	80	85
	(100)	*(91)*	*(125)*	*(113)*	*(157)*	*(142)*	*(78)*	*(113)*	*(173)*	*(183)*
— animal fats and oils	515	508	560	585	582	566	629	669	619	608
	(100)	*(99)*	*(109)*	*(114)*	*(113)*	*(110)*	*(122)*	*(130)*	*(120)*	*(118)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	6.4	5.1	6.5	6.1	9.9	9.4	3.4	5.1	8.3	10.3
of which :										
— rapeseed	5.2	4.0	6.0	5.8	9.3	9.4	3.2	4.7	7.6	8.4
Drying oils	2.0	2.7	3.1	2.2	1.2	1.1	2.0	2.2	3.1	2.0
Animal fats	91.2	91.7	90.1	91.2	88.3	89.2	94.3	92.4	88.3	87.3
of which :										
— butter	52.3	52.5	51.1	52.8	52.8	50.2	54.5	53.3	55.4	58.6
Marine oils	0.4	0.5	0.3	0.5	0.6	0.3	0.3	0.3	0.3	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which :										
— vegetable oils	8.4	7.8	9.6	8.3	11.1	10.5	5.4	7.3	11.4	12.3
— animal fats and oils	91.6	92.2	90.4	91.7	88.9	89.5	94.6	92.7	88.6	87.7

of primary fats and oils output and 32% of these commodities' consumption (1). It rose by 40% over the period and exceeds apparent consumption by 8% (1).

2) Vegetable oil output covers 12% of requirements

The rate of self-sufficiency, nil as regards hard oils, only totals 14% for soft edible oils and 18% for drying oils. We will see in the chapter concerning imports that the bulk of this deficit is offset by preferential groundnut imports from the A.A.S.M., Senegal in particular, and not by resorting freely to world markets.

Nevertheless soft edible output (rapeseed) at present exceeds in a large way domestic demand of these commodities. The arrangements set up in order to cope with the shortage following World War II was given up for a system which enables to protect sale of these commodities at a guaranteed price and to finance exports of surpluses.

Thus, thanks to aid and large improvements in agricultural techniques, French output of soft oils, rapeseed in particular, doubled between 1954 and 1963; whereas from 1954 to 1956, output was equal to domestic consumption, it increased after 1956 while domestic consumption fell markedly and consequently increasing surpluses were formed. At the end of the period, only 45% of rapeseed output was taken by the domestic market.

Likewise, as regards drying oils, linseed output is subject to a market organization which secures for producers a price guarantee within the limits of an annual quotas.

b) Fats and oils market organization

1) The soft edible oil market

The legal base of this organization is a decree of the 13th of November 1954 (2) whose objet is to guarantee sales of producers' crops within the limits of quotas fixed by the decree, at a price at least equal to the minimum intervention price established by the decree for each commodity, before each marketing year. This system was applied to rapeseed and similar seeds (sunflower, safflower, turnip ...) and also to olive oil (up to 1960) and groundnuts, within the limits of an annual 420,000 ton quota (refined oil basis).

With a view to this policy's implementation, the decree established:

— an interprofessional company (SIOFA) entitled to make the necessary interventions according to Government instructions. SIOFA takes the place of the National Oils and Oilseeds Group (Groupement National des Produits Oléagineux), which was in charge of distribution during the shortage period and which was also competent as regards drying oils,

— a special treasury account, the "Fonds de soutien et de régularisation du marché des oléagineux fluides alimentaires" (soft edible oil market aid and regulatory fund); this fund was not financed by the budget but by a contribution paid by the professionals (included in the marketing year price) and by profits made by SIOFA when foreign groundnuts, purchased at world prices, were resold to consumers at the Franc area internal price.

The system of intervention is as follow: the home market is free and producers can sell directly to consumers; surpluses are sold to SIOFA at the minimum intervention price (3). The quantities produced outside the quota are "frozen" by SIOFA so as to avoid disturbances on the domestic market. SIOFA holds an export monopoly and sells surpluses at a loss on the world market, Sales are made to Algeria and to member-countries of the E.E.C., showing a deficit, chiefly Italy.

In order to protect the home outlets of domestic commodities (and of groundnuts from the A.A.S.M.), SIOFA has an import monopoly concerning soft edible oils and corresponding seeds from countries not belonging to the Franc area. Thus French manufacturers have very limited access to world markets except for olive oil (4). Imports, other than those of privileged commodities, are sold to consumers at the world price increased by a levy for the Aid Fund.

The following table illustrates the trend in CIF prices European Ports of rapeseed and the price guarantees for French and German producers,

(1) 1961-1962-1963 average.

(2) Extended and altered by decree on August 6th 1960, so as to take into account the French overseas Territories' accession to independence.

(3) The price paid by the government purchasing agencies is below the minimum price-guarantee. The Agricultural Market Regulatory Fund (FORMA) currently grants a subsidy which equals 15% of the price-guarantee.

(4) Thus, so as to facilitate sale of the rapeseed crop, soya imports were stopped in July, August and September or, in 1964 linked to rapeseed utilisation by an agreement.

so as to give an idea of the preferential prices thus granted.

In u.a./t

	1959	1960	1961	1962	1963
World price (cif, european harbours)	129.92	129.82	137.35	108.81	117.83
Price paid to the producer in Germany for seed containing 40 % oil, 10 % moisture, 3 % impurities	165	165	165	165	165
Price paid to the producer in France (1) for seed which meets the same requirements (FORMA subsidy included).	125.61	136.96	151.23	151.23	151.23

(1) Transport expenses from the farm to the place where goods are stocked are due in France by the producer; it is not the same in Germany.

The difference between the world price and the price paid to the producer is thus approximately 31% in Western Germany and approx. 17% in France (average 1951-52).

2) Linseed and linseed oil market organization

Linseed and linseed oil market organization is broadly similar to that of soft edible oils(1).

A price-guarantee is established each year for the linseed crop, whether the seed is grown for oil or for fibre in which case it contains a minimum oil percentage. Payment is supplied by the remaining profits resulting from linseed oil imports, the monopoly of which belongs to an interprofessional company (SILIN). This company is in charge of:

— marketing of imports at prices established periodically according to world prices,

— payment to producers, within the limits of the annual quota, of the difference between market price and guaranteed price.

The Agricultural Market Regulatory Fund (FORMA) can intervene if need be and make up the sum paid by the interprofessional company (when output exceeds quotas, insufficient means of equalization).

It seems therefore that, anxious to protect important domestic outputs-though not sufficient to meet requirements- Western Germany and France have had over the period similar intervention policies: both granted price-guarantees to producers, for quantities which found a ready market and were theoretically limited (compulsory utilisation in Germany, quotas in France).

The two policies differ insofar as German manufacturers are free to resort to world markets whereas French organizations of soft edible oil and linseed are "closed" systems; but this difference can be accounted for by the privileged position of groundnuts from the A.A.S.M. and by the two countries' economic structure. It means however that supply costs are much higher for French buyers than for German buyers.

2.2.3 — *Italy*

The Italian situation regarding fats and oils is dominated by the important domestic output of olive oil; this and also consumption traditions connected to it, explains why 70% of Italian consumption concerns commodities of vegetable origin: (table No. 18).

Olive oil accounts for 67% of output, animal fats (chiefly lard), for 31%.(2). Olive oil output rose by 35% over the period, that is to say by 3,4% per annum. However, this increase does not alter the fact that olive oil output is extremely irregular from one year to another.

In this context, the chief objects of the Italian fats and oils policy can be summed up as follows:

— protection of the domestic olive oil market from lower-priced competing fats and oils originating from other countries,

— to reduce price fluctuations due to irregular harvests and secure supplies when crops are insufficient.

a) Regulation

The system applied in Italy, as opposed to the French and German organizations, consists of a number of incomplete but converging measures, the legal base of which is sometimes difficult to discern.

This system is both flexible and complex:

— flexible, for it enables market isolation to vary according to requirements,

(1) Decree of August 12th 1956.

(2) Three year average.

TABLE 18

Italian output by commodity group and main commodity

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	356	297	192	186	364	275	303	394	404	313
	(100)	*(83)*	*(54)*	*(52)*	*(102)*	*(77)*	*(85)*	*(110)*	*(113)*	*(88)*
of which :										
— olive oil	346	284	181	173	352	261	291	382	394	300
	(100)	*(82)*	*(52)*	*(50)*	*(102)*	*(75)*	*(84)*	*(110)*	*(114)*	*(87)*
Drying oils	4	4	3	3	3	2	2	2	2	2
	(100)	*(100)*	*(88)*	*(88)*	*(88)*	*(60)*	*(60)*	*(60)*	*(60)*	*(60)*
Animal fats	135	137	151	149	146	159	166	166	176	153
	(100)	*(101)*	*(112)*	*(110)*	*(108)*	*(118)*	*(123)*	*(123)*	*(130)*	*(113)*
of which										
— butter	51	53	51	52	51	54	55	51	58	47
	(100)	*(104)*	*(100)*	*(102)*	*(100)*	*(106)*	*(108)*	*(100)*	*(114)*	*(92)*
Total	495	438	346	338	513	436	471	562	582	468
	(100)	*(88)*	*(70)*	*(68)*	*(104)*	*(88)*	*(95)*	*(114)*	*(118)*	*(95)*
of which :										
— vegetable oils	360	301	195	189	367	277	305	396	406	315
	(100)	*(84)*	*(54)*	*(53)*	*(102)*	*(77)*	*(85)*	*(110)*	*(113)*	*(87)*
— animal fats and oils	135	137	151	149	146	159	166	166	176	153
	(100)	*(101)*	*(112)*	*(110)*	*(108)*	*(118)*	*(123)*	*(123)*	*(130)*	*(113)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	71.9	67.8	55.5	55.0	71.0	63.0	64.4	70.1	69.4	66.9
of which :										
— olive oil	69.6	64.8	52.3	51.2	68.6	59.9	61.8	68.0	67.7	64.1
Drying oils	0.8	0.9	0.9	0.9	0.5	0.5	0.4	0.4	0.4	0.4
Animal fats	27.3	31.3	43.6	44.1	28.5	36.5	35.2	29.5	30.2	32.7
of which :										
— butter	10.3	12.1	14.7	15.4	9.9	12.4	11.7	9.1	10.0	10.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which :										
— vegetable oils	72.7	68.7	56.4	55.9	71.5	63.5	64.8	70.5	69.8	67.3
— animal fats and oils	27.3	31.3	43.6	44.1	28.5	36.5	35.2	29.5	30.2	32.7

— complex, for it combines traditional customs duties, an original system (import levy or "abbinamento"), a particular tax system for oils and oilseeds other than olive oil and loans for stock-piling of oil.

1) Customs duties

Traditional customs arrangements comprise a number of duties which are compared with tariffs in force in the other E.E.C. countries, in the

chapter on imports. Let us simply point out that the duties are low for seed, higher for oils and that industrial and inedible commodities benefit by reduced rates on the condition that they are denatured.

2) The import levy (abbinamento)

The conditions of application for this system of tied sales have changed since it was established in 1953, but they can be compared, in fact if not officially, to a supplementary tax levied on certain imported seeds and oils from oilseeds, varying according to the market situation.

Originally, manufacturers who wanted to import oilseeds or oils had first to buy a certain amount of commodities from government stocks; this amount was fixed by an internal rate and sold at a price above world quotations. These stocks consisted of commodities from other countries, chiefly American soya (from 1954 to 1964, the United States supplied 36 million dollars' worth of oils and fats under title I of Public Law 480, payable in lire, 10 million $ under title III) (1).

This internal tax system thus amounted at the same time to additional taxation of imports (so as to protect Italian olive oil) and indirect quantitative restriction of imports so as to ensure sale of American commodity stocks.

At present, the last effect has disappeared; the oil or oilseed importer must still send a request for oil purchases to the Agricultural State Department and pay a deposit for the amount required, but government stocks practically do not exist any longer, so the deposit cannot be recovered and amounts therefore to an additional tax.

The Government varies the tied sales ratio (i.e. the number of imported oil quintals allowed for one state oil quintal purchased) according to market trends. When available supplies of olive oil are low and prices high, the government can alter the ratio so as to lower the levy on imported oils and oilseeds and vice-versa. Thus the government can use the import levy to protect the Italian oilseed industry by establishing different ratios for oil imported as such and oil imported as seed.

Are liable to the import levy:

— all seeds and soft oils of the edible group,

— processed (2) hard oils of the edible group except for an annual quota of 1,000 tons of processed palm oil for margarine manufacture (3).

Considering the internal tax ratios existing at the beginning of 1964, the internal taxes paid by importers were of:

— 93.5 units of account per ton for oil imported as seed,

— 133 units of account per ton for crude oil,

— 801 units of account per ton for refined oil.

3) Manufacturing tax

The manufacturing tax (4) is levied, as regards fats and oils, on a certain number of commodities competing with olive oil; the latter is tax-free. This tax is of:

— 96 U.A. per ton for crude oil from seed,

— 104 U.A. per ton for refined or hydrogenated oils,

— 192 U.A. per ton for margarine, since 1959 (5).

The frontier surtax levied on imports is the equivalent to manufacturing tax on domestic commodities. For oilseed imports, a scale which varies according to the product's origin, is used for taxing the equivalent amount of oil. Buyers are refunded when the oils are used for technical purposes, and when acid oils, soapstock and fatty acids obtained when processing oils are exported.

4) Aid to voluntary stock-piling of olive oil

The Italian Government assumes 90% of the management expenses of the agency which is financially responsible for stock-piling and grants a 4% contribution on interest paid by this agency for the money loaned by the banks and which is needed. Stock volume and the intervention price paid by the government are established by decree. It must be pointed out that in spite of this aid, Italian producers stock only very small quantities (9,000 tons in 1962, 2,500 tons in 1963), below those provided for in the annual decree. However these stocks reached a 55,000 ton record in 1964, there having been a record crop that year.

(1) Twentieth Semiannual Report on Public Law 480.

(2) Oil which is bleached, deodorized and does not contain more than 1% acidity.

(3) Crude hard oils imported for margarine manufacture are not subject to the import levy system.

(4) Royal order in council No. 1314 of October 5th 1933.

(5) Decree No. 450 of June 11th 1959.

A decree establishes, before the beginning of each marketing year the sum which is to be loaned to the producers by the government purchasing agency; it seems that this loan is more or less tied to the marketing year's final average price. This loan acts therefore as a target price for the producer, a price which the tax and customs system helps to guarantee, although the Italian Government does not officially establish the price of olive oil.

b) Consequences of the aid granted to olive oil

Although the series given below do not apply to the same stage of trade, they are sufficiently indicative of the preferential price granted to Italian producers. For the four marketing years taken into account (October to September) the average preferential price was 44% as compared to Spanish oil, it even reached 68% during the steep falls in world quotations.

OLIVE OIL PRICES

In u.a./t

	1959/1960	1960/1961	1961/1962	1962/1963	1963/1964
Italy : first grade, 1 per cent, ex-works, Bari	951	860	891	1 088	977
Spain : edible, 1 per cent, drums, fob	585	561	605	970	580

Thus with the Italian system, the market can be isolated effectively, annual price fluctuations are greatly reduced, but it leads to an increase in prices of competing commodities.

This situation is illustrated by groundnuts (1): in 1964, the average wholesale price of groundnuts was, for similar sales conditions, 50% higher in Italy than in Belgium. The ratio between world price of groundnuts and world price of olive oil was, that same year, 0.54%; on the home market, the ratio between groundnut oil prices and first grade olive oil prices at the same trade stage was 0.60, that is to say similar to the previous one.

This policy restricts very sharply, as we shall see later on, the part played by tropical oils and oilseeds in the Italian economy. In particular, outlet for groundnuts is only residuary, irregular, and subject to olive crop fluctuations.

(1) The percentages which are mentioned are purely indicative.

Moreover, individual consumption of fats and oils in Italy must be greatly limited by the fact that these are expensive.

2.2.4 – *The Netherlands*

Dutch production is:

— insufficient as regards fats and oils; the rate of self-sufficiency is only 30%, the lowest in the E.E.C.,

— unimportant (8%) as regards vegetable oils (table No. 19).

The Netherlands therefore call upon world markets for vegetable oil supplies; entry to this market is not restricted in any way so as to protect domestic vegetable output. The only existing interventions aim at protecting industry from international differences between seed prices and oil prices (see chapter II).

Nearly exclusively animal, Dutch output chiefly concerns butter whose share rose from 51 to 53% (2) over the period. Butter production rose by 35% between 1954 and 1963, assisted by support measures whose purposes are similar to those of aids in major producing countries of the E.E.C. (floor price for milk, tariff walls, export and production grants).

This organization, which is open to world markets for oil and oilseed supplies and similar to the German system, is also applied in Belgium and Luxembourg.

2.2.5 – *Belgium and Luxembourg*

Belgian and Luxembourg output, slightly over 110 000 tons in crude oil-equivalent, hardly increased over the period (table No. 20). Oilseeds output (drying oils almost exclusively) is very poor. Share of butter in output is highest in Belgium and Luxembourg (66%) but although milk production benefited by similar aids to those granted in the other countries, butter production fell slightly from 1954 to 1963 (3).

In Belgium and Luxembourg, approx. 41% of the requirements are covered, and soft edible oil and hard oil supplies have to be wholly imported; because of this manufacturers are entirely free to resort to world markets. The situation is therefore similar to that of the other two very

(2) Average over the first three years and the last three years.

(3) This decrease is accompanied by important consumption of butter illegally imported from the Netherlands.

TABLE 19

Dutch output by commodity group and main commodity

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	6 *(100)*	7 *(117)*	9 *(150)*	6 *(100)*	3 *(50)*	3 *(50)*	3 *(50)*	4 *(67)*	4 *(67)*	4 *(67)*
Drying oils	8 *(100)*	9 *(113)*	9 *(113)*	6 *(75)*	4 *(50)*	5 *(63)*	8 *(100)*	6 *(75)*	9 *(113)*	8 *(100)*
Animal fats	93 *(100)*	86 *(92)*	89 *(96)*	96 *(103)*	112 *(120)*	99 *(106)*	121 *(130)*	115 *(124)*	122 *(131)*	137 *(147)*
of which : — butter	67 *(100)*	60 *(90)*	63 *(94)*	63 *(94)*	75 *(112)*	66 *(99)*	81 *(121)*	80 *(119)*	84 *(125)*	77 *(115)*
Marine oils	21 *(100)*	15 *(71)*	19 *(90)*	19 *(90)*	22 *(105)*	24 *(114)*	28 *(133)*	26 *(124)*	14 *(67)*	11 *(52)*
Total	128 *(100)*	117 *(91)*	126 *(98)*	127 *(99)*	141 *(110)*	131 *(102)*	160 *(125)*	151 *(118)*	149 *(116)*	160 *(125)*
of which : — vegetable oils	14 *(100)*	16 *(114)*	18 *(129)*	12 *(86)*	7 *(50)*	8 *(57)*	11 *(79)*	10 *(71)*	13 *(93)*	12 *(82)*
— animal fats and oils	114 *(100)*	101 *(89)*	108 *(95)*	115 *(101)*	134 *(118)*	123 *(108)*	149 *(131)*	141 *(124)*	136 *(119)*	148 *(130)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	4.7	6.0	7.1	4.7	2.1	2.3	1.9	2.6	2.7	2.5
Drying oils	6.2	7.7	7.2	4.7	2.9	3.8	5.0	4.0	6.0	5.0
Animal fats	72.7	73.5	70.6	75.6	79.4	75.6	75.6	76.2	81.9	85.6
of which : — butter	52.3	51.3	50.0	49.6	53.2	50.4	50.6	53.0	56.4	48.1
Marine oils	16.4	12.8	15.1	15.0	15.6	18.3	17.5	17.2	9.4	6.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which : — vegetable oils	10.9	13.7	14.3	9.4	5.0	6.1	6.9	6.6	8.7	7.5
— animal fats and oils	89.1	86.3	85.7	90.6	95.0	93.9	93.1	93.4	91.3	92.5

TABLE 20

Output in B.L.E.U. by commodity group and main commodity

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	1	1	1	1	1	—	—	—	—	—
	(100)	*(100)*	*(100)*	*(100)*	*(100)*	—	—	—	—	—
Drying oils	6	7	7	5	5	4	6	5	7	6
	(100)	*(111)*	*(111)*	*(83)*	*(83)*	*(59)*	*(100)*	*(83)*	*(111)*	*(100)*
Animal fats	104	105	103	104	106	103	108	107	109	112
	(100)	*(101)*	*(99)*	*(100)*	*(102)*	*(99)*	*(104)*	*(103)*	*(105)*	*(108)*
of which :										
— butter	75	75	73	73	74	71	73	72	72	70
	(100)	*(100)*	*(97)*	*(97)*	*(99)*	*(95)*	*(97)*	*(96)*	*(96)*	*(93)*
Marine oils										
Total	111	113	111	110	112	107	114	112	116	118
	(100)	*(102)*	*(100)*	*(99)*	*(101)*	*(96)*	*(103)*	*(101)*	*(105)*	*(106)*
of which :										
— vegetable oils	7	8	8	6	6	4	6	5	7	6
	(100)	*(110)*	*(110)*	*(90)*	*(90)*	*(56)*	*(90)*	*(78)*	*(100)*	*(90)*
— animal fats and oils	104	105	103	104	106	103	108	107	109	112
	(100)	*(101)*	*(99)*	*(100)*	*(102)*	*(99)*	*(104)*	*(103)*	*(105)*	*(108)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	0.9	0.9	0.9	0.9	0.9	—	—	—	—	—
Drying oils	5.4	6.2	6.3	4.6	4.5	3.7	5.3	4.5	6.0	5.1
Animal fats	93.7	92.9	92.8	94.5	94.6	96.3	94.7	95.5	94.0	94.9
of which :										
— butter	67.6	66.4	65.8	66.4	66.1	66.4	64.0	64.3	62.1	59.3
Marine oils										
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which :										
— vegetable oils	6.3	7.1	7.2	5.5	5.4	3.7	5.3	4.5	6.0	5.1
— animal fats and oils	93.7	92.9	92.8	94.5	94.6	96.3	94.7	95.5	94.0	94.9

deficient members of the Community, Germany and the Netherlands, with this difference, however, that the Belgian or Luxembourg manufacturer is not compelled, as in Germany (1), to use certain quantities of rapeseed, and that the Belgian and Luxembourg seed crushers are not protected as in the Netherlands against differences between seed and oil prices.

3 – *THE COMMON REGULATION*

The study of output in the six countries shows that according to the self-sufficiency rate and the structure of production, the terms and range of national intervention differ greatly; limited to butter in the Benelux, extended to rapeseed in Western Germany, it covers almost every commodity in France and in Italy; it involves the isolation of the domestic market in these two countries but a free access to world markets of raw materials in Germany, the Netherlands, Belgium and Luxembourg.

Nevertheless, these policies reflect a basically similar attitude dictated by the need to protect economically significant domestic productions while making up for the deficit in vegetable oils. The new common regulation has had to be adjusted to these two essential facts.

We shall examine in turn the proposed conditions for a Common Market Organization for fats and oils and the broad lines of the Common Market Organization for milk and dairy produce (2), reserving the right to examine the special arrangements which affect oils and oilseeds from the A.A.S.M. in the next chapter.

(1) Where refined edible oil imports are liable to quotas.

(2) The analysis applies to:

– regulation proposals presented by the Council of the E.E.C. Commission following the resolution of 23rd October 1963 on the basic principles of the Common Policy:

. regulation proposal of the Council establishing a Common Market Organization for fats and oils (VI. Com (64) 490 final 2nd December 1964),

. proposal for the introduction of a tax levied on fats and oils approved by the council in pursuance of Art. 201 of the Treaty (VI. Com. (64) 492 final),

– regulation No. 13/64EEC of the Council of 5th February 1960, concerning the gradual establishment of a Common Market Organization for milk and dairy produce (Official Bulletin of the European Communities, 27th February 1964).

3.1 – THE COMMON MARKET ORGANIZATION FOR FATS AND OILS

3.1.1 – *The Common Policy gives free access to world markets of fats and oils to the users*

Indeed, with respect to the customs system, as soon as the regulation come into force, restrictions and customs duties on oilseeds and oilcake will be abolished both inside the Community and for third countries (3).

For processed goods, internal disarmement and application of the Common External Tariff are to be achieved gradually (4). Thus as soon as the application of the regulation takes place, no arrangement connected with a commodity's particular situation inside the Community may prevent the purchaser from choosing freely. The only exception concerns olive oil imports on which a levy will be established, i.e. a duty which will be paid according to internal support-price levels. Trade arrangements will therefore be similar to those currently adopted in Germany or the Benelux.

Two types of protection of domestic outputs are considered:

– protection of the olive oil market for which 60 to 70% requirements are covered by domestic output and for which rigid consumption traditions lessens competition from other commodities,

– protection of the rapeseed and sunflower markets (5) the output of which only covers from 5 to 10% of soft oil requirements and experiences higher competition from substitutes.

3.1.2 – *Olive oil*

The organization of the olive oil market is original insofar as it combines an intervention system enabling to sell output at a floor price, a levy on trade with outside countries and the granting of direct community aid to producers. Moreover, the establishment of a single market

(3) Except duties on olives for the preserving industry (chapter No. 7 of the Brussels Nomenclature).

(4) The Common tariff will be compared with current national tariffs in chapter II.

(5) The Council may extend the number of commodities listed; up to 1st July 1968, the member-countries may, under certain conditions, grant aid to output of other oilseeds or vegetable oils as long as these have benefited by price support during the marketing year before the introduction of the Common Agricultural Policy.

in the Community is provided for without any transitional period.

a) Prices

The draft regulation provides for the annual establishment by the Council of four prices for oil: norm price, market target price, intervention price and threshold price. The norm price aims at ensuring on a long-term scale a fair return for producers.

The market target price, which applies to wholesale trade, is to maintain olive oil consumption at a satisfying level while taking into account prices of competing products. Should the target price fall below the norm price, producers will receive aid equal in amount to the difference between the two prices, in the form of deficiency payments.

The intervention price is the price at which holders of domestic olive oil may sell the latter during the whole marketing year to Government purchasing agencies of producing countries. The intervention price is equal to the market target price less a certain sum.

The threshold price is established in such a way as to avoid prejudice to the marketing of Community output at the target price. The threshold price is used to calculate the levy applicable to imports from third countries.

From January to October, these four prices are increased every month to allow for costs of stock-building and prevent excessive quantities from being placed on the market, from the start of the marketing year (1).

Constitution of carry-over stocks from one marketing year to another and the conclusion of stock-building contracts with holders of olive oil are also provided for.

The Government pruchasing agencies will not be permitted to release stocks in such a way as to depress prices below the target price level. If necessary they will be able to sell it for export.

(1) Prices, established for a standard grade, will be adjusted by the application of a bonus and rebate scale for other grades. The intervention price is also adjusted if the product is delivered in another place than that chosen by the seller.

b) Trade with outside countries

A levy which is equal to the difference between threshold and CIF prices is imposed on olive oil imports from outside countries. CIF prices are determined by the Commission according to the best terms offered on world markets (2).

The safeguard clause, already adopted in other regulations, permits corrective action to be taken against unforeseen disturbances, by suspending the issue of import licences.

In order to export outside the Community, the difference between Community prices and world prices can be made good by a refund fixed by the Commission through the Management Committee.

Lastly, olive oil used for food preparations will be exempted from the levy if the oil concerned is imported, or will attract a refund if of Community origin, in order to maintain for this product a traditional outlet.

c) Possible consequences on olive oil output and on outlets for tropical products

The effects of the draft regulation concern chiefly the Italian market and must be considered with respect to olive oil producers and oil and oilseed buyers.

For the producer, the price system above described acts as a marketing guarantee for the whole output. The long-term trend of production will therefore depend on the fixing by the council of the norm price for the years to follow (3).

(2) As regards imports of olives, besides the duty provided for by the Common tariff a tax based on the levy on olive oil is imposed. From this levy is deducted the customs duty (so as to avoid double taxation) and to it is added a payment representing the subsidy granted to Community producers (actually, it amounts to anticipated refunding of a sum to be received subsequently.
The levy applicable to an import is the one which is in force on the day the import takes place. Pre-establishment of the levy for the day the import request is made is possible. A bonus may then be added to the levy. Any trade of olive oil or olives with outside countries is subject to *import or export licencing.* Delivery of this licence is subject to the provision of security.

(3) Let us note that community decisions provide for the establishment of a programme to improve conditions under which olives and olive oil are produced and the economic situation of olive-growing areas.

What, can we assume, will be the trend of demand within the framework of the new market organization?

Supply costs of raw materials will decline markedly in comparison with previous years, first because seeds will be sold at world quotations and also because it will be necessary to fix the price of olive oil at a competitive level with respect to competing products. Considering the new tax levied on fats and oils [1] will only partly offsett the lowering of cost-prices and if this decrease affects retail prices, final individual consumption will show an upward tendency. This rise is all the more likely to occur since the relatively low level of Italian fats and oils consumption seems to result from a price-income relationship unfavourable up to now.

Will olive oil and the competing products both profit by this increase in the same way? It seems necessary to discriminate between short-term and long-term trends. At present we do not know what is the price elasticity for olive oil in Italy: however since olive oil is greatly valued and considerably more expensive than the other commodities, oils from seeds particulary, we may assume that its elasticity is higher than that of competing products. In the near future, olive oil consumption will increase more sharply. In this prospect, one must not expect an increase in sales of a tropical commodity like groundnuts which will continue to serve as a substitute when olive crops are poor.

In the long term, however, we may reasonably assume that the specific aspect of Italian consumtion centered on olive oil will diminish, European consumption traditions tending to become uniform. Outlets of an item like margarine could then become more important and at the same time those of tropical products used in margarine manufacture; but this would probably be only a long-term effect requiring an important effort of sales promotion, the pattern of which is yet to be examined.

3.1.3 — *Rapeseed and sunflower*

The proposed Community regulation gives to producers of these commodities a sales guarantee for unlimited quantities at a minimum prixe. Unlike olive oil arrangements the proposed system does not prevent in any way imports of similar items from outside countries (except by the application of the customs duty on oils) and is based on the establishment of a target price, an intervention price and a subsidy granted to buyers of home grown oilseeds, so that they will suffer no financial loss purchasing in the Community market.

a) Intervention conditions

The target price and the intervention price are established each year. Common intervention and target prices are established from the 1967/1968 marketing year onwards. Measures concerning target prices are decided by the Council at first on the basis of, among other prices, the price-guarantees granted by certain member-countries to producers for the season prior to the regulation's implementation. The intervention price is equal to the target price less a sum fixed by the Council. A monthly increase of prices is provided for.

In each member-country, Government purchasing agencies are bound to buy at the intervention price the oilseeds offered to them on the condition that the seller proves the domestic origin of the products.

The purchases of home-grown oilseeds attract a bonus for the purchaser. This bonus amounts to the difference between the norm price and world market prices. During the first months of the marketing year, the purchaser also receives degressive compensation for stock-building. World market prices are decided by the Commission.

If the intervention price amounts to the minimum selling price for producers, these may agree with buyers on a price as long as it is between the intervention price and the norm price. This will ensure a certain preference to home-grown seeds.

b) Consequences on outlets of tropical products

We have seen [2] that rapeseed and sunflower output shows a sharp rising trend in the community. The regulations in force in Western Germany and in France ensure for the producer a price which is higher than world quotations — considerably higher in the first country — but the guarantee only applies as a rule to limited quantities; although these restrictions are flexible [3], their abolishment by the common

(1) See paragraph 3.1.4.

(2) Section II — 1.2

(3) Section II — 2.2.1 b) and 2.2.2 b)

regulation can hasten output development. The increase could hardly be avoided in France if the target price which was chosen was near the average-level of German and French support prices. Rapeseed output could also be developed in areas where it is at present almost non-existent (1). Rapeseed prices are not the only ones to be considered but must be compared with those of substitutable products.

If this were assumed, the use of rapeseed oil as pure or mixed table oil would reduce outlets for groundnuts, particularly in France, where this item will no longer benefit by the former protection.

3.1.4 – *The financing of the policy: the tax on fats and oils* (2)

The intervention and the aid which are provided for — including those for the A.A.S.M. and A.O.T. (3) by the Common policy will be financed by the European Agricultural Guidance and Guarantee Fund (E.A.G.G.F.). Community funds will be provided for by means of a tax on fats and oils.

The tax will be raised on vegetable and marine oils and not on all fats and oils. According to the present state of the texts, tax assessment is given by the amount of pure fat of vegetable or marine origin which is contained in products for the food purposes, without any discrimination as to the origin of the product as the form in which it is consumed.

Net proceeds of the tax is limited to 87.5 million units of account. Total amount of the tax per kg of fat or oil is fixed each year by the Council, in such a way as to cover all expenditure. Should expenses exceed the 87.5 million units of account, the E.A.G.G.F. may provide the supplementary funds.

We saw in the paragraphs dealing with national market organizations that the final incidence of the financing of support measures lies chiefly on the manufacturers and the final consumer of vegetable oils in France, in Italy and to a lesser extent, in Western Germany. This kind of solution in a reduced form was chosen for the proposed regulation. It will entail a rise in prices of products containing tropical oils — margarine in particular — in Western Germany, the Netherlands, Belgium and Luxembourg in comparison with the previous system. It is impossible to estimate, however, to what extent this expense will affect final prices of products. The regulation allows Western Germany and the Netherlands to dispense with the tax for a year; this authorization may be renewed for a further year; corresponding funds will be provided by the national budgets.

Because the tax is only applicable to vegetable and marine oils, the use of tallow and lard in margarine manufacture could be encouraged at the expense of tropical products. Nevertheless, supply and demand prospects for tallow and lard are uncertain: as concerns supply, promotion of meat production should contribute to its development; as concerns demand, the stationary level of household consumption was up to now more than offsett by the rise in industrial demand (soap manufacture, livestock feeding). Thus it is impossible to say whether competition between vegetable or marine oils and tallow or lard will occur as in the past, with declining prices for the latter items.

The effects of an eventual change in the difference between butter prices and margarine prices are examined in the econometric study now in progress.

3.2 – THE COMMON ORGANIZATION IN THE MILK SECTOR AND FOR DAIRY PRODUCE

Prospects for butter production and that of invisible fats contained in milk and dairy produce directly concern the fats and oil market. E.E.C. output of milk, which is protected, rose by approx. 24% between 1954 and 1963 (4); it currently accounts for 20 to 26% of the total net value of agricultural output in Western Germany, France, the Netherlands, Belgium and Luxembourg (5). Fresh milk consumption being comparatively stable, the need to transform milk surpluses lead to a more than proportional increase in butter production, which totals 1 million tons after having risen by 3.6% par annum from 1954 to 1963; the E.E.C. has become a net exporter of butter. However, it must be pointed out that this increase slackened down consid-

(1) The Dutch Government decided in 1965 to grant support to rapeseed prices.

(2) Proposed clauses concerning the institution of a tax on fats and oils, decided by the Council in pursuance of Art. 201 of the Treaty (VI. com. (64) 492 final).

(3) See Chapter II.

(4) Agricultural statistics — Statistical office of the European Communities — No. 5 — 1964

(5) — See monthly report of FAO — Rome — June 1964: Common milk policy of the E.E.C.

erably at the end of the period: approx. + 4% in 1964, + 3% in 1962, + 2.5% in 1963, + 1% in 1964.

In this context, what kind of consequences can we imagine will the milk market and dairy produce organization involve? (1).

Let us recall the main principles of this organization. The proposed aim is the establishment of common prices for dairy produce in 1970. Prices will be independent of world quotations thanks to a system of levies on imports. This will entail the abolishment of quantitative restrictions relating to trade and that of subsidy or internal equalisation measures; only general aid from the six states will still be allowed to exist.

The system's chief element is that national prices will draw nearer a common target price. During the transitional period, milk target prices will be established each year in each country, within a range more or less centered on the average ruling price in the Community in 1963; this range will become increasingly narrower. The intervention price for butter, by country, then common to the six in 1970, is an indirect price-guarantee for milk producers. Internal levies, calculated so as to encourage trade between member-countries, will protect national markets during the transitional period.

Output price of milk in EEC (1)

Country	1962	1963 (reference price)	1964-1965 (target price)
	DM per kg of milk containing 3.7 % fat, spot price		
Germany	0.3400	0.3740	(0.3750/ 0.3800)
Belgium	0.2935	0.3275	0.3696
France	0.3015	0.3230	0.3190
Italy	0.2935	0.3815	0.4160
Luxembourg	—	0.3864	0.3960
Netherlands	0.2850	0.3260	0.3425

Source : Monthly bulletin of FAO - June 1964.
(1) Subsidies not included.

(1) Regulation No. 13/64/E.E.C. of the Council of 5th February 1964 concerning the gradual establishment of a Common market organization of the milk sector and dairy produce (JOCE 27th February 1964).

The above table shows the important differences between milk prices. If the common target-price were to be established at the mid-point of the present range of national target-prices, the rise in prices it would lead to in France, the Netherlands and Belgium would involve an increase in milk output, and therefore of the surpluses converted into butter. This risk is particularly strong for France where the current yield per animal is lower than that of the Netherlands, Belgium and Luxembourg, and can be greatly improved. If we consider that, as mentioned above, the fats and oils market has more or less reached saturation-level and that the price-elasticity of butter is high, the increase in butter output would weigh on the whole of the fats and oils market.

F.A.O. projections established in 1963 (2) showed the danger for exportable milk surpluses of reaching the equivalent of 290,000 tons of butter in 1970. The fact that the increase in butter output has considerably slowed down, as it was mentioned at the beginning of this paragraph, seems to dismiss the risk of such considerable surpluses (3). But owing to the world market's situation, there remains that a development of butter production well above consumption development in the Community would, in the long run, call for measures which would alter competition conditions between the commodities, in particular at the expense of tropical oils and oilseeds or their by-products. Guidance of milk target prices is therefore particularly important.

3.3 — THE COMMON ORGANIZATION OF THE BEEF AND PORK MEAT MARKETS

This organization can influence supply of tallow and lard in the E.E.C. The problems which arise from these products' output and consumption development were examined in the paragraph 3.1.4 and are dealt with again in Chapter II. Let us recall the broad lines of the organization.

3.3.1 — *The beef market*

The system established by regulation No. 14 which came into force on 1st November 1964, institutes, for the Common external tariff, a 16% duty for live cattle, a 20% duty for meat;

(2) F.A.O. Means of adjusting supply and demand of dairy produce. Commodity monographs, No. 37, Rome 1963.
(3) Experts currently agree that the surplus should be expected to amount to about 70 to 80,000 tons.

national tariffs with respect to outside countries will tend gradually to draw level with the Common external tariff; internal duties are to be reduced regularly and abolished on 1st April 1968.

A system of prices and levies was established. The chief elements are as follows:

— establishment of an annual *guide price* by member-country for cows and calves. These prices are established within a price range worked out so as to encourage output of beef. According to proposals made by the Commission, the Council will establish a common guide price. An intervention price is established and amounts to 93 to 96% of the guide price;

— a double levy system is established, between member countries (1), on one hand, with respect to outside countries on the other hand; in this last case, the levy is raised when, certain market conditions being fulfilled, the world price increased by the customs duty is lower than the guide price. When live cattle price is liable to levy, a levy is also raised on cuts; percentage of this levy is obtained by applying a certain coefficient. Trade of inedible tallow is not affected by the organization.

3.3.2 — *The pork market*

As for other grain-fed animals, there is no target or intervention price for pork. However, each country may, during the transitional period (up to 1st July 1967) request permission to intervene on its pork market by establishing measures to reduce an important decline in prices.

In order to avoid fluctuations due to supplies from the rest of the world at abnormally low prices, a *minimum import price* is established by the Council. This price is a price level, below which imports of pork meat may be levied by an amount which has to be added to the normal levy.

A minimum import price has been established within the Community for each of the Common Market countries, at a Community preferential level. It will be abolished when the duties will have disappeared between Community-Members.

Since in the Community pork meat production has not been only protected by a customs duty but by commercial policy measures such as quotas, minimum prices, etc ... the levy system is slightly different from the one which applies to cereals.

The intra-Member-States-levy is composed of two parts:

— a sum which amounts to the difference in the feed cost between the importing and the exporting country, which will disappear gradually as cereal prices become level,

— a fixed sum calculated so that added to the first sum, it does not exceed the difference between the average prices recorded on the market over a reference period; it will disappear too.

As regards imports from third countries, the levy includes:

— a first amount corresponding to the difference in feed cost,

— a second amount corresponding to the intra-Member-States-levy applicated on imports from the Netherlands, where the average pork meat price is the lowest,

— a third amount which from 2% will reach 7% of an average import price at the end of the transitional period.

Finally, it must be pointed out that the Commission can authorize a country at the latter's request, to cut down the total amount of these levies to the level of the country whose levy with respect to third countries is the lowest.

The refunds for exports into Member States corresponds to the difference between feed costs arising from fodder cereal prices. Moreover the Council is considering the opportunity of common intervention measures on the pork meat market.

To sum up, the study of fats and oils output in the E.E.C. shows that the important deficit in oils and oilseeds (80% of requirements) and the need to protect national productions which would not be profitable at world prices were the two facts which inspired both the member-countries' policies and the future Common Policy.

The importance of the deficit makes it desirable to be able to resort freely to world markets for oilseed supplies and thus enable industry and consumers to profit by world quotations. During the period under review, this system was that of Germany, the Netherlands, Belgium and Luxembourg; with the Common regulation,

(1) Up to the 1st April 1968.

it is extended to the six countries. This change should entail a decrease in supply-costs in France and in Italy and thereby stimulate a total European consumption which now seems to increase in relation to demographic development. But even that implies that the effects of the decrease should be felt down to the final consumer and that, in the case of Italy, internal duties on oilseeds and their oils should be abolished. The problem of harmonizing duties does not only concern Italy.

The consequences of the new support measures for internal output on imports of tropical oils and oilseeds will depend mainly on the establishment of parameters which remain yet to be determined, such as target prices for milk, olive oil and rapeseed output. Traditional oils and oilseeds import flows, particularly tropical oils and oilseeds, will be maintained only if these prices are chosen so as not to involve a more rapidly increasing output than the consumption of these commodities in the Community.

Chapter II

Imports of oils and oilseeds

We examined in Chapter I the share of tropical products in apparent consumption of primary fats and oils and the incidence on outlets of tropical oils and oilseeds of the preference measures supporting national productions. We shall see in this chapter that these outlets also depend on competition from other commodities, in particular from imported items, and that the A.A.S.M's share in Community supply is largely dependent upon the commercial policy adopted with respect to these countries.

SHARE OF A.A.S.M. TROPICAL OILS AND OILSEEDS IN COMMUNITY SUPPLY

1 – *IMPORTED TROPICAL OILS AND OILSEEDS AND COMPETING PRODUCTS* (1)

Imports of tropical oils and oilseeds developed more slowly than total imports over the 1954-1963 period (0.76% against 2.37% per annum). The study of consumption already showed that the evolution was different according to the commodity concerned. Groundnut imports rose by nearly 44% whereas copra, palm and palm-kernel imports fell respectively by 12%, 2% and approx. 10%; this was chiefly due to a contraction which was particularly noticeable as regards copra.

The structure of tropical oils and oilseeds imports which accounted for half of total imports in 1963 was as follows (table No. 21):

— groundnuts: 554,000 tons, i.e. 41% of tropical imports and 20% of total imports,

— copra: 360,000 tons, i.e. 27% of tropical and 13% of total imports,

— palm: 247,000 tons, i.e. 18% of tropical and 9% of total imports,

— palm-kernel: 177,000 tons, i.e. 13% of tropical and 7% of total imports.

Over the same period, two commodities connected with meat production showed a sharp increase.

a) tallow (table No. 22), the consumption of which increased by 52%; net imports of tallow, in particular from the United States, rose by 35%. In spite of the development of meat output and the decline in soap consumption, the Community's deficiency may become more marked owing to the increasing requirement of the chemical industry and animal feeding stuff manufacture,

b) soya, almost entirely imported from the United States, the development of which is the most spectacular (table No. 23). From 1954 to 1963, soya imports increased at the rate of 14.9% per annum; consumption more than trebled over the same period. Soya imports accounted for 4% of the Community's total net imports in 1954, and 13% in 1963, that is to say 7% of total fats and oils consumption. Soya oil extraction rate is very low (approx. 17%) and this item corresponds exactly to the fast-increasing demand of oilcake for livestock feeding.

The table below illustrates the fast development of this outlet and parallel development of soya consumption in the E.E.C.

Soya, imported as beans, promotes the development of the European oilseed crushing industry and supplies the market in oilcakes while placing on the oil and oilseed market for the same amount of oilcake, oil in much smaller quantities than that obtained by crushing other oilseeds.

(1) The imports taken into account in this chapter are net imports, i.e. debit trade balances.

Soya oilcake and soya bean oil consumption in EEC

In '000 t
(1955 =100)

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Oilcake consumption (weight and index) (1)	1 885 *(100)*	2 274 *(121)*	2 448 *(130)*	3 061 *(162)*	3 616 *(192)*	3 768 *(200)*	3 812 *(202)*	5 063 *(269)*	5 215 *(277)*
Soya bean oil consumption (in crude oil equivalent)	133 *(100)*	159 *(120)*	195 *(147)*	169 *(127)*	271 *(204)*	356 *(268)*	265 *(199)*	320 *(241)*	341 *(256)*

(1) *Source :* Vegetable Oils and Oilseeds (CEC) 1963 to 1964.

TABLE 21

Share of tropical oils and oilseeds in EEC net imports of fats and oils

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	299 *(100)*	408 *(136)*	432 *(144)*	436 *(146)*	480 *(161)*	459 *(154)*	431 *(144)*	464 *(155)*	483 *(162)*	554 *(185)*
Copra	361 *(100)*	370 *(102)*	416 *(115)*	467 *(129)*	321 *(89)*	230 *(64)*	366 *(101)*	405 *(112)*	314 *(87)*	360 *(100)*
Palm	272 *(100)*	216 *(79)*	219 *(81)*	228 *(84)*	232 *(85)*	227 *(83)*	251 *(92)*	249 *(92)*	204 *(75)*	247 *(91)*
Palm-kernel	215 *(100)*	192 *(89)*	188 *(87)*	167 *(78)*	201 *(93)*	219 *(102)*	188 *(87)*	176 *(82)*	186 *(87)*	177 *(82)*
Tropical oils	1 147 *(100)*	1 186 *(103)*	1 255 *(109)*	1 298 *(113)*	1 234 *(108)*	1 135 *(99)*	1 236 *(108)*	1 294 *(113)*	1 187 *(103)*	1 338 *(117)*
Total net imports	2 117 *(100)*	2 169 *(102)*	2 312 *(109)*	2 416 *(114)*	2 133 *(101)*	2 328 *(110)*	2 734 *(129)*	2 524 *(119)*	2 439 *(115)*	2 687 *(127)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	14.1	18.8	18.7	18.0	22.5	19.7	15.8	18.4	19.8	20.6
Copra	17.1	17.1	18.0	19.3	15.0	9.9	13.4	16.0	12.9	13.4
Palm	12.8	10.0	9.5	9.4	10.9	9.8	9.2	9.9	8.4	9.2
Palm-kernel	10.2	8.9	8.1	6.9	9.4	9.4	6.9	7.0	7.6	6.6
Tropical oils	54.2	54.8	54.3	53.6	57.8	48.8	45.3	51.3	48.7	49.8
Total net imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The expansion of soya imports seems to have kept at a reasonable level since the 1960 record; however, 1964 imports showed a recovery and soya oilcake consumption continued to rise, oilcake imports having greatly expanded at the end of the period, particularly in France; the decline which was recorded was probably only momentary since the expansion factors remain unchanged; they are:

— output expansion and rationalization of animal feeding,

— elimination of the obstacles to soya imports in France and in Italy.

Consumption of soya oilcakes in the EEC

In '000 t
(in %)

	1959	1960	1961	1962	1963
Consumption of soya oilcakes (1)	1 137	1 526	1 236	2 003	2 128
of which : produced by oilseed crushers in the Community	*(76)*	*(79)*	*(77)*	*(68)*	*(64)*
Share in total oilcake consumption	*(31)*	*(41)*	*(32)*	*(40)*	*(41)*

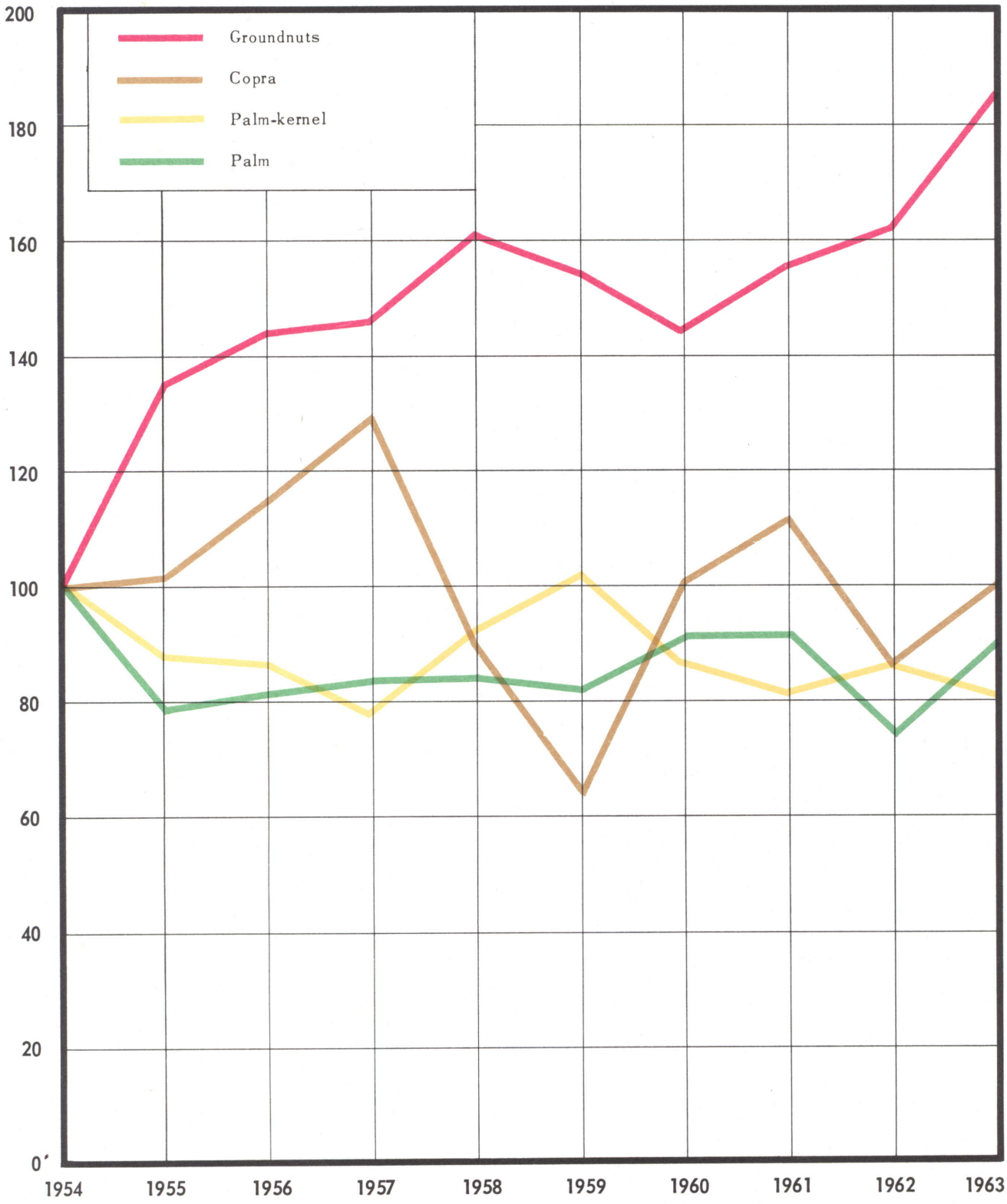
(1) Oilworld Quarterly - April 1964 - Quoted in «Soya» September 1964 - SIOFA, Paris.

DIAGRAM No. 3

Evolution of net imports of tropical commodities in the E.E.C.

Index (100 = 1954)

Source : table No. 21



The future European regulation should therefore lead to increasing competition from soya; this should particularly affect a product like groundnuts, the price of which is higher and whose share in edible oils is in danger of being seriously reduced.

2 – *THE A.A.S.M.'S SHARE*

From 1959 to 1963, imports from the A.A.S.M. accounted for approx. 31% of tropical products imports, i.e. 20% of total imports and 11% of Community consumption. Table 24 shows that the A.A.S.M's share in imports of tropical products is slightly smaller in 1963 than in 1959/1960.

Imports from the A.A.S.M. include 55% groundnuts, 29% palm oil, 15% palm kernel oil and approx. 1% copra (average 1959 to 1963).

E.E.C. requirements are covered by A.A.S.M. shipments at the following rates: 51% for groundnuts, 58% for palm oil, 35% for palm kernel oil and 1% for copra.

If the figures reflect the A.A.S.M's current position regarding Community supply, the differences between the states concerned are such that only by studying these differences may we estimate the consequences of the introduction of a system of free entry on the Community market.

TABLE 22

Development of tallow imports and consumption and share in total imports and consumption

In crude oil-equivalent

In '000 t
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
EEC										
Imports	133	163	209	194	143	180	271	196	196	199
Share in total imports	*(6.3)*	*(7.5)*	*(9.0)*	*(8.0)*	*(6.7)*	*(7.7)*	*(9.9)*	*(7.8)*	*(8.0)*	*(7.4)*
Consumption	297	330	375	355	315	362	459	404	457	465
Share in total consumption	*(7.4)*	*(8.2)*	*(9.0)*	*(8.3)*	*(7.4)*	*(8.3)*	*(9.4)*	*(8.3)*	*(9.4)*	*(9.4)*
Germany										
Imports	28	24	38	20	2	16	21	39	36	31
Share in total imports	*(3.1)*	*(2.5)*	*(3.8)*	*(2.0)*	*(0.2)*	*(1.7)*	*(2.0)*	*(3.9)*	*(3.7)*	*(3.0)*
Consumption	58	54	68	51	37	54	63	82	86	85
Share in total consumption	*(3.8)*	*(3.4)*	*(4.1)*	*(3.1)*	*(2.3)*	*(3.3)*	*(3.5)*	*(4.6)*	*(4.7)*	*(4.6)*
France										
Imports	— 1	—	— 2	— 3	— 16	— 7	8	— 20	— 1	— 5
Share in total imports										
Consumption	71	76	72	66	56	64	83	66	124	98
Share in total consumption	*(6.7)*	*(7.0)*	*(6.5)*	*(5.7)*	*(5.0)*	*(5.8)*	*(6.9)*	*(5.4)*	*(10.3)*	*(8.0)*
Italy										
Imports	67	96	108	114	105	93	149	108	108	108
Share in total imports	*(32.5)*	*(39.7)*	*(27.1)*	*(27.1)*	*(31.0)*	*(22.9)*	*(26.2)*	*(23.6)*	*(21.5)*	*(18.0)*
Consumption	99	126	141	146	138	133	186	153	158	151
Share in total consumption	*(14.1)*	*(18.7)*	*(18.9)*	*(19.3)*	*(16.2)*	*(15.8)*	*(17.9)*	*(15.0)*	*(14.6)*	*(14.2)*
Netherlands										
Imports	32	32	48	53	47	67	81	59	46	54
Share in total imports	*(9.4)*	*(10.7)*	*(17.0)*	*(15.8)*	*(15.0)*	*(18.1)*	*(19.6)*	*(13.9)*	*(15.4)*	*(14.9)*
Consumption	45	46	62	67	61	82	97	75	63	98
Share in total consumption	*(9.6)*	*(11.1)*	*(15.2)*	*(14.5)*	*(13.4)*	*(16.4)*	*(16.9)*	*(13.0)*	*(14.0)*	*(18.7)*
B.L.E.U.										
Imports	7	11	17	10	5	11	12	10	7	11
Share in total imports	*(4.6)*	*(7.8)*	*(11.7)*	*(7.1)*	*(3.8)*	*(6.8)*	*(7.3)*	*(6.5)*	*(4.4)*	*(6.5)*
Consumption	24	28	32	25	23	29	30	28	26	33
Share in total consumption	*(9.1)*	*(11.0)*	*(12.5)*	*(10.0)*	*(9.5)*	*(10.8)*	*(10.8)*	*(10.6)*	*(9.5)*	*(11.5)*

TABLE 23

Development of soya bean consumption and share in total net imports and consumption

In crude oil-equivalent

In '000 t
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
EEC										
Consumption	89	133	159	195	169	271	356	265	320	341
Share in total consumption	*(2.2)*	*(3.3)*	*(3.8)*	*(4.6)*	*(4.0)*	*(6.2)*	*(7.3)*	*(5.4)*	*(6.6)*	*(6.9)*
Share in total imports	*(4.2)*	*(6.1)*	*(6.9)*	*(8.1)*	*(7.9)*	*(11.6)*	*(13.0)*	*(10.5)*	*(13.1)*	*(12.7)*
Germany										
Consumption	74	96	118	126	102	156	197	160	178	193
Share in total consumption	*(4.9)*	*(6.1)*	*(7.2)*	*(7.6)*	*(6.4)*	*(9.4)*	*(11.0)*	*(8.9)*	*(9.7)*	*(10.3)*
Share in total imports	*(8.1)*	*(10.0)*	*(11.8)*	*(12.5)*	*(11.6)*	*(17.0)*	*(18.9)*	*(16.0)*	*(18.3)*	*(18.8)*
France										
Consumption	7	14	9	7	7	7	18	10	17	22
Share in total consumption	*(0.7)*	*(1.3)*	*(0.8)*	*(0.6)*	*(0.6)*	*(0.6)*	*(1.5)*	*(0.8)*	*(1.4)*	*(1.8)*
Share in total imports	*(1.4)*	*(2.6)*	*(1.9)*	*(1.4)*	*(1.5)*	*(1.5)*	*(3.3)*	*(2.0)*	*(3.4)*	*(4.1)*
Italy										
Consumption	2	—	10	33	25	43	50	43	56	60
Share in total consumption	*(0.3)*	*(—)*	*(1.3)*	*(4.4)*	*(2.9)*	*(5.1)*	*(4.8)*	*(4.2)*	*(5.2)*	*(5.6)*
Share in total imports	*(1.0)*	*(—)*	*(2.5)*	*(7.9)*	*(7.4)*	*(10.6)*	*(8.8)*	*(9.4)*	*(11.2)*	*(10.0)*
Netherlands										
Consumption	6	19	20	26	30	54	71	39	52	50
Share in total consumption	*(1.3)*	*(4.6)*	*(4.9)*	*(5.6)*	*(6.6)*	*(10.8)*	*(12.4)*	*(6.8)*	*(11.6)*	*(9.5)*
Share in total imports	*(1.8)*	*(6.4)*	*(7.1)*	*(7.8)*	*(9.6)*	*(14.6)*	*(17.2)*	*(9.2)*	*(17.4)*	*(13.8)*
B.L.E.U.										
Consumption	—	4	2	3	5	11	20	13	17	16
Share in total consumption	*(—)*	*(1.5)*	*(0.8)*	*(1.2)*	*(2.0)*	*(4.5)*	*(7.4)*	*(4.9)*	*(6.2)*	*(5.6)*
Share in total imports	*(—)*	*(2.8)*	*(1.4)*	*(2.1)*	*(3.8)*	*(6.8)*	*(12.1)*	*(8.5)*	*(10.8)*	*(9.5)*

TABLE 24

Recent development of the AAMS's share in Community supply

In crude oil-equivalent

In '000 t
(in %)

	1959	1960	1961	1962	1963
Total imports from the AAMS	522	502	489	503	499
Share in total consumption of the EEC	*(12.0)*	*(10.3)*	*(10.1)*	*(10.4)*	*(10.0)*
Share in total imports	*(22.4)*	*(18.4)*	*(19.4)*	*(20.6)*	*(18.6)*
Share in imports of tropical products	*(42.3)*	*(37.1)*	*(35.1)*	*(38.3)*	*(34.1)*
Groundnut imports from the AAMS	288	261	272	283	280
Share in total groundnut imports	*(60.1)*	*(57.6)*	*(56.1)*	*(56.2)*	*(47.3)*
Copra imports from the AAMS (1)	4	3	4	4	4
Share in total copra imports	*(1.4)*	*(0.7)*	*(0.9)*	*(1.1)*	*(1.0)*
Palm-kernel imports from the AAMS	82	86	65	72	66
Share in total palm-kernel imports	*(35.7)*	*(39.3)*	*(31.7)*	*(34.8)*	*(32.8)*
Palm imports from the AAMS	148	152	148	144	149
Share in total palm imports	*(59.9)*	*(57.1)*	*(55.0)*	*(62.6)*	*(56.2)*

(1) The statistical figures which are given only concern the AAMS; however the AOT are important suppliers. Copra imports from the AOT (in crude oil-equivalent and in '000 t) 1959: 16; 1960: 18; 1961: 16; 1962: 20; 1963: 18.

DIAGRAM No. 4

Evolution of net imports in member-countries

Thousand tons

Source : tables Nos. 21, 23, 24

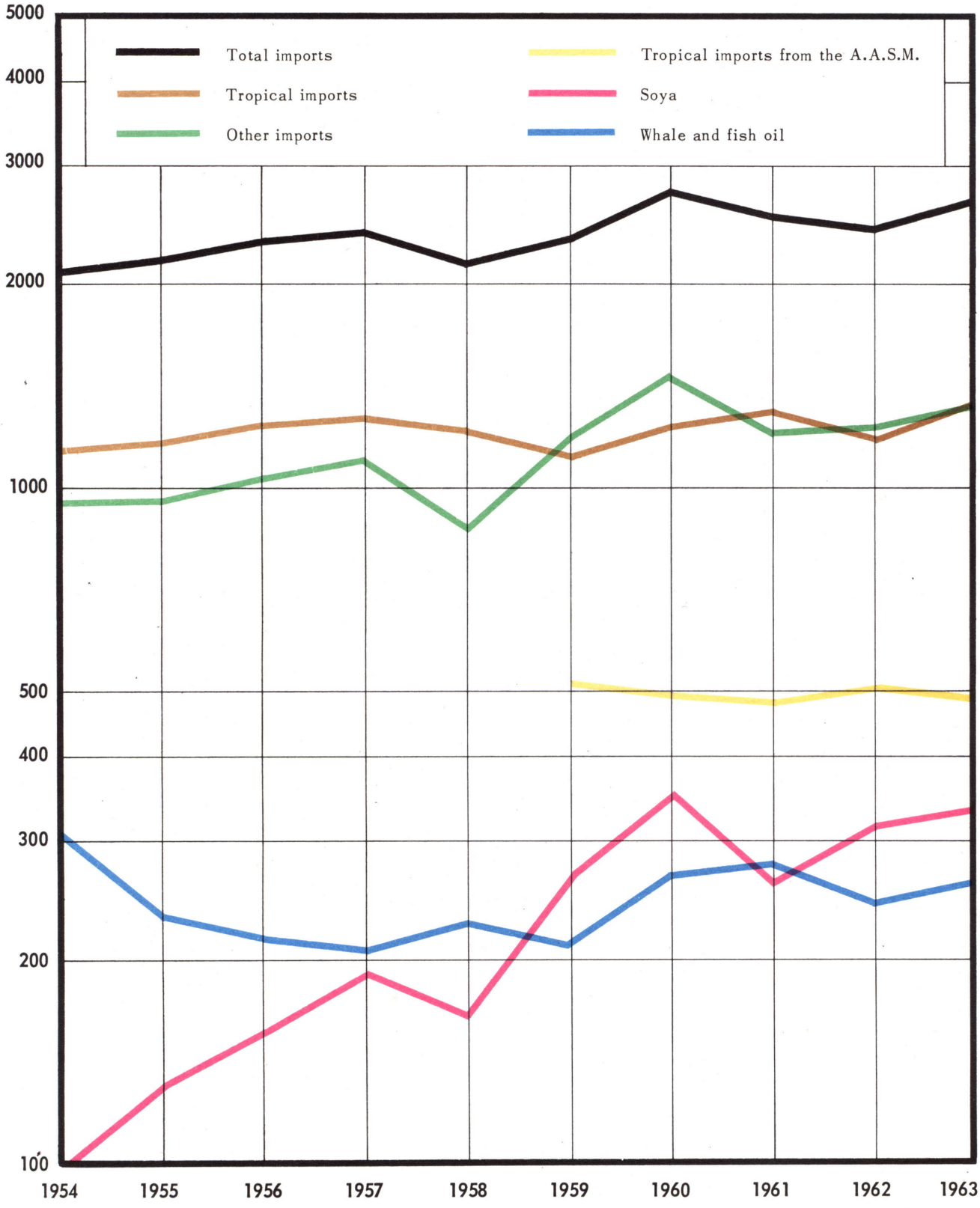
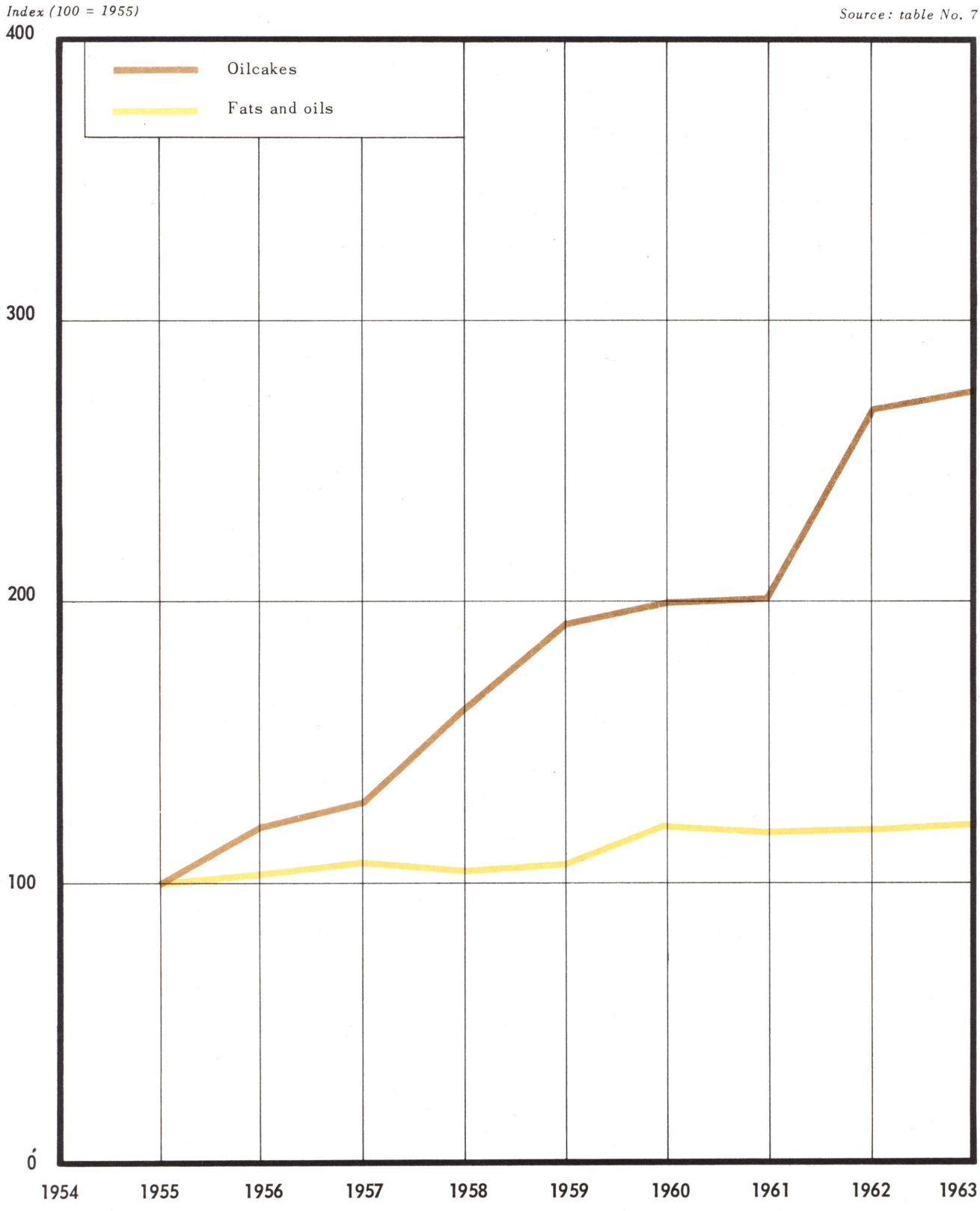


DIAGRAM No. 5

Evolution of oilcake consumption and oils and fats consumption in the E.E.C.



SHARE OF TROPICAL OILS AND OILSEEDS AND OF THE A.A.S.M. IN THE SIX COUNTRIES' SUPPLIES

The liberal import system which is in force in W. Germany, the Netherlands, Belgium and Luxembourg is illustrative of the future Common Organization of supplies; however, outlets of tropical products showed the most favourable trend in the "closed" market countries, viz. France and Italy. Three quarters of A.A.S.M. exports to the E.E.C. in 1963 were consumed by France where groundnuts from the A.A.S.M. belonging to the Franc zone benefit by a preferential market.

1 – *GERMANY*

From 1954 to 1963, German imports of tropical products were stationary (table No. 25). The share of the different commodities was unchanged, copra being the item which is consumed most (approx. 48%)(1). Copra imports show a slight declining tendency (– 1/2% per annum) though the high 1964 quotations of this product did not prevent imports from recovering momentarily; copra is still greatly appreciated for better-quality margarine manufacture and copra fat in Germany, and the volume of imports seems to be connected to abundant supplies.

As opposed to the tropical products' stagnation, the importance of lard consumption, the expansion of tallow and soya imports must be considered.

Lard accounts for approx. 17% of German fats and oils consumption: this percentage is stationary and share in imports is unimportant; on the contrary, tallow consumption is rapidly expanding (approx. + 68% over the period) as well as imports (+ 33%); tallow consumption now accounts for 5% of total consumption (table No. 22).

The most spectacular increase recorded was that of soya. In 1963 Germany accounted for 57% of soya imports in the E.E.C. Between 1955 and 1963, these doubled (table No. 23). This rise reflects the increasing need of oilcakes as animal feeding stuff. Germany is the Community's largest consumer in this respect (41% of the total amount); consumption quadrupled between 1955 and 1963.

(1) 1961/62/63 average.

Oilcake consumption and soya bean oil consumption in Germany

In '000 t
(1955 = 100)

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Oilcake consumption (1) (all types)	510 *(100)*	652 *(128)*	831 *(163)*	1 188 *(233)*	1 559 *(306)*	1 626 *(319)*	1 598 *(313)*	2 189 *(429)*	2 188 *(429)*
Soya bean oil consumption	95 *(100)*	118 *(123)*	126 *(131)*	102 *(106)*	156 *(163)*	197 *(205)*	160 *(167)*	178 *(185)*	193 *(201)*
Oilcake net imports (all types) (1)	111 *(100)*	109 *(98)*	207 *(186)*	483 *(435)*	641 *(577)*	617 *(556)*	638 *(575)*	1 041 *(938)*	1 049 *(945)*
Share of imports in total consumption of oilcakes (in %)	22	17	25	41	41	38	40	48	48

(1) From Vegetable Oils and Oilseeds, CEC, London 1964. Figures refer to apparent consumption.

Soya oilcake consumption in Germany

In '000 t
(in %)

	1959	1960	1961	1962	1963
Soya oilcake consumption (1)	573	653	561	890	907
of which : produced by Germany	*(95.1)*	*(91.8)*	*(90.1)*	*(78.8)*	*(78.8)*
Share in total oilcake consumption	*(36.8)*	*(40.2)*	*(35.1)*	*(40.7)*	*(41.5)*

(1) From Oil World Quarterly, April 1964.

These figures show that oilcake demand increased even more rapidly than imports of soya. Share of imports in the form of oilcakes tends to rise as compared with oilcake consumption in general and consumption of soya oilcakes in particular; this is accounted for by the fact that they are duty-free and that requirements are important.

The demand for animal feeding stuffs being the leading element of the market, it seemed interesting to show the different imported products' share in an "open" market like the German market.

It appears that for all products, oilcake outlet increases much more quickly than that of oil; this encourages the expansion of imports of soya beans which have a low oil-content. We may note, however, that oilcakes of tropical products are also specifically in demand, and requirements of these cakes are not entirely covered by the seed residues after oil extraction. This probably acts as a favourable factor which helps to maintain the level of tropical oilseed imports.

TABLE 25

Net tropical oils and oilseeds imports in Germany

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	27 *(100)*	78 *(289)*	48 *(178)*	34 *(126)*	86 *(319)*	51 *(188)*	49 *(181)*	50 *(187)*	74 *(275)*	60 *(221)*
Copra	174 *(100)*	216 *(124)*	242 *(139)*	253 *(146)*	187 *(107)*	137 *(79)*	200 *(115)*	209 *(120)*	184 *(106)*	197 *(113)*
Palm	88 *(100)*	65 *(74)*	65 *(74)*	75 *(85)*	70 *(80)*	68 *(77)*	70 *(80)*	75 *(85)*	76 *(86)*	89 *(102)*
Palm-kernel	91 *(100)*	64 *(71)*	60 *(66)*	52 *(57)*	73 *(81)*	88 *(97)*	90 *(99)*	69 *(76)*	73 *(81)*	76 *(83)*
Total	380 *(100)*	423 *(111)*	415 *(109)*	414 *(109)*	416 *(110)*	344 *(91)*	409 *(108)*	403 *(106)*	407 *(107)*	422 *(111)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	7.1	18.4	11.6	8.2	20.7	14.7	11.9	12.5	18.2	14.2
Copra	45.8	51.1	58.2	61.2	44.8	39.9	49.1	51.8	45.1	46.6
Palm	23.2	15.3	15.7	18.0	16.9	19.7	17.0	18.6	18.7	21.2
Palm-kernel	23.9	15.2	14.5	12.6	17.6	25.7	22.0	17.1	18.0	18.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Imports from the A.A.S.M. accounted for 5.5% of German imports in 1963, and 13% of imported tropical products (table No. 30). Germany only accounts for 13% of A.A.S.M. shipments of oils and oilseeds to the Community. The unimportant part played by A.A.S.M. imports can be accounted for by the fact that copra represents nearly 50% of imports of tropical products and that the A.A.S.M. are minor exporters of this commodity.

Palm oil is the major item of this outlet (the E.E.C. takes 31% of A.A.S.M. palm oil), followed by palm-kernel oil (15% of A.A.S.M. palm-kernel oil goes to the Community) (table No. 31) German imports of these commodities showed no increase whatsoever. On the other hand, when groundnut oil from the A.A.S.M. will sell at world prices and will not be entirely taken by the French market, it will be able to play a part on the German market

Imports of oilcakes and seed in cake equivalent in Germany (1)

In '000 t
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962
Soya									
Seed	195	355	411	502	494	723	799	726	854
Oilcakes	10	10	12	9	35	37	70	79	227
Total	205	365	423	511	529	760	869	805	1 081
	(27.6)	*(39.5)*	*(40.1)*	*(42.5)*	*(36.4)*	*(42.7)*	*(46.2)*	*(42.4)*	*(45.6)*
Copra									
Seed	68	88	101	114	84	55	85	91	79
Oilcakes	64	64	77	93	110	136	146	162	181
Total	132	152	178	207	194	191	231	253	260
	(17.7)	*(16.5)*	*(16.8)*	*(17.3)*	*(13.4)*	*(10.7)*	*(12.3)*	*(13.3)*	*(11.0)*
Palm-kernel									
Seed	85	61	54	42	62	69	81	66	65
Oilcakes	71	85	116	136	164	195	179	181	210
Total	156	146	170	178	226	264	260	247	275
	(21.0)	*(15.7)*	*(16.1)*	*(14.8)*	*(15.5)*	*(14.8)*	*(13.8)*	*(13.0)*	*(11.6)*
Seed									
Seed	2	3	4	4	3	4	5	6	7
Oilcakes	74	75	85	100	194	166	162	183	233
Total	76	78	89	104	197	170	167	189	240
	(10.2)	*(8.5)*	*(8.4)*	*(8.7)*	*(13.5)*	*(9.5)*	*(8.9)*	*(10.0)*	*(10.1)*
Groundnuts, rapeseed, cotton seed, sunflower									
Seed	73	59	73	72	137	82	49	80	103
Oilcakes	79	92	94	101	134	250	212	217	307
Total	152	151	167	173	271	332	261	297	410
	(20.4)	*(16.4)*	*(15.8)*	*(14.4)*	*(18.6)*	*(18.6)*	*(13.8)*	*(15.6)*	*(17.3)*
Other	23	31	30	28	37	64	94	107	106
Total	*(3.1)*	*(3.4)*	*(2.8)*	*(2.3)*	*(2.6)*	*(3.7)*	*(5.0)*	*(5.7)*	*(4.4)*
Total									
Seed	423	566	643	734	780	933	1 019	969	1 108
Oilcakes	321	357	414	467	674	848	863	929	1 264
Total	744	923	1 057	1 201	1 454	1 781	1 882	1 898	2 372
	(100)	*(100)*	*(100)*	*(100)*	*(100)*	*(100)*	*(100)*	*(100)*	*(100)*

(1) Information obtained from FAO; gross oilcake imports and net seed imports, including those for re-export in the form of cakes.

which represents from 30 to 80,000 tons of oil according to the year. This outlet, however, could eventually be limited by abnormal practices from competing oil exporters [1]. Also, considering the price of groundnut oil in comparison with that of other oils, an increase in this commodity's consumption cannot be expected unless an important promotion action is carried out and creates in favour of this oil a similar attachment on the consumer's part to that which exists in France. The difficulties which would arise from such a venture should not be underestimated.

2 — *FRANCE*

France, the Community's largest importer of tropical products, imports especially groundnuts. The total amount imported (359,000 tons, in crude oil equivalent) represents over 70% of French imports of tropical products and nearly 63% of Community imports of groundnuts. Groundnut imports rose by approx. 50% between 1954 and 1963 (+ 4.4% per annum). Palm-oil imports increased by approx. 15%, those of copra were stationary and palm-kernel imports showed a sharp decline (48% approx.).

The expansion of groundnut imports in France results from a systematic policy which ensures a preferential market for African producers of the Franc zone; these benefit by the same advantage as home producers, through the protected market of the Franc zone [2].

This system was conceived so as to ensure soft vegetable oil supplies for the Franc zone and was responsible since 1954 for the marketing of nearly the total output of France's former African dependant overseas territories. We may note, however, that French requirements of groundnuts are not entirely covered by the A.A.S.M. (table No. 26): in 1962 and 1963, respectively 15 and 25% of groundnut imports were purchased on world markets.

The arrangements which concern groundnuts derive from the decree of 13th November 1954 [3] above mentioned [4]; these enable the marketing of a guaranteed groundnut quota at a support price established every year for eight African States [5].

In 1954, it was expected that 225,000 tons (refined oil basis) would thus be shipped every year for a French consumption of approx. 215,000 tons. French consumption has greatly increased since then as well as African output, especially since 1957-1958. Since these countries' independance annual bilateral agreements enabled guaranteed quotas to be increased up to a total of 270,000 tons (refined oil basis) in 1964, of which 215,000 tons from Senegal only.

Prices are established each year for Senegal; prices for the other countries are automatically established by inference; the fixed price was always a preferential price except during one month in 1965 when world quotations were at an exceptionally high level. This system also acts as a supply guarantee for the French market, thanks to Senegal's obligation of meeting the quota within the preferential price system.

(1) See Section III — 2

(2) See Chapter I — Section II — 2.2.2.

(3) Extended and modified by the decree of 6th August 1960.

(4) See Chapter I — Section II — 2.2.2.

(5) Senegal, Niger, Upper Volta, Cameroun, Togo, Gabon, Dahomey, Chad, Central African Republic.

Preferential price of Senegalese groundnuts

In FF/t
(in %)

	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
French cif price (1)	975	975	975	990	995	1 025	1 050	1 050	1 050	1 050
United Kingdom cif price (2)	583	749	707	654	888	956	942	833	833	902
Preferential margin	*(67.2)*	*(30.2)*	*(37.9)*	*(51.4)*	*(12.0)*	*(7.2)*	*(11.5)*	*(26.1)*	*(26.1)*	*(16.4)*

(1) Senegalese, decorticated, bulk, cif Marseilles.
(2) Nigerian : Vegetable Oils and Oilseeds, CEC, London.

The table " Preferential prices of Senegalese groundnuts " illustrates the importance of the preferential price which is thus guaranteed for groundnuts.

From 1955 to 1961, the aid thus granted to Senegal each year can be estimated to have varied between 42 million francs (1960) and 139 million (1958). Bilateral agreements were also settled for the 1964-1965 and 1965-1966 marketing years, but at gradually decreasing average prices.

The deficit in groundnut supplies on the French market is balanced by SIOFA which holds an import monopoly. Imports are made at world prices and resold on the home market at the guaranteed price, the difference being used for financing the soft edible oils market organization.

Over the period under review, hard oils and oilseeds benefited by the following aid in France:

— for palm oil of Franc zone origin, guaranteed prices and quantities were established from 1954 to 1st October 1963 by means of agreements between manufacturers' associations and the Government up to 1960, and between producers' and manufacturers' associations afterwards.

Structure of French output and imports of oilcakes

In '000 t
(in %)

	1959	1960	1961	1962	1963
Groundnuts					
Output	205	215	231	230	252
Imports	111	67	78	191	178
Total	316	283	310	421	430
Share of output	*(65)*	*(76)*	*(75)*	*(55)*	*(59)*
Soya					
Output	63	136	61	113	99
Imports	112	100	155	306	325
Total	175	236	216	419	424
Share of output	*(36)*	*(57)*	*(28)*	*(27)*	*(23)*
Hard oils					
Output	64	66	69	67	65
Imports	6	8	5	9	11
Total	70	74	74	76	76
Share of output	*(91)*	*(89)*	*(93)*	*(88)*	*(85)*
Linseed					
Output	70	66	68	64	63
Imports	71	86	101	129	149
Total	141	152	169	193	212
Share of output	*(50)*	*(44)*	*(40)*	*(33)*	*(30)*
Rapeseed and others					
Output	67	48	65	59	61
Imports	80	65	82	159	123
Total	147	113	147	218	184
Share of output	*(46)*	*(42)*	*(44)*	*(27)*	*(33)*

Since 1964, palm oil is to be marketed on a world price basis; quotas which restrict imports from third countries are maintained only momentarily and are gradually released,

— palm-kernels and copra no longer benefit by any other protection than tariffs, and quotas were abolished in 1959.

The European regulation should not introduce any changes for palm-oil and palm-kernel oil.

In 1963, France took respectively 58% and 21% of the palm-kernels and palm oil exported by the A.A.S.M. and imported into the Community (table No. 31), and practically the whole of A.A.S.M. copra.

We saw in Chapter I to what extent domestic oils and oilseeds competed with tropical products; let us add that tallow consumption rose by 54% between 1954 and 1963 and that France is a tallow and lard exporter.

Soya imports are the lowest in France (1.8% of consumption) because the soft edible oil market organization reserved the market up to now for groundnuts and domestic oils and oilseeds. The European regulation puts an end to groundnut protection and allows free entry of oilseeds, so American soya may be the chief item to reap advantage from this new situation. The factors which encourage most the expansion of soya imports are the fact that soya world prices are much lower than those of groundnuts and the fact that there is an increasing demand for cake in France.

In 1955-1956, apparent consumption of oilcakes was equal to German consumption, but since then the rate of increase has been lower in France and French consumption represents only 52% of that of Germany. However the rate of increase has risen and in 1962-1963 an increase of 64% in comparison with the two previous years was recorded. Tables above and hereunder show that this increase is partly due to a 92% rise in soya oilcake availabilities over the same period. The obstacles which were raised against imports of soya beans accounted for the fact that the Frenc oil

Oilcake consumption and consumption of soya bean oil in France

In '000 t
(1955 = 100)

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Oilcake consumption all types (1)	516 *(100)*	639 *(124)*	588 *(114)*	710 *(138)*	773 *(150)*	746 *(145)*	837 *(162)*	1 264 *(245)*	1 223 *(237)*
Soya bean oil consumption	14	8	6	7	7	18	10	17	22
Net imports	74 *(100)*	178 *(241)*	92 *(124)*	195 *(264)*	331 *(447)*	234 *(316)*	307 *(415)*	745 *(1 007)*	714 *(965)*
Share in imports (in %)	14.3	27.9	15.6	27.5	42.8	31.4	36.7	58.9	58.4
Soya oilcake consumption (2)	66 *(100)*	90 *(136)*	118 *(179)*	96 *(145)*	151 *(229)*	223 *(338)*	218 *(330)*	441 *(623)*	425 *(644)*
of which : produced by French oil industry (in %)					42	61	28	28	23
Share in total consumption (in %)	12.8	14.1	20.1	13.5	19.5	29.9	26.0	32.5	34.7

(1) 1955-1956 : apparent consumption (*from :* Vegetable Oils and Oilseeds 1963). Afterwards, stock change are included (from : French Oil and Oilcake Manufacturers' Association).
(2) *From* « Soya » - September 1964 - SIOFA, Paris.

TABLE 26

Net French imports of tropical oils and oilseeds

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	234 *(100)*	253 *(108)*	250 *(107)*	295 *(126)*	285 *(122)*	301 *(128)*	314 *(134)*	337 *(144)*	318 *(136)*	359 *(153)*
Copra	59 *(100)*	63 *(107)*	60 *(102)*	71 *(120)*	63 *(107)*	49 *(83)*	54 *(92)*	60 *(102)*	64 *(108)*	61 *(103)*
Palm oil	25 *(100)*	29 *(115)*	34 *(139)*	30 *(122)*	27 *(111)*	26 *(105)*	33 *(132)*	30 *(122)*	30 *(122)*	35 *(143)*
Palm-kernels	71 *(100)*	66 *(92)*	61 *(85)*	58 *(81)*	53 *(74)*	41 *(57)*	46 *(65)*	40 *(56)*	41 *(57)*	40 *(56)*
Total	389 *(100)*	411 *(106)*	405 *(104)*	454 *(117)*	428 *(110)*	417 *(107)*	447 *(115)*	467 *(120)*	453 *(116)*	495 *(127)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	60.3	61.8	61.7	64.9	66.7	72.2	70.2	72.3	70.4	72.5
Copra	15.1	15.3	14.8	15.6	14.6	11.7	12.1	12.7	14.0	12.2
Palm oil	6.3	6.9	8.5	6.7	6.4	6.3	7.3	6.4	6.5	7.1
Palm-kernels	18.3	16.0	15.0	12.8	12.3	9.8	10.4	8.6	9.1	8.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

crushing industry only produced 23% of soya oilcake availabilities in 1963, whereas the percentage was 79% in Germany. The share in oilcake consumption represented by soya remains notably smaller than that in the other member-countries. These facts and the comparatively backward situation of France as concerns livestock feeding foreshadows a heavy increase in soya bean imports. This expansion might be checked by world competition on oilcake prices, by the French consumer's attachment to groundnut oil which is considered as a better-quality oil; and lastly the abolishment of this commodity's price-guarantee system should instigate promotion efforts which will make groundnut oil from the A.A.S.M. a competitive item.

It seems however that A.A.S.M. groundnuts are in danger of losing their main outlet on behalf of American soya and European rapeseed: in the face of this economically unfavourable situation, a systematic sales promotion action seems indispensable if it is not to lose quickly the advantage represented by the French consumer's current attachment for groundnut oil.

3 – *ITALY*

Imports of tropical products rose by nearly 50% between 1954 and 1963, that is to say at the rate of 4.3% per annum, the highest in the E.E.C. Table No. 27 shows that these imports, however, are very irregular. The most important increases concern groundnuts and palm-oil.

Among the competing commodities, tallow (see table No. 22) holds an important position in Italian consumption (more than 14% at the end of the period). Tallow imports increased mark-

Oilcake consumption and soya bean oil consumption in Italy (1)

In '000 t
(1955 = 100)

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Oilcake consumption (all types) (1)	206 *(100)*	287 *(139)*	301 *(146)*	305 *(148)*	310 *(150)*	470 *(228)*	468 *(227)*	501 *(243)*	711 *(345)*
Soya bean oil consumption	0	10	39	25	43	50	43	56	60
Net imports of oilcakes (all types) (1)	— 5	16	32	50	14	54	2	— 66	78
Share of imports in total oilcake consumption (in %)	—	6	11	16	5	11	0	—	11

(1) Vegetable Oils and Oilseeds, CEC, London 1964.

edly and accounted for 21% of the total (1). We saw (chapter I) the all-important part played by olive oil on the Italian fats and oils market.

Soya imports, practically non existent at the beginning of the period, expanded considerably but accounted for only 5.5% of consumption at the end of the period, against 10% in Western Germany and the Netherlands (see table No. 23).

Oilcake output trebled between 1955 and 1963; the share of soya oilcake in consumption rose sharply at the end of the period and Italian exports of oilcakes increased markedly. Italy's share in soya oilcake manufacture steadily

(1) 1961/62/63 average.

TABLE 27

Italian net imports of tropical oils and oilseeds

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	—	23	91	58	42	45	25	32	36	86
Copra	34 *(100)*	29 *(87)*	35 *(104)*	38 *(112)*	29 *(87)*	22 *(66)*	48 *(141)*	41 *(121)*	33 *(98)*	33 *(98)*
Palm	39 *(100)*	9 *(22)*	14 *(36)*	15 *(39)*	19 *(49)*	21 *(54)*	31 *(80)*	25 *(64)*	26 *(66)*	28 *(72)*
Palm-kernels	2	5	3	3	5	22	1	—	8	7
Total	75 *(100)*	66 *(88)*	143 *(190)*	114 *(152)*	95 *(127)*	110 *(147)*	105 *(140)*	98 *(131)*	103 *(137)*	154 *(206)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	0.2	35.4	63.6	51.2	44.2	41.1	24.3	32.8	35.5	55.7
Copra	45.2	44.7	24.7	33.1	30.3	20.2	45.6	41.8	32.0	21.5
Palm	51.4	12.9	9.7	13.0	19.9	18.7	29.5	25.3	24.8	18.1
Palm-kernels	3.2	7.0	2.0	2.7	5.6	20.0	0.6	0.1	7.7	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

increased over the period except in 1963, reflecting a growing tendency to import seed in spite of abnormal prices due to olive oil protection which involves the protection of the crushing industry by means of discriminating rates in the tied sales system.

Soya oilcake consumption in Italy

In '000 t
(in %)

	1958	1959	1960	1961	1962	1963
Soya oilcake consumption	32	74	192	152	216	400
of which : manufactured in Italy	*(6)*	*(43)*	*(80)*	*(92)*	*(100)*	*(64)*
Share in total consumption	*(10)*	*(24)*	*(41)*	*(33)*	*(43)*	*(56)*

Considering that oilcake production is rapidly expanding in Italy, it seems that the elimination of import restrictions concerning soya beans will entail notable increase of soya bean oil availabilities in Italy. This fact as well as those related to trends in olive oil consumption (see chapter I) will restrict imports of tropical products in the years to come.

Italian purchases of A.A.S.M. commodities are irregular and declining since 1960. The most important and steadiest imports concern palm-oil (11 to 12% of A.A.S.M. palm-oil sold to the Community) (see table No. 27). Palm-kernel imports are extremely irregular, those of groundnuts almost non-existent. However, alignment of A.A.S.M. groundnut prices upon world prices should encourage the sale of this commodity in Italy.

4 – *THE NETHERLANDS*

Imports of tropical products in the Netherlands fell sharply over the period (approx. - 2.1% per annum). The decline is particularly noticeable for copra and palm-oil which account for the greater part of these imports. For copra (representing one quarter of tropical products in 1963), the fall totals 7.5% per annum; the irregular occurence of these imports reflects the influence of prices, since this commodity can be replaced by less expensive competing products in margarine manufacture, whereas in Germany such fluctuations are avoided because of the preference for copra in better-quality margarine manufacture (table No. 28).

Groundnut and palm-kernel imports are steady but the former are very low (18,000 tons in 1963).

The very unfavourable trend in imports of tropical products in the Netherlands contrasts with the growth of tallow, soya, and fish oil imports.

Tallow consumption rose by 87% between 1954 and 1963 and accounts for approx. 14% of total consumption of fats and oils; imports increased by 63% and account for 15% of total imports (table No. 22).

Marine oil consumption rose by 65% between 1954 and 1963, imports by 98%. At the end of the period, they accounted for 24% and 19% of net imports and total consumption of fats and oils, the highest percentage in the Community.

Soya imports, which were very low in 1954, trebled between 1955 and 1963. However the 1960 record (71,000 tons) has not been exceeded

Dutch oilcake consumption and soya bean oil consumption

In '000 t
(1955 = 100)

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Oilcake consumption (all types) (1)	412 *(100)*	485 *(118)*	524 *(127)*	579 *(141)*	671 *(163)*	616 *(150)*	663 *(161)*	750 *(182)*	737 *(179)*
Soya bean oil consumption	19 *(100)*	20 *(105)*	26 *(137)*	30 *(158)*	54 *(284)*	71 *(374)*	39 *(205)*	52 *(274)*	50 *(263)*
Net imports of oilcakes (all types) (1)	104	115	155	197	239	188	248	307	327
Share of imports in total oilcake consumption (in %)	25	24	30	34	36	30	37	41	44

(1) From : Vegetable Oils and Oilseeds, CEC, London 1964

Soya oilcake consumption in the Netherlands

In '000 t
(in %)

	1959	1960	1961	1962	1963
Soya oilcake consumption	219	282	194	313	261
of which : produced by the Netherlands	*(77)*	*(72)*	*(75)*	*(69)*	*(70)*
Share in total oilcake consumption	*(33)*	*(46)*	*(29)*	*(42)*	*(35)*

since (1). Current oilcake consumption, which was already high in 1955 (412 000 tons) increased more moderately as illustrated by the following tables. Share of soya oilcake in consumption was 35% in 1963, a percentage similar to that which is recorded in France and Belgium and Luxembourg. Share of imported oilcakes as compared with consumption increased in 1962 and 1963 as in the other countries, thus confirming the high competition from manufacturers in third countries. This is probably a factor which limits the development of Community crushing industries but which checks soya bean imports at the same time.

In the Netherlands, a regulation enables to avoid the consequences of the differences in seed import prices and oil or oilcake import prices of a same commodity (2). These differences are due to measures which can be compared with dumping practices (3) and tend to leave no margin for oil crushing at the expense of the Dutch industry. The intervention enables the

(1) Until 1963. The imports in 1964 amounts to 76,000 t.

(2) Art. 71, 93, 126 of the Law on Company Organization and Art. 7 of the fundamental law of Produktschap Voor Margarine, Vetten en Oliën. (cf. "MVO — Verordening 1958, Heffingers en Toeslagen Oliefonds ".

(3) These problems are dealt with in the last part of this chapter.

TABLE 28

Dutch net imports of tropical oils and oilseeds

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	8 *(100)*	21 *(248)*	12 *(146)*	12 *(146)*	28 *(333)*	22 *(264)*	14 *(164)*	17 *(201)*	20 *(239)*	18 *(215)*
Copra	76 *(100)*	43 *(56)*	56 *(74)*	75 *(98)*	26 *(34)*	13 *(16)*	42 *(56)*	69 *(91)*	11 *(15)*	43 *(56)*
Palm oil	82 *(100)*	78 *(96)*	71 *(87)*	76 *(93)*	82 *(100)*	75 *(92)*	84 *(102)*	85 *(104)*	46 *(56)*	63 *(78)*
Palm-kernels	37 *(100)*	44 *(118)*	51 *(138)*	46 *(125)*	55 *(149)*	53 *(144)*	40 *(110)*	54 *(147)*	47 *(127)*	43 *(116)*
Total	203 *(100)*	186 *(91)*	190 *(94)*	209 *(103)*	191 *(94)*	163 *(80)*	180 *(89)*	225 *(111)*	124 *(61)*	167 *(82)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	4.1	11.2	6.4	5.9	14.7	13.6	7.6	7.5	16.1	10.8
Copra	37.5	23.1	29.5	35.7	13.6	7.6	23.6	30.8	9.2	25.8
Palm oil	40.3	42.2	37.5	36.3	42.8	46.2	46.4	37.7	37.0	37.9
Palm-kernels	18.1	23.5	26.7	22.1	28.9	32.6	22.4	24.0	37.7	25.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

crushing industry to work but may be suppressed if the price difference caused artificially exceeds a certain level and renders processing too costly. Aid is financed by a tax applicable to the processing of any oilseed; proceeds of this tax are managed by Produktschap Voor Margarine, Vetten en Oliën; the funds which are distributed vary from one year to another; they totalled 619 000 Florins in 1962 for linseed and 173 000 Fl in 1961 for groundnuts.

The importance of the A.A.S.M. in Dutch supplies is small and irregular, the A.A.S.M. account for 10% of total imports and 14% of imports of tropical products (see table No. 30). These imports consist almost exclusively of palm-tree products. The European regulation's application should not alter this situation since it introduces a liberal import system similar to that which already exists in that country, except that oil imports will slightly increase when A.A.S.M. commodities benefit by a preferential tariff which is described further on (1).

5 — *BELGIUM AND LUXEMBOURG*

Imports of tropical products in Belgium and Luxembourg are stationary (table No. 29), groundnuts and palm oil are the chief items imported; groundnut imports rose slightly between 1954 and 1963, whereas palm-oil imports fell sharply at the end of the period owing to difficulties with supplies from the Congo. Copra imports which account for approx. one quarter of total imports show a rising trend (approx. + 2.4% per annum).

These stationary imports of tropical products contrast with the important development of lard, fish oil and soya consumption: tallow consumption is stable (11% of fats and oils requirements) and imports are stationary.

Lard consumption almost trebled between 1954 and 1963 (8.4% of fats and oils consumption at the end of the period).

Marine oil consumption and marine oil imports almost trebled, the increase is higher than that in the Netherlands whereas this commodity's importance fell in Germany. Marine oil accounts for 9% of Belgian and Luxembourg consumption and represents approx. 15% of fats and oils imports.

Soya imports, which were almost non-existent in 1954, approx. quadrupled between 1955 and 1963; the rise in this product's consumption really began only in 1959. These imports cover 4% of total consumption and account for 9% of total imports. The following tables show however that oilcake consumption, which was already high in 1955, as in the Netherlands, increased more slowly than in the other countries.

Imports of tropical products from the A.A.S.M. constantly declined over the period. They accounted for respectively 27 and 38% of total imports and imports of tropical products in 1959 and only 17 and 25% in 1963 (see table No. 30). Palm-oil is the chief imported item

(1) The real incidence of the new tax on fats and oils remains, however, to be determined — cf. chapter I — Section II — 3.1.4.

Oilcake consumption and soya bean oil consumption in B.L.E.U

In '000 t
(1955 = 100)

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Oilcake consumption (all types) (1)	241 *(100)*	211 *(88)*	215 *(89)*	297 *(123)*	299 *(124)*	314 *(130)*	309 *(128)*	383 *(159)*	375 *(156)*
Soya bean oil consumption	4 *(100)*	2 *(50)*	3 *(75)*	5 *(125)*	11 *(275)*	20 *(500)*	13 *(325)*	17 *(425)*	16 *(400)*
Net imports of oilcakes (all types)	144	99	111	187	156	165	149	205	214
Share of imports in total oilcake consumption (in %)	60	47	52	63	52	52	48	53	57

(1) Vegetable Oils and Oilseeds, CEC, London 1964; Belgian consumption only.

Soya oilcake consumption in B.L.E.U

In '000 t
(in %)

	1959	1960	1961	1962	1963
Soya oilcake consumption	120	176	111	173	135
of which : produced by B.L.E.U.	*(45)*	*(58)*	*(58)*	*(50)*	*(51)*
Share in total consumption of oilcakes	*(40)*	*(56)*	*(36)*	*(45)*	*(36)*

(26% in 1959 and 19% in 1963 of A.A.S.M. palm-oil imported into the Community) (see table No. 31). In spite of this decrease, this outlet is fairly regular whereas palm-kernel imports from the A.A.S.M. are very fluctuating.

As in Germany and in the Netherlands, the Community regulation should bring about little change; groundnut consumption is, however, fairly important, so it is likely that this market will provide an outlet for part of the groundnut shipments from the A.A.S.M. when alignment of its prices upon world prices will have been achieved and the exported quantities will not be entirely taken by France.

TABLE 29

Net imports of tropical oils and oilseeds in B.L.E.U

In crude oil-equivalent

In '000 t
(1954 = 100)

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	29 *(100)*	32 *(110)*	31 *(106)*	36 *(123)*	38 *(131)*	39 *(136)*	29 *(100)*	28 *(94)*	34 *(114)*	32 *(110)*
Copra	18 *(100)*	18 *(100)*	23 *(124)*	31 *(166)*	17 *(92)*	10 *(54)*	21 *(115)*	27 *(146)*	22 *(120)*	26 *(143)*
Palm oil	39 *(100)*	36 *(93)*	34 *(88)*	32 *(83)*	34 *(88)*	37 *(97)*	34 *(88)*	34 *(88)*	27 *(70)*	31 *(79)*
Palm-kernels	13 *(100)*	14 *(107)*	13 *(100)*	8 *(57)*	14 *(107)*	14 *(107)*	11 *(80)*	13 *(100)*	17 *(126)*	11 *(80)*
Total	99 *(100)*	100 *(101)*	101 *(102)*	107 *(108)*	103 *(104)*	100 *(101)*	95 *(95)*	102 *(103)*	100 *(101)*	100 *(101)*

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnuts	29.4	32.0	30.8	34.0	37.2	39.4	30.4	27.3	33.7	31.9
Copra	18.5	18.2	22.7	28.7	16.5	9.7	22.5	26.5	22.3	26.3
Palm oil	38.7	35.7	33.8	30.2	32.6	36.7	35.9	33.8	27.2	30.4
Palm-kernels	13.4	14.1	12.7	7.1	13.7	14.2	11.2	12.4	16.8	11.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 30

Recent development of the AAMS's share in member country supply

In crude oil-equivalent

In '000 t
(in %)

	1959	1960	1961	1962	1963
Germany					
Total imports from the AAMS	60	57	54	58	56
Share in imports of tropical products	*(17.2)*	*(13.7)*	*(12.9)*	*(14.0)*	*(13.0)*
Share in total imports	*(6.5)*	*(5.5)*	*(5.4)*	*(6.0)*	*(5.5)*
France					
Total imports from the AAMS	351	336	336	355	352
Share in imports of tropical products	*(82.8)*	*(73.5)*	*(71.0)*	*(77.0)*	*(68.6)*
Share in total imports	*(74.5)*	*(61.5)*	*(68.6)*	*(70.3)*	*(66.2)*
Italy					
Total imports from the AAMS	24	31	24	23	26
Share in imports of tropical products	*(21.8)*	*(29.5)*	*(24.5)*	*(22.1)*	*(16.9)*
Share in total imports	*(5.9)*	*(5.5)*	*(5.3)*	*(4.6)*	*(4.3)*
Netherlands					
Total imports from the AAMS	36	32	37	31	36
Share in imports of tropical products	*(15.4)*	*(12.2)*	*(12.8)*	*(14.3)*	*(14.6)*
Share in total imports	*(9.7)*	*(7.7)*	*(8.7)*	*(10.3)*	*(9.9)*
B.L.E.U.					
Total imports from the AAMS	44	46	38	36	29
Share in imports of tropical products	*(37.9)*	*(41.8)*	*(33.0)*	*(30.8)*	*(24.6)*
Share in total imports	*(27.3)*	*(27.9)*	*(24.9)*	*(22.8)*	*(17.2)*

TABLE 31

Share of the different countries in Community imports from the AAMS

In crude oil-equivalent

In '000 t
(in %)

	1959	1960	1961	1962	1963
Groundnuts	288	261	272	283	280
Germany	— (—)	— (—)	3 (1.1)	— (—)	— (—)
France	281 (97.6)	256 (98.1)	263 (96.7)	283 (100.0)	279 (99.6)
Italy	4 (1.4)	1 (0.4)	1 (0.4)	— (—)	1 (0.4)
Netherlands	— (—)	— (—)	— (—)	— (—)	— (—)
B.L.E.U.	3 (1.0)	4 (1.5)	5 (1.8)	— (—)	— (—)
Palm-kernel	82	86	65	72	66
Germany	13 (15.9)	13 (15.1)	7 (10.8)	14 (19.4)	10 (15.2)
France	39 (47.6)	46 (53.5)	40 (61.5)	41 (56.9)	38 (57.6)
Italy	7 (8.5)	11 (12.8)	9 (13.8)	7 (9.7)	7 (10.6)
Netherlands	14 (17.1)	12 (14.0)	5 (7.7)	5 (7.0)	10 (15.2)
B.L.E.U.	9 (10.9)	4 (4.6)	4 (6.2)	5 (7.0)	1 (1.4)
Palm	148	152	148	144	149
Germany	47 (31.8)	44 (28.9)	44 (29.7)	44 (30.6)	46 (30.9)
France	27 (18.2)	31 (20.4)	29 (19.6)	27 (18.7)	31 (20.8)
Italy	13 (8.8)	19 (12.5)	14 (9.5)	16 (11.1)	18 (12.1)
Netherlands	22 (14.9)	20 (13.2)	32 (21.6)	26 (18.1)	26 (17.4)
B.L.E.U.	39 (26.3)	38 (25.0)	29 (19.6)	31 (21.5)	28 (18.8)

DIAGRAM No. 6

Evolution of net imports of tropical commodities by member-state

Thousand tons

Source: tables Nos. 25, 26, 27, 28, 29

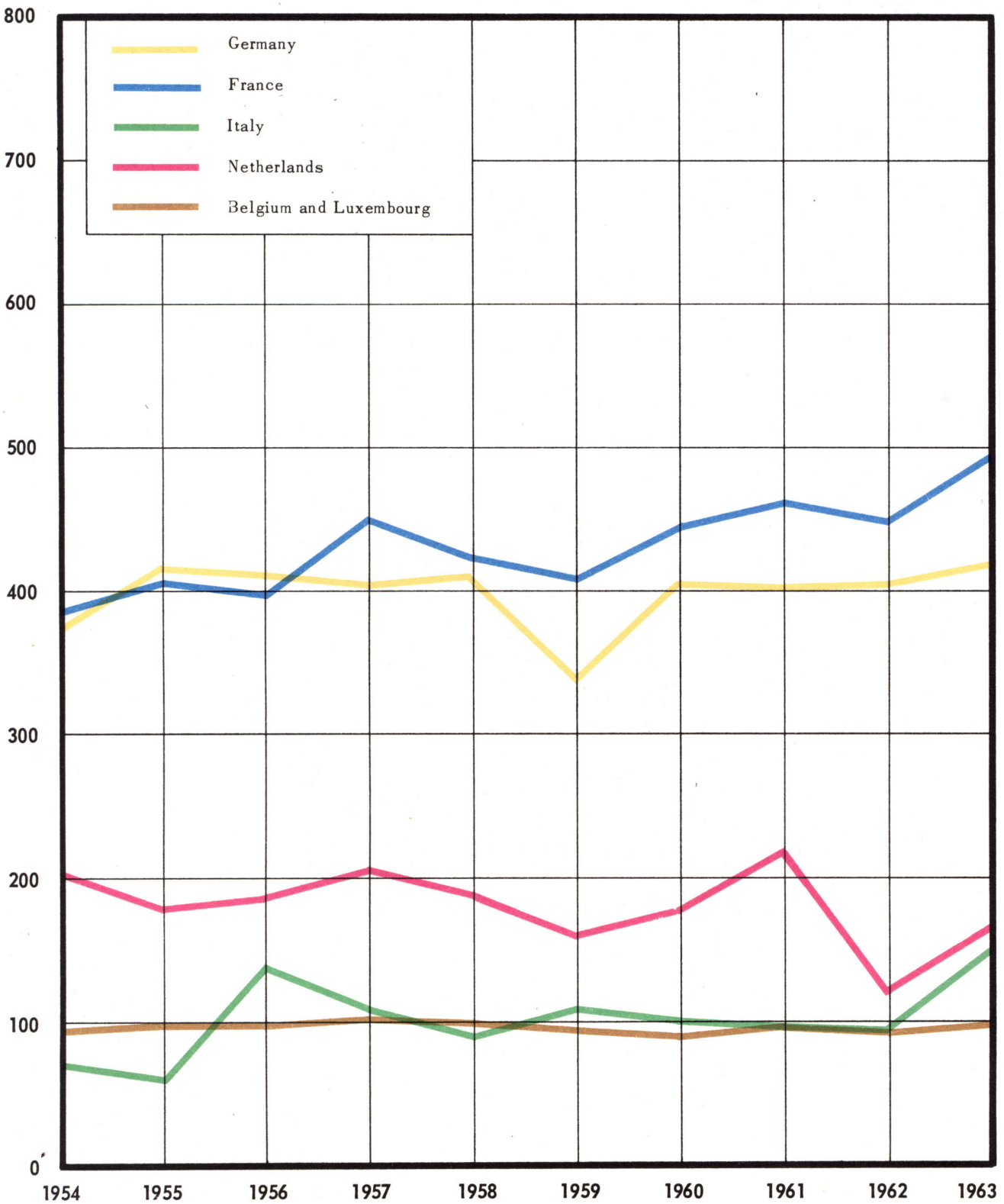


DIAGRAM No. 7

The A.A.S.M.'s share in tropical oil supply of the member-states

Source: table No. 30

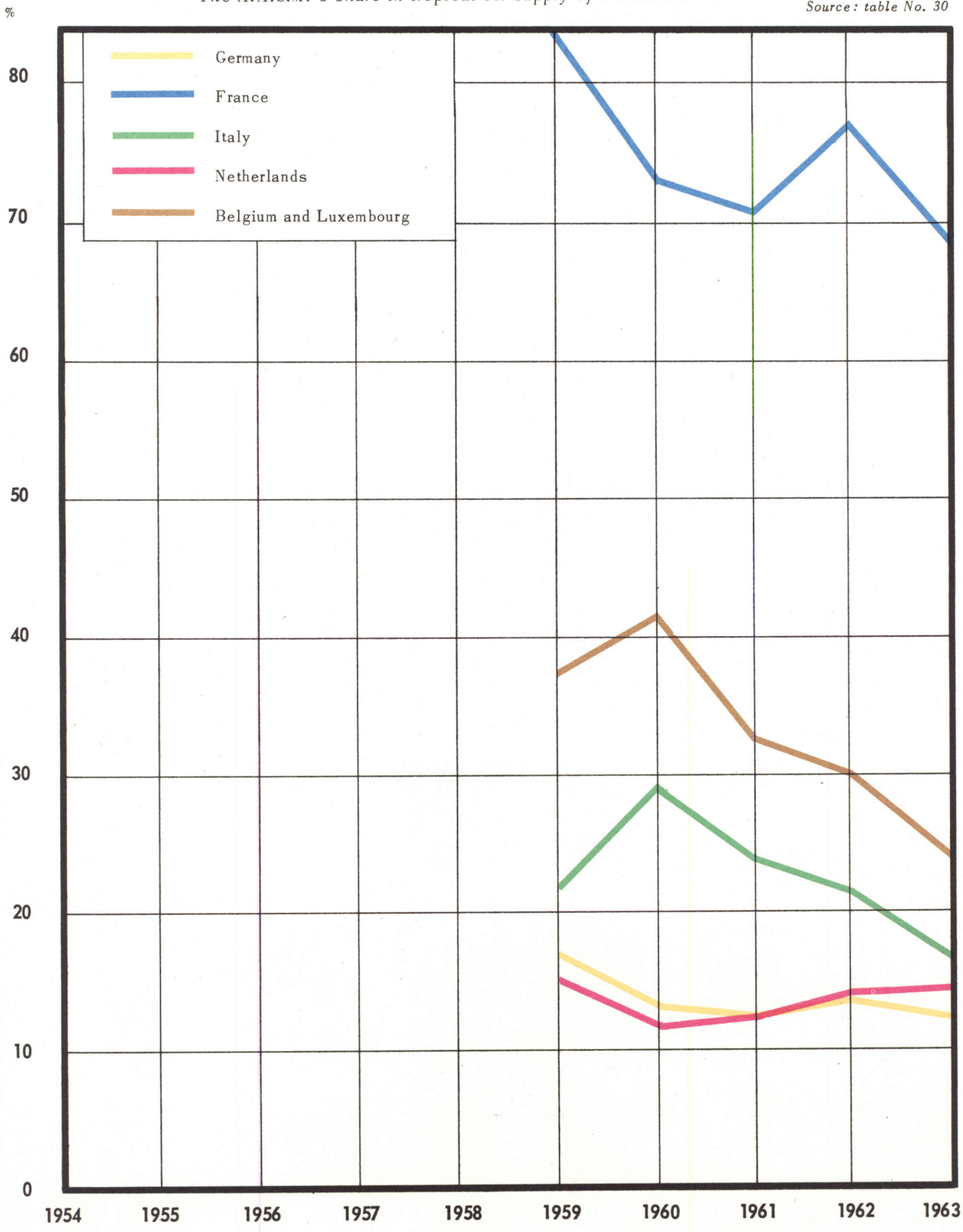


DIAGRAM No. 8

Evolution of net imports by member-country
Groundnuts

Thousand tons

Source : tables Nos. 25, 26, 27, 28, 29

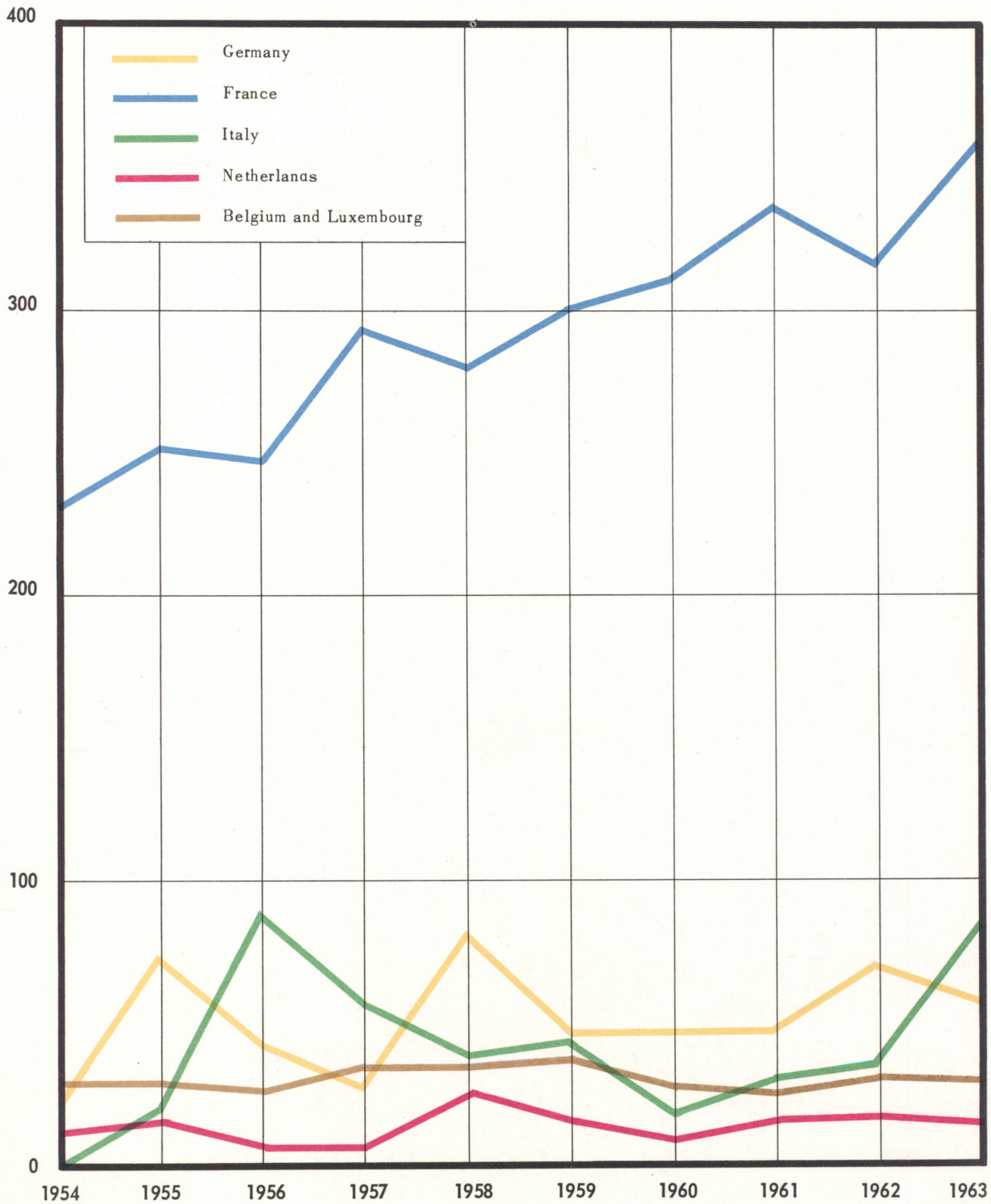
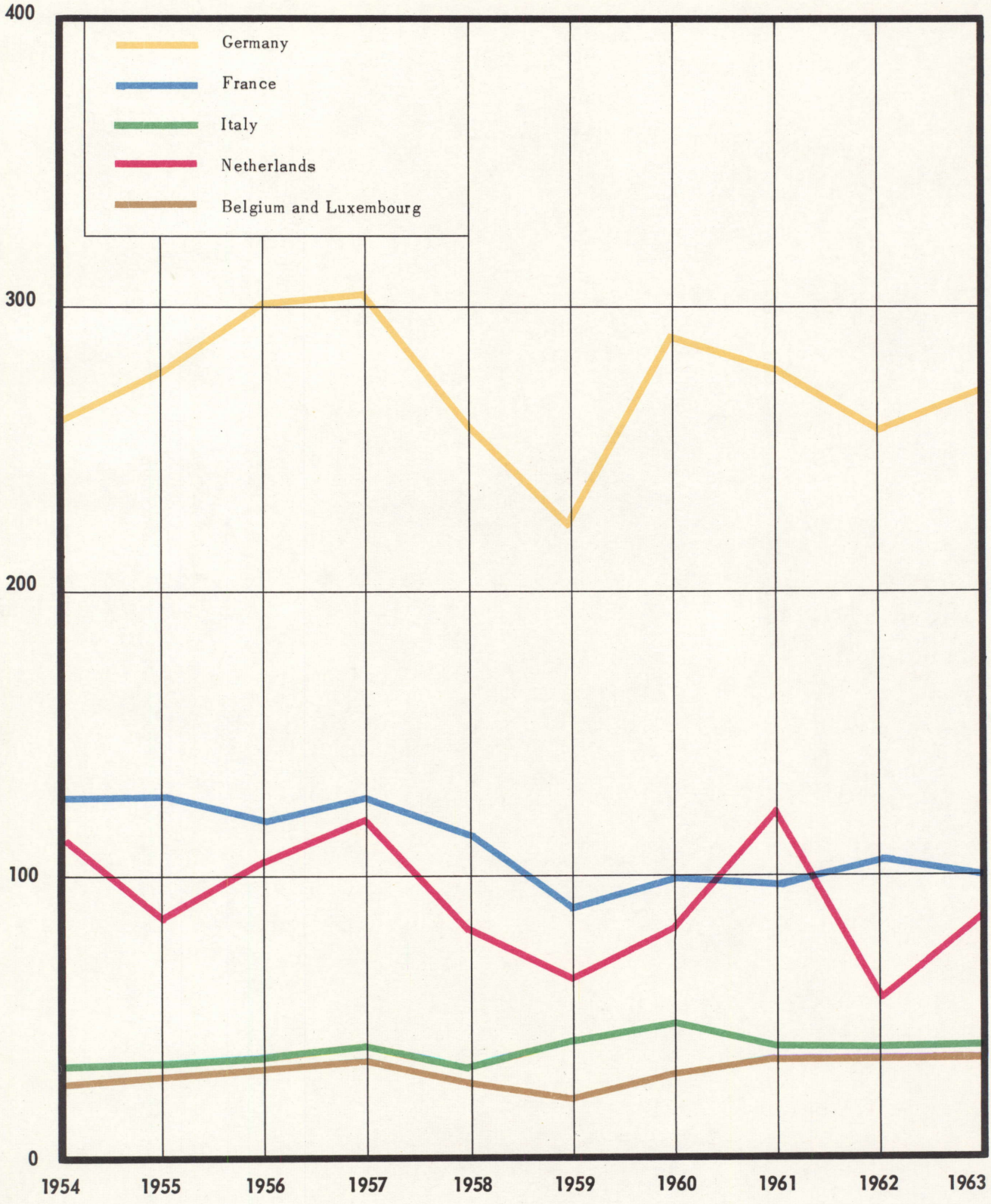


DIAGRAM No. 9

Evolution of net imports by member-country
Copra – palm kernels

Thousand tons

Source : tables Nos. 25, 26, 27, 28, 29



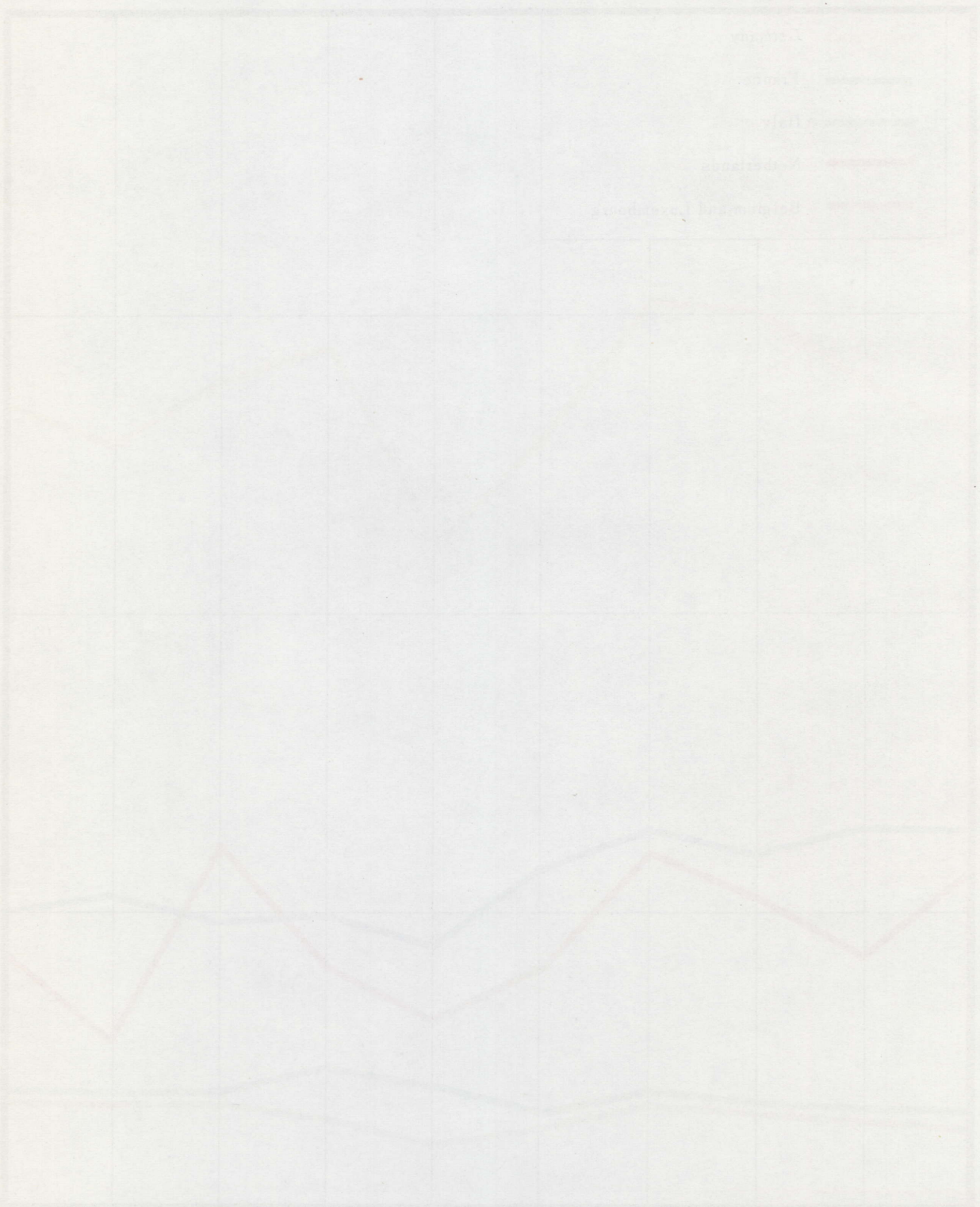


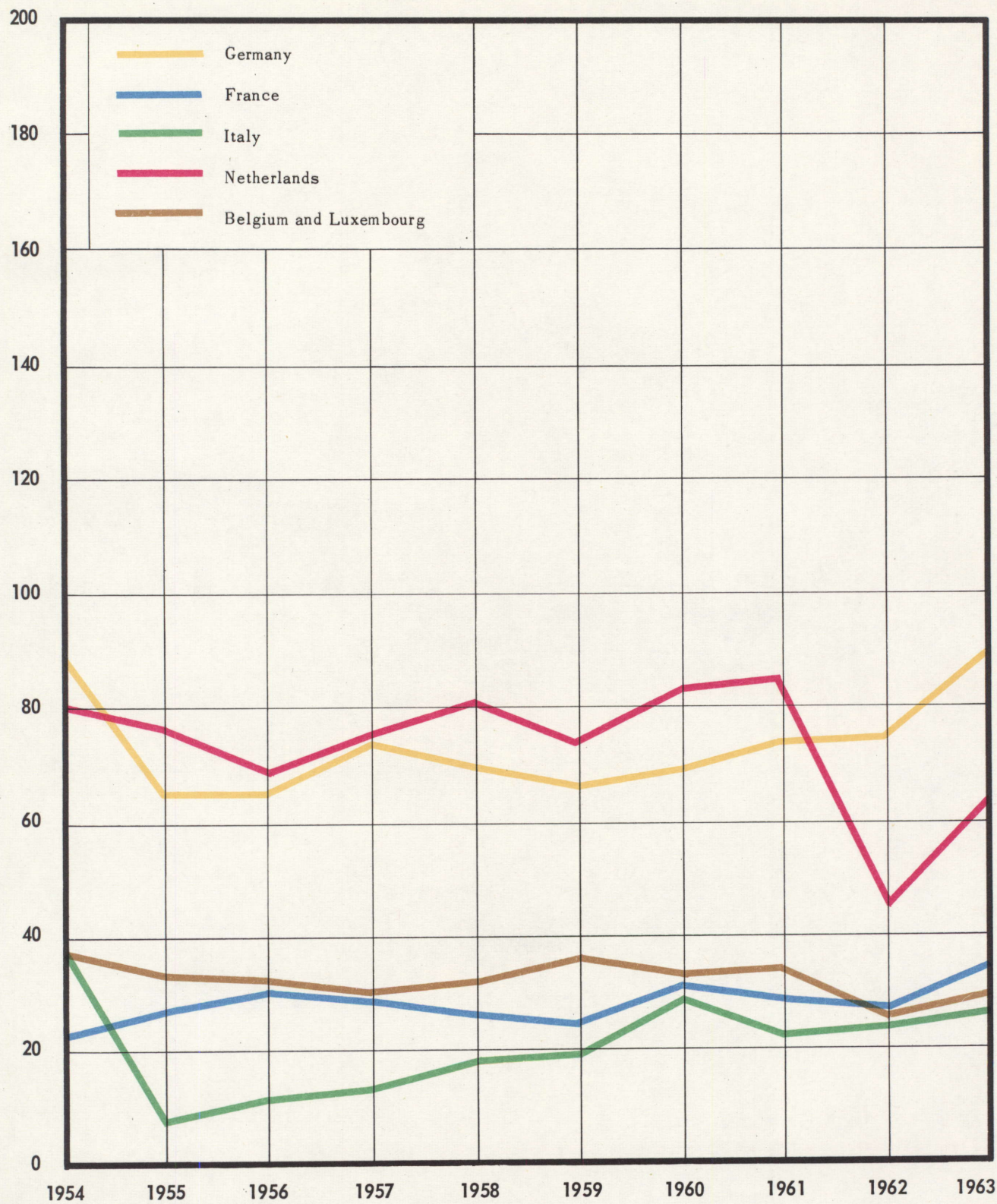
DIAGRAM No. 10

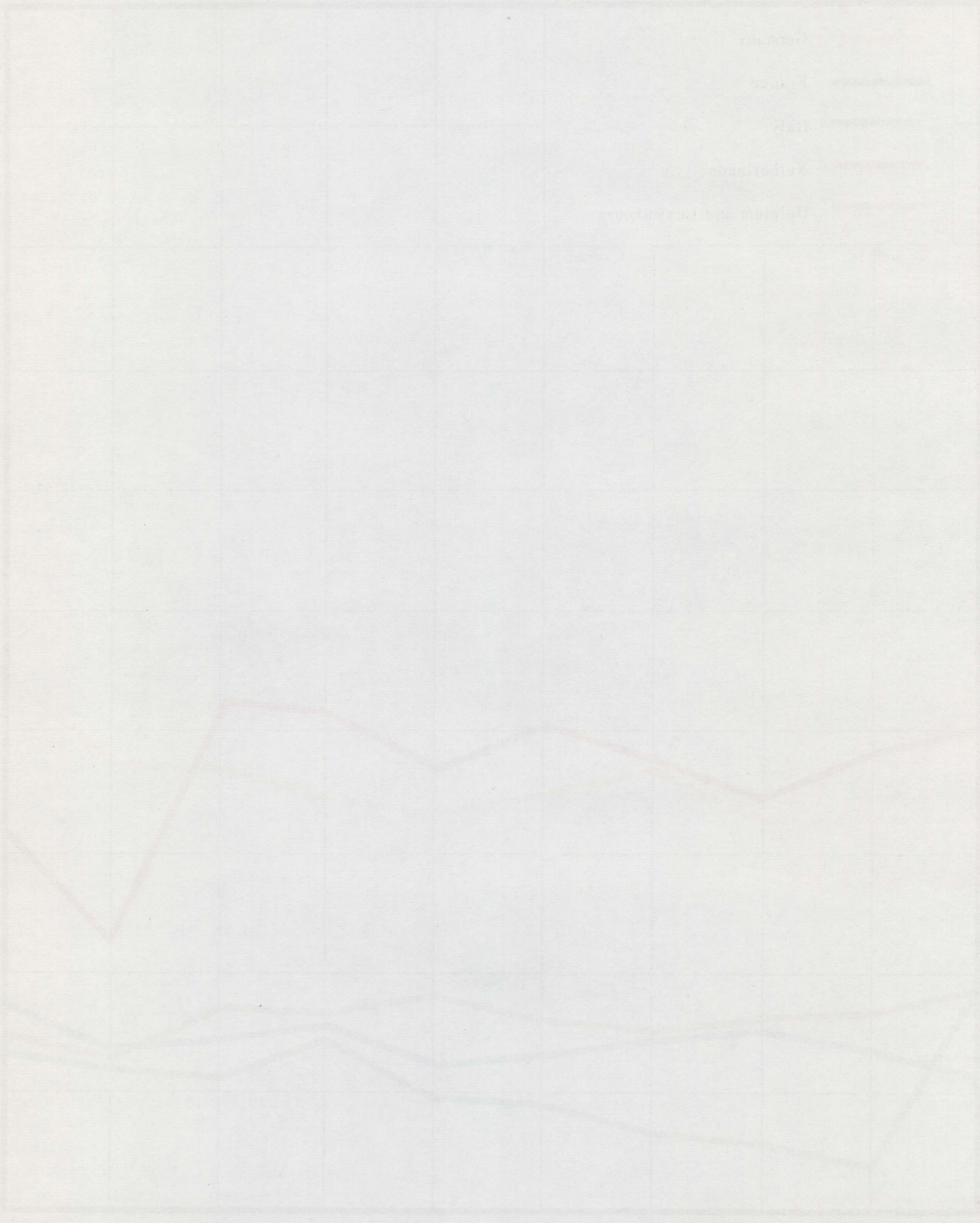
Evolution of net imports by member-country

Palm oil

Thousand tons

Source: tables Nos. 25, 26, 27, 28, 29





SECTION III

IMPORTS OF SEEDS AND IMPORTS OF OILS AND INFLUENCE OF PRICES AND CUSTOMS PROTECTION

We have seen that the protection of home productions, the expansion of commodities linked with meat production and the main principles of the commercial policies had a decisive influence on outlets for oils and oilseeds produced by the A.A.S.M.

In order to precise, at the import stage, the conditions under which this competition takes place it is necessary to discriminate between imports of seeds and those of oil and to analyse the broad lines of the trends in prices and the tariff systems' incidence.

1 – *IMPORTS OF SEEDS AND IMPORTS OF OIL*

The share of seed imports in the total imports of a commodity is interesting from three points of views:

– for exporting A.A.S.M. countries, the product's valorization varies according to whether they sell a raw material – seed – or a partly processed product – oil or oilcake;

– for the crushing industry of the importing country, an important part of its activity depends on imports of seeds;

– competition conditions an not necessarily the same for oil and for seeds, and artificial discrepancies can hamper exports of the A.A.S.M. and activity of European oil industry.

The pre-war period was marked by a very high proportion of imports of seeds, owing, as concerns tropical products, to the lack of industries in the countries of origin. Thus, in 1938, 95% of groundnuts and copra was imported as seed, and likewise 90% of linseed.

Transport problems during the war, promotion policies adopted in certain producing countries – Senegal in particular – altered this situation.

Table No. 32 shows that the post-war percentages of seed imports – which concern higher import quantities – are markedly lower. The difference is especially perceptible for groundnuts (63% as seed in 1954, 67% in 1963) and for linseed (37% in 1963). On the contrary, the seed proportion remains high for copra and palm-kernels (82 and 85% in 1963) and the growth of soya tends to increase the seed percentage for imports on the whole (95% in 1962 and 88% of soya imports in 1963 concerned beans). At present, soya accounts for nearly 50% of the Community crushers' activity.

The seed percentage for groundnuts did not decrease between 1954 and 1963 and even increased on the whole at the end of the period. Therefore the E.E.C.'s crushing industry with respect to imports did not deteriorate. The only commodities for which a decline is recorded are linseed and castor. The trend of the oil-seed ratios in Germany, Belgium and Luxembourg presents a particular interest since manufacturers in these countries are not protected in any way other than by customs duties, the lowest generally in the E.E.C. (Tables Nos. 33 and 34). Between 1954 and 1963, the share of seeds rose in Germany for all the commodity groups; the increase is particularly noticeable for soft edible oils because of the growth of soya imports and the decline in cottonseed imports which are nearly exclusively composed of oil. A favourable trend is also recorded in Belgium except for the hard oils in which copra imports have become more important.

The German and Belgian examples confirm therefore the general trend within the Community. As regards the future development of the outlets for tropical products, it must be outlined that the industrialization efforts of the exporting countries did not affect between 1954 and 1963 the activity of the Community's crushing industry and that soya imports are those which provide the greatest possibilities for the crushing industry and those which developed most.

TABLE 32

Share of imports as seed in the EEC

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	47.5	49.0	51.3	52.3	64.9	58.6	52.4	61.5	65.7	61.4
of which :										
— groundnuts	63.5	54.0	59.2	65.3	67.8	69.5	62.4	71.8	70.8	67.5
— soya	63.4	84.5	75.3	71.2	79.8	78.2	78.1	89.1	95.4	88.4
Hard oils	84.3	81.4	82.7	85.4	85.1	79.6	85.0	86.5	84.8	82.9
of which :										
— copra	80.8	76.8	79.7	85.4	84.5	79.7	81.3	83.7	84.1	81.6
— palm-kernels	90.3	90.4	89.5	85.5	86.1	79.6	92.4	92.9	86.2	85.4
Drying oils	41.2	46.7	53.7	54.6	49.8	45.9	42.7	41.0	41.4	41.2
of which :										
— linseed	37.6	43.1	52.3	54.0	49.2	43.5	39.2	41.6	37.9	37.2
— castor	83.2	86.4	71.1	63.3	56.4	69.1	60.8	41.9	54.7	52.7
Total	61.3	60.1	62.7	64.0	69.0	62.1	60.3	66.4	67.9	64.8

TABLE 33

Share of imports as seed in Germany

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	49.4	38.0	45.0	46.8	62.7	56.2	50.8	57.6	67.0	55.7
of which :										
— groundnuts	70.4	15.2	49.0	48.6	51.7	62.2	47.7	65.8	62.6	22.1
— soya	57.3	79.6	73.8	79.8	91.3	91.6	82.3	93.0	99.1	90.9
Hard oils	76.3	78.5	79.1	83.0	82.0	75.7	81.6	83.2	81.0	78.9
of which :										
— copra	73.3	76.6	78.3	84.9	84.9	76.9	80.2	76.7	81.9	78.9
— palm-kernels	81.9	84.7	82.1	73.8	74.6	73.8	84.7	84.9	78.8	78.9
Drying oils	9.3	10.4	11.9	12.6	13.0	12.0	14.3	14.2	16.4	19.8
of which :										
— linseed	2.1	2.3	3.3	3.3	2.5	2.7	3.3	4.4	51.2	9.7
— castor	80.0	88.9	81.8	83.3	76.9	83.6	85.6	80.6	79.3	75.7
Total	54.7	51.1	55.0	57.1	63.4	56.1	56.9	61.7	65.0	59.5

DIAGRAM No. 11

Share of imports as seed in the E.E.C.

Source: table No. 32

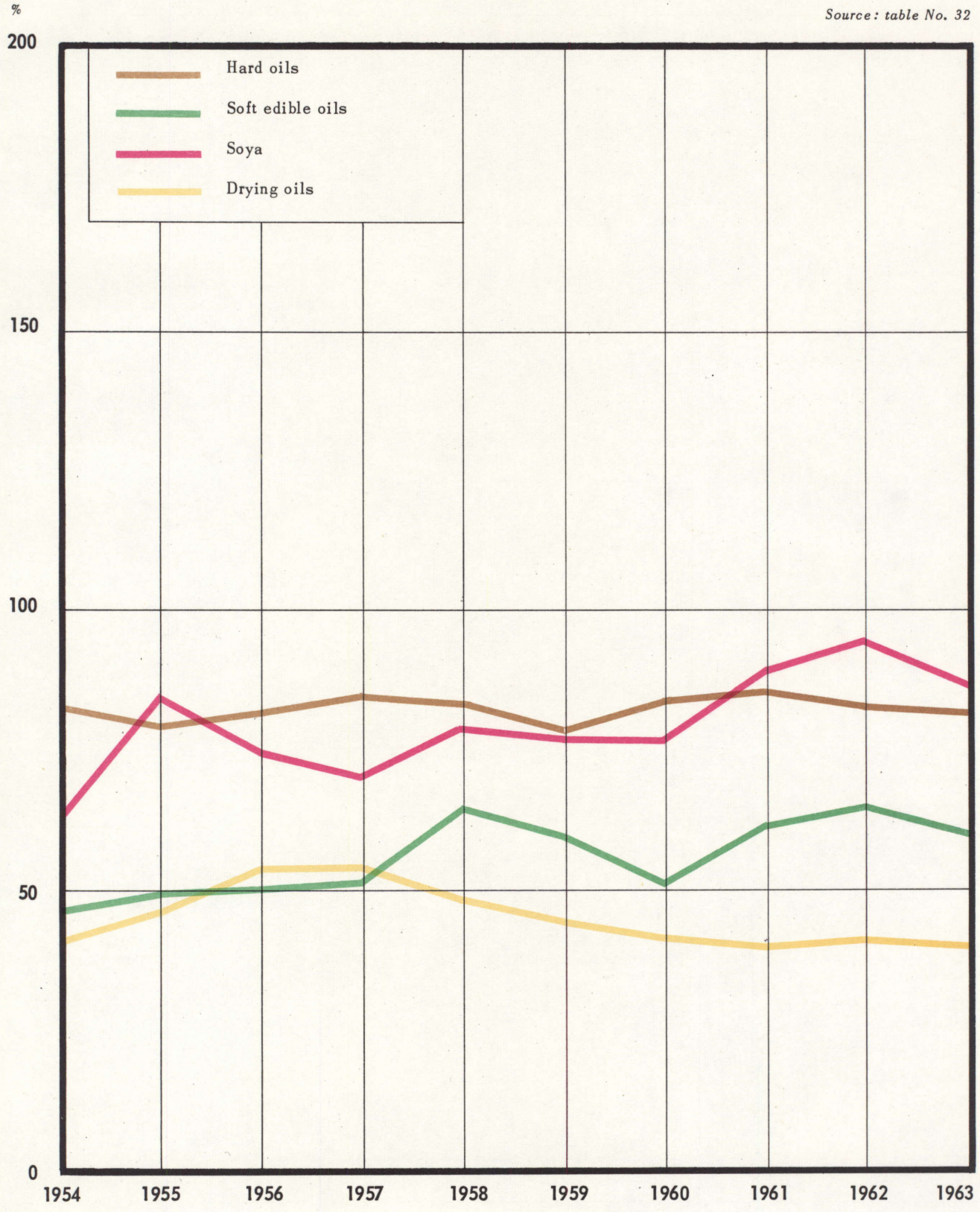


TABLE 34

Share of imports as seed in B.L.E.U.

In %

Commodity	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soft edible oils	40.3	12.7	44.6	45.4	58.1	65.6	45.2	79.0	80.0	70.0
of which :										
— groundnuts	49.1	8.9	39.1	43.4	59.3	65.6	32.6	88.1	84.9	74.2
— soya		85.2	98.5	96.7	89.0	86.7	84.0	90.2	94.4	91.7
Hard oils	88.4	72.9	78.9	82.5	74.4	77.9	87.6	84.2	75.8	67.1
of which :										
— copra	90.2	74.3	79.5	86.0	67.6	68.1	85.0	84.6	68.7	62.1
— palm-kernels	85.4	71.4	77.6	69.6	81.4	83.4	95.8	83.4	84.7	78.2
Drying oils	66.0	82.5	97.4	96.6	87.8	86.0	89.4	91.4	85.8	78.7
of which :										
— linseed	66.7	87.1	99.6	99.5	92.9	89.7	93.5	99.0	91.2	89.5
— castor										
Total	63.3	39.3	67.0	68.4	66.3	71.9	62.5	82.5	79.5	70.0

2 — *PRICES AND DISCREPANCIES*

Considering how the seed, oil and oilcake markets are strongly connected to one another, the tables shown below concern the trend in quotations of the main commodities examined in this study. A valorization coefficient [1] has been calculated for groundnuts, soya, copra and palm-kernels, which gives for the exporting country the additional value resulting from local crushing of the product and for the importing country's processing industry, the evolution of competition conditions on world markets.

This calculation is purely indicative and does not take into account internal factors of the industry or important external factors such as transport costs from European ports to the processing plants; it was established on the basis of the most representative world quotations for each market, but the origin of the seeds and of the oil is sometimes different; lastly, the quotations which served to establish the annual average figures were not weighted by the quantities traded, and the passing of time between seed prices and prices of oil extracted from these seeds is not taken into account either.

2.1 — GROUNDNUTS

The table below illustrates a fairly important decline of groundnut oil prices (- 14 % between the average for the first three years and the average for the last three years). 1956-1957 quotations may, however, have been influenced by the Suez crisis; those of 1964 and of the beginning of 1965 showed a marked recovery. The fall in seed prices and in those of oilcakes was about - 12.5 % and - 5 %. The valorization coefficient was stable.

According to the information derived from the E.E.C. industry, certain practices tend to disturb the groundnut market.

The most important one consists in a discriminating tax system for Argentine exports of groundnuts. In order to encourage local crushing, seed exports are liable to a duty amounting to 23.77 % of their F.O.B. value whereas the duty imposed on oil and on oilcakes is only 1.5 %.

(1) Valorization coefficient: $\frac{\alpha ph + (1 - \alpha) P_t}{P}$, where ph is the price of one unit of oil, P_t, price of one oilcake unit, P: price of one seed unit, and x = oil equivalence coefficient.

Trends in groundnut prices (1)

In $/t

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Seed	201	212	202	165	182	197	194	172	172
Oil	287	369	361	278	300	327	329	274	268
Oilcakes	112	109	97	87	101	99	93	102	106
Valorization coeff.	0.97	1.09	1.09	1.07	1.07	1.05	1.06	1.06	1.06

(1) *Source :* seed : Nigerian, cif European ports, FAO - Oil : Nigerian, cif European ports, FAO - Oilcakes : Public Ledger.

This system, which reduces or suppresses exports of seed, is supposed to enable the Argentine manufacturers to buy supplies at low prices on the home market; it lead to, in any case, for certain periods, an abnormally low-priced oil supply. These sales influenced unfavourably groundnut oil world quotations, the decline of which we have just seen.

Other practices are reported to distort competitives conditions:

— prohibition of seed and oleagineous fruit exports in India and the obligation of tying oilseed imports with oil exports,

— the reservation by the Marketing Boards of Nigeria of necessary quantities for the local industry and their sale at the year's lowest world price, without this demand being able to influence world quotations: the quantities purchased by Nigerian crushers do not entail a supplementary demand on world markets.

In the same way, the price guaranteed by France to the former colonies was considered as restricting the other European countries' possibilities of supply, in particular as regards Senegalese groundnuts; this will cease to exist when the Common regulation comes into force.

2.2 — SOYA

The fall in soya bean oil prices (22% between the 1955/56/57 average and the 1961/62/63 average) forms a contrast with the steady level maintained by beans (- 3% only) and the rise in oilcake prices (+ 9%).

These facts show, even better than in the case of groundnuts, that the growth in oilcake demand accounts for the oilseed market's keeping firm but they also reflect the special conditions which are inherent in the soya market.

Nearly the total amount of soya imports proceeds form the United States. In pursuance of an organization which provides for American producers price-guarantees for unlimited quantities, the Commodity Credit Corporation which finances stock-building, takes all or part of the beans either for its disposal on world markets or for crushing by the home industry. In the last case, C.C.C. sells the beans to seed crushers

Trends in soya prices (1)

In $/t

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Soya beans	111	114	104	97	93	92	109	100	110
Soya bean oil	294	339	306	256	231	224	287	227	224
Oilcakes	103	99	90	94	94	90	100	106	112
Valorization coeff.	1.22	1.23	1.22	1.25	1.26	1.23	1.21	1.27	1.19

(1) *Source :* soya beans - soya bean oil : United States, cif European ports, FAO - Monthly statistical report. For oil in 1958 : estimate of the FAO's Fats and Oils Division - Oilcakes : Public Ledger.

and buys the oil obtained by them on terms which ensure unceasing and profitable work for American crushers. Bean and oil surpluses are disposed of under Public Law 480 (1) as donations, loans or for foreign currencies. In 1963, approx. 54% of American oils and oilseed exports were carried out in this way on unconventional terms. As regards soya bean oil, this policy lead to the suppression, in certain countries benefiting by this aid, of the outlets for oils produced in Europe or in the A.A.S.M. and gave rise to re-exports at prices below world quotations.

Oilcake exports from the United States experience a sharp increase (see beginning of this chapter); surplus-piling of oil for export on unconventional terms tends to accelerate. Let us add that the American customs protection prevents African products from being imported.

The public intervention system currently in force in the United States results therefore in the accumulation of surplus stocks and the decline of oil world prices while ensuring a certain stability for bean prices. This situation is prejudicial to the Community's industry and alters competition conditions with A.A.S.M. products, groundnuts in particular. The sales of American surpluses to the E.E.C. and the European agriculture's need for oilcakes at low prices are very important problems with respect to future outlets for tropical oil and oilseeds in the Community.

(1) U.S. Agricultural Trade Development and Assistance Act. 1954.

2.3 – HARD OILS

Hard oils quotations showed in 1954 and at the beginning of 1955 a sharp rise which reminds that of 1958 and 1959, when there was a shortage of copra. However, the following table shows that between 1955 and 1963, quotations tend to fall but less than soft oils quotations.

The decline did not affect copra palm-kernel oilcakes and the most important fall concerns palm-oil (- 7% between the first three year average and the last three year average) and palm-kernel (- 6%). Valorization is stable on the whole.

3 – *THE CUSTOMS TARIFFS IN THE E.E.C.*

3.1 – SEED AND OILCAKES

The Common regulation's application will involve elimination of customs duties on oilseeds and oilcakes, both inside the Community and

Trends in hard oil prices (1)

In $/t

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Coconut palm product									
Copra	189	177	172	203	251	202	165	165	184
Coconut oil	256	265	274	316	383	312	254	249	284
Oilcakes	85	87	76	72	94	87	71	94	92
Valorization coefficient	1.09	1.15	1.16	1.14	1.12	1.15	1.15	1.18	1.18
Palm-kernel									
Palm-kernels	141	144	142	156	194	169	136	136	152
Palm-kernel oil	254	260	257	286	343	305	236	228	261
Oilcakes	75	79	69	68	89	77	70	88	94
Valorization coefficient	1.14	1.15	1.12	1.10	1.09	1.10	1.10	1.14	1.13
Palm									
Palm oil	225	248	247	224	238	224	227	214	227

(1) *Source :* coconut palm products : copra : Philippines, FAO. Coconut oil : 1955, Ceylon, private industry; 1953-63, Ceylon, Coconut situation, FAO. Oilcakes : Public Ledger. Palm-kernels : Nigerian, FAO; oil : Congo D.R., FAO 1963, Vegetable oils; oilcakes : Expeller cif North Sea, Die Weltmärkte wichtiger Nahrungsmittel - Food, Agriculture and Forest Department, Bonn. Palm oil : Dem. Rep. Congo, FAO.

with outside countries(1). In this respect, the new regulation will introduce little change in comparison with the national tariffs as applied on 1st January 1965. At that time, there only remained:

— a 3% duty on copra and palm-kernels, a 3.2% duty on castor seed and linseed in France,

— a 3.2% duty on groundnuts and a 2% duty on linseed in Italy.

Only Italy levies on oilcake imports a duty which may reach 4% for outside countries; the European industry will therefore remain unprotected in this respect.

The system will be extremely liberal as compared with those in force in Great Britain and the United States. In particular, a 5% duty is levied on soya imports and a 10% duty on tropical oilseeds and oilcakes in Great Britain; in the United States, groundnut imports are restricted by quotas (850 tons per annum, shelled basis) and liable to a prohibitive 45% duty for unshelled groundnuts and 70% duty for shelled groundnuts. Duties are approx. 40% on soya, 20% on sunflower and 7% on oilcakes.

3.2 – OILS

Duties between member-countries will be abolished progressively and alignment of the tariff for third countries upon the Common external tariff will be carried out according to the rate laid down in the Treaty; the A.A.S.M. will benefit by the elimination of the internal duties in the same way than the Member States themselves.

(1) Except for olives for the preserving industry.

The common external duties are as follows:

— oils for technical purposes:	
• crude	
palm	4%
others	5%
• others	8%
— oils for edible purposes:	
• olive	
virgin	17%
other	20%
• palm	
crude	9%
other	14%
• not specified	
crude	10%
other	15%

The comparison with the national duties on imports from outside countries (see table here after) shows that this single tariff will take the place of a wide range of national rates.

On the whole, the common tariff is nearer to French and Italian duties than to those of the Benelux; it is not unfavourable to A.A.S.M. and Community crushers which benefit by the same protection, not to mention the measures which may become necessary in the case of the abnormal disturbances reported in the previous paragraph. The gradual suppression of duties between member states should stimulate intra-community trade.

The new tariff for oils is very liberal compared with those in force in Great Britain and especially in the United States. In particular, duties on crude groundnut, coconut, rapeseed, sunflower and soya bean oil in Great Britain are 15%, against 10% in the E.E.C.; in the U.S. duties are prohibitive and amount to:

— approx. 45% for soya bean oil

— 25% for groundnut oil

— 20% for cottonseed oil

APPENDIX

Table summarizing the duties on fats and oils - Rates of duty applied as at 1 january 1966

In %

	Germany		France		Italy		Benelux	
	Member countries	Other countries	Member countries	Other countries	Member countries	Other countries	Member countries	Other countries
12.01 - *Oilseeds and oleagineous fruit, whole or broken*								
a) groundnuts	0	0	0	0	0 - 3.2	0 - 3.2	0	0
b) copra	0	0	3.0	3.0	0	0	0	0
c) palm (nuts and kernel)	0	0	3.0	3.0	0	0	0	0
d) soya	0	0	0	0	0	0	0	0
e) castor	0	0	3.2	3.2	0 - 2.0	0 - 2.0	0	0
f) linseed	0	0	0 - 3.2	0 - 3.2	0	0	0	0
g) other	0	0	0 - 4.0	0 - 4.0	0 - 2.0	0 - 2.0	0	0
15.07 - *Fixed vegetable oils, soft or hard, crude, purified or refined for the food industry*								
a) of olive (in containers of a net capacity of at least 20 kg or more)								
— virgin	2.4	13.0	7.2	17.0	0 - 8.0	10.2 - 17.0	2.0	12.2
— other	2.4	14.8	7.2	20.0	0 - 8.0	12.0 - 20.0	2.0 - 4.0	14.0 - 16.0
b) palm								
— crude	2.0	7.4	0	9.0	0	5.4	0	5.4
— other	3.5	12.4	0	14.0	0 - 4.8	8.4 - 14.0	4.0	12.4
c) not specified hard soft								
— crude	2.0 - 3.5	8.4 - 10.0	0 - 6.3	6.0 - 13.2	0 - 10.0	6.0 - 14.8	1.7 - 2.0	8.0
— other	3.5 - 4.2	13.0 - 13.8	6.3	16.2	0 - 10.0	9.0 - 17.8	3.5 - 4.0	13.0
15.12 - *Vegetable oils and fats, hydrogenated or even refined but not* prepared (in immediate containers of a net capacity of at least 1 kg, or more)	2.4 - 5.2	16.0 - 17.0	0	10.2	2.0 - 8.4	12.2 - 17.8	4.0	14.2
23.04 - *Oilcakes, olive cakes and other* residues proceeding from vegetable oil extraction except for lees.	0	0	0	0	0 - 3.5	0 - 4.0	0	0

From : EEC.

Conclusion of the First Part

The study of the E.E.C's oil and oilseed supplies illustrates a double contrast:

— the stationary level of imports of tropical commodities and the rise in consumption of products connected with meat production, i.e. soya, tallow, lard,

— the favourable trend experienced by tropical oils and oilseeds on " closed " markets (France, Italy) and their decline on " open " markets.

In this context, what are the prospects for oils and oilseeds from the A.A.S.M. and how can their outlets be safeguarded ?

1 — *PROSPECTS*

In the next years, the fact that the factors which enabled soya purchases to grow will be unchanged and that the " open " economy system will be extended to the Community as a whole will increase the vulnerable position of outlets for tropical countries. Nevertheless, prospects are slightly different regarding products from the A.A.S.M.

The Common Market puts an end to the preferential market of the franc area which enabled the A.A.S.M. to sell to France three quarters of their exports for the Community; but the consequences of the new system must be examined on the basis of an enlarged market totalling 180 million consumers. The prospects differ according to the product concerned: groundnuts and palm-oil provide two extreme cases.

Outlets for A.A.S.M. palm-oil should experience a favourable trend; the A.A.S.M's industry which meets no competition from the European crushing industry, is the only one to benefit by the 9% duty of the Common external tariff; this should give it a decisive advantage over suppliers of outside countries (share of these supplies was about equal to that of the A.A.S.M. in Community supplies in 1963). The countries which should chiefly benefit by this are the D.R. Congo (Kinshasa) and to a lesser extent, the Ivory Coast (1).

Groundnuts from the A.A.S.M. will experience strong competition from other oils and oilseeds on the French market — which took nearly the total amount of exports. The reduction in groundnut prices, however, due to the abolishment of support prices paid to the A.A.S.M. of the franc zone, the existing favourable consumption traditions, the ties between French and Senegalese firms which will continue to exist should limit the decrease in consumption. The loss of French outlets can be offset by sales to other E.E.C. countries which up to now purchased supplies only from outside countries (1), providing that special measures are taken in case certain countries should introduce discrepancies between seed, oil and oilcake prices.

The groundnut oilcake market of the A.A.S.M. should not be disturbed since it was already unprotected in the previous system. The growth of demand will facilitate these products' marketing, all the more since groundnut cakes have a protein value equal to that of soya cakes, and that their use is recommended for cattle feeding, in particular as regards cattle for meat production. However, competition on this market is very high and although world quotations did not show any declining trend, it seemed that only the countries which have an easy access to the sea, like Senegal, will be able to turn the European outlet to the best account.

As concerns sales of oil, we saw that the A.A.S.M.'s crushing industry will benefit by the same protection as that of the E.E.C.'s industry; the A.A.S.M. however, are not in such a good position as European manufacturers for the disposal of by-products since there is no important local demand and they can hardly change their source of supply when supply conditions for seed alter (2). However the important commercial ties which exist should help to maintain at least current trade levels.

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(1) Nigeria's association could reduce these possibilities.
(2) "Oléagineux" No. 208 — Paris 1965 — Outlets for products of the A.A.S.M's oil and oilseed processing industry by P. Broche.

The most unfavourable prospects concern exports of seeds owing to competition from soya beans with which more oilcakes can be produced and to the falling trend in seed prices, a fact which is connected with the former.

On the whole the volume of groundnut exports can be expected to be maintained — providing competition is normal — but a reduction in the proceeds of these exports following alignment of sale prices upon world quotations can also be expected.

The possible disturbance of the tropical oils and oilseeds market leads the Community to provide for compensating measures for the A.A.S.M. It implies the establishment of a promotion policy for tropical oils and oilseeds in the E.E.C. It means particular attention will have to be given to the common regulation's application, to the fight against discrepancy between seeds, oils and oilcakes prices, and to the future negociations concerning world trade.

2 — *THE SPECIAL MEASURES APPLICABLE TO A.A.S.M. OILS AND OILSEEDS*

The Convention signed at Yaoundé states that the tropical commodities from the A.A.S.M. will be sold at world prices; considering the trend in tropical oil and oilseed quotations (1) several types of disturbances — which do not exclude one another — may arise:

— a fall in sales, competition from other countries becoming stronger,

— a financial loss for the commodities which previously benefited by a support price above world prices,

— a loss due to the declining trend in world quotations.

The common regulation proposals first establish a safeguard clause under which if exports of oilseed from the A.A.S.M. imported into the Community experience " serious disturbances ", the Council will apply special measures in order to ensure for them a certain privileged position.

Apart from this border-line case, the regulation states that the Community will bear part of the loss for the A.A.S.M. arising from the low level of world prices; the methods of calculating the amount the Community will bear are established so as not to lead to the encouraging of surplus productions, dumping practices or a diversion of trade at the third countries' expense.

The arrangements are as follows:

— annual establishment of a reference price for groundnuts, copra, palm-kernels and palm-oil, taking into account:
- world prices for the last three years,
- the current market position for the commodities concerned and the trend of production in the A.A.S.M. and A.O.T.;

— establishment of a degressive scale of the rates under which the Community bears the difference between the reference price and the world price, taking into account the average quantities originating from the A.A.S.M. (and A.O.T.) and imported into the Community during the last three years. The financing of this policy has already been examined (2).

Thus, instead of a preferential market and guarantee system applying to the Franc zone, a regulation which enables to offset, for the duration of the Convention of Association, the financial losses incurred by the A.A.S.M. owing to the application of the common regulation for fats and oils, has been established.

3 — *THE PROMOTION OF TROPICAL OILS AND OILSEEDS*

The study of the trend of outlets in the member-states showed it was necessary to establish and apply a promotion policy for tropical oils and oilseeds in the Community, in order to maintain the existing favourable opinion concerning certain tropical commodities and to gain new outlets where up to now particular circumstances restricted their utilization. This promotion action can concern either the final consumers or the oilseed processing industries.

Promotion action with regard to processing industries consists chiefly in emphasizing the good quality of the products proposed by the A.A.S.M. The quality depends on the efforts made by producing countries, but the good quality of Senegalese groundnuts, for example — in particular its high oil content — should

(1) Cf. Chapter II — Section III — 2.

(2) See Part One, Chapter I, Section II, 3.3.

already secure it a ready market in the countries which were unable to purchase this item because of preferential supplies in the franc area.

Likewise, the nutritive value of groundnut cakes as regards milk-cows feeding and that of cattle for slaughter should be stressed.

But the promotion action is especially urgent and may be more efficient with consumers of manufactured products. Generally speaking, the favourable prejudice due to the vegetable oils' dietetic qualities must be maintained and likewise, the good quality reputation of soaps containing tropical oils.

As regards the French market, we saw that the housewife's attachment for groundnut oil as a good quality table oil is for the producing-countries an asset which must be preserved. This attachment — apart from the product's intrinsic qualities — results from important advertizing campaigns carried out by the French oilseeds crushing industry. Now cereal oils are proposed as dietetic products, this favourable prejudice may disappear if the advertisements cease to underline the good quality feature of groundnut oil. Considering the consumer's changing opinions as concerns foodstuffs, priority must be given to sales promotion.

Likewise, the German consumer's preference for good-quality margarine requiring certain characteristics (unctuousness, melting capacity) should be encouraged insofar as these blends can only be obtained by using coconut oil and palm-kernel oil.

Besides these actions of defence, it seems that, subject to careful studies of consumption traditions, certain outlets which are now limited could develop progressively, e.g. the Italian margarine market could develop as the European nations' ways of life become alike, and although it would be difficult to achieve, table oil consumption in Germany could be increased so that greater quantities of groundnut oil could be disposed of.

Attention must be drawn to the advertizing effort undertaken by suppliers of rival commodities. In particular, the campaigns for soya which are at present particularly significant and supported by widespread technical information adapted to the needs of each type of customer.

Considering the market is subject to an ever-increasing competition, the choice of a promotion policy and its implementation as regards tropical oils and oilseeds is of the highest importance, as witnessed by the success of certain collective propaganda concerning other agricultural products.

PART TWO

TROPICAL OILS AND FATS: THE COMPETITIVE CONTEXT

In Part One of this report, we were concerned to give an account of the market trends in respect of the oils and fats produced by the E.E.C. Associated countries in Africa and Madagascar and by their competitors, and to describe the main factors underlying these trends — the increase in the consumption of raw materials, the structure of European manufacturing, new developments in meat marketing, the economic policies of the Six and their adoption of common regulations for trade in oils and fats.

Part Two attempts to set out the present position with regard to competition between tropical oils and fats and rival products, and to assess the changes which would be brought about in that position by a gradual unification of the markets of the Six.

This stage involves consideration of three kinds of factor, as follows:

1. trends in the type and level of activity, in the sales outlets and in the structure of the manufacturing industries on which tropical oils and fats rely;

2. the factors governing the choice of products entering into the composition of the main end-products, particularly margarines and soaps;

3. consumption levels and consumer attitudes in the E.E.C. countries.

The above classification has been adopted merely in the interests of clarity of presentation, and should not be allowed to mask the fact that these three sets of considerations are, in reality, closely bound up with each other: for instance, although the structure of the manufacturing industry in Europe may be a factor influencing competition between end-products or buying policies for raw materials, this structure is itself the current expression of a system which has adapted itself over the years to meeting the particular requirements of the separate markets in the six Member countries.

Let it be noted, furthermore, that we are here treading on ground where official statistics lie only sparsely and are rarely comparable between each other: in addition, certain items of information in the possession of private firms were sometimes hard to obtain and even harder to check. In consequence, the figures quoted in the following pages are no more than rough approximations, and we would value the reader's comments with regard to any discrepancies which may be detected.

Chapter I

Activities and structure of the processing industries

Tropical oils and fats are employed both as food products and in certain technical sectors. Their main uses are as follows:

— food industries:

- for household cooking purposes, or as salad oil,
- in the form of margarine, vegetable lard and other processed cooking fats,
- as raw materials for other food-processing industries, especially canning and preserves and confectionery,
- in animal feedingstuffs;

— other industries:

- soaps and detergents,
- paints, varnishes and resins,
- miscellaneous.

Three types of industry are mainly concerned with the processing of tropical oils and fats:

— the edible oils industry, which covers trituration, refining and hydrogenation and is a supplier to other processing sectors,

— margarine manufacturing,

— soap-making.

This breakdown into three industrial branches is no more than a very rough representation of the actual pattern of the European industries concerned, since the various stages of processing may be more or less integrated and shared out in different ways. For example, some oil factories specialise in seed crushing, extraction or refining, whereas others cover the full range of primary processes, and some margarine manufacturers refine and hydrogenate their oil on their own account: accordingly, each firm is classified according to its main type of activity.

In 1962-1963, the above industries employed roughly 100 000 workers, according to the following approximate pattern:

— edible oils industry, 27 %

— margarine industry, 21 %

— soaps and detergents industry, 52 %

— Germany, 28 %

— France, 18 %

— Italy, 36 %

— Netherlands, 9 %

— B.L.E.U., 9 %

The respective positions of the three branches vary considerably from one country to another: margarine making is a prominent example of this, being a highly developed sector in Germany and the Netherlands but existing only on a much more modest scale in France and Italy.

Each of the three sectors will be considered separately for each country, but even at this early stage there are certain overall features which may be recorded:

— the national markets are largely self-contained. This is partly due to differences in supply lines (see Part One), but can also be attributed to certain obstacles to trade in finished products: Custom restrictions, lack of harmonisation of regulations governing the composition and presentation of products, and diversified consumer habits;

— horizontal and vertical integration arrangements play a prominent role in the oils and fats industry. One of the features of the market is the

simultaneous presence of a large number of small and medium-sized undertakings together with extremely large ones which, in some countries and in some branches, lead to a virtual monopoly or oligopoly. It will be seen that the present pattern of production is to a great extent a reflection of the features displayed by each separate market.

Certain firms have an outstanding position in the markets investigated. On the one hand, their activities and structure have a very marked international aspect which is not confined to the six E.E.C. countries: on the other hand, they have the economic characteristics of the "multifirm", with interests which extend not only to several sectors of the oils and fats industry but are also spreading increasingly into other branches of production. Finally, these firms possess, each in its own right, a very large share in the edible oils, margarine or soap market. Three of the groups which answer to this description are Unilever, Procter and Gamble, and Colgate-Palmolive.

The Unilever Group recorded, for 1964, a total turnover of about 6 000 million dollars including 4 700 million dollars on account of third party sales. At the same date, the group employed 300 000 workers, of which 15 000 in the Netherlands. Group activities were based for 64% on Europe, 14% on Africa, 15% on America and 8% spread over the rest of the World. It maintains production plant in all the E.E.C. countries with the exception of Luxembourg.

The following breakdown of turnover (after deduction of oils and fats sales primarily intended for use as raw materials within the group) illustrates the fact that activities other than margarine and soap making are tending to become increasingly important, especially under the headings of miscellaneous food products and detergents.

Breakdown of Unilever trading activities by products

	1955	1964
Margarine and edible fats	22%	19%
Miscellaneous food products (frozen foods, meat, fish, ice-cream, soups etc.)	12%	21%
Detergents	20%	23%
Toilet goods	2%	3%
Animal feedingstuffs, petfoods	12%	11%
Chemical products, paper, etc. (petro-chemicals, plastics, packaging)	6%	9%
Tropical products	9%	2%
Services (including transportation)	2%	2%
Totals	100%	100%

In addition to being the largest World buyer of raw oils and fats, the group is also a producer: as of 1963, it possessed 89 000 ha of plantations, mainly producing palmoil and palmkernels.

Within the Community countries, the group plays a leading part in each of the edible oils, soap- and margarine-making sectors, being most firmly entrenched in the margarine market.

The Procter and Gamble group's turnover for 1963/64 was 1913 million dollars. The group's interests extend to soap-making, detergents, vegetable oils, fats — especially shortenings — and processed foods. It is one of the leaders in U.S. business of this type, and also owns production plant in 11 other countries including France and Belgium, and has subsidiaries in Germany, France, Italy and Belgium. The group is particularly prominent on the soaps and detergents markets in Germany, France, Italy and B.L.E.U., where it not only sells its own products but also markets soaps produced by local firms of manufacturers.

The Colgate-Palmolive Group recorded for 1963 a consolidated turnover of 722 million dollars, with establishments of 8 000 workers in the U.S.A. and 19 000 in other countries. Two-thirds of the sales turnover was in respect of cleansing supplies — washing powders, detergents and scouring products — but the group's activities also extend to manufacturing toilet goods (soaps, shampoos, dentifrice, etc.), pharmaceuticals and processed foods.

The Company operates 38 factories outside the United States, and owns subsidiaries in Germany, France, Italy, the Netherlands and B.L.E.U., where it has a leading position on the soaps and detergents markets: it also has interests in the food industries, especially in France and Italy, which are represented by subsidiaries.

The presence of these big industrial groups is a basic element in the competitive pattern of the markets in certain finished products such as margarine, soaps and detergents. It also leads to some degree of concentration of demand for raw materials within the E.E.C. The special features of each sector of the market will be considered separately at national level in the following pages.

SECTION I

THE EDIBLE OILS INDUSTRY

In the course of Part One we examined some of the important features of the activity in this sector: consumption trends and oilseeds imports in relation to total imports. This examination led to the conclusion that the overall picture in the trituration branch was one of stagnation.

As will be seen in the following pages, this conclusion should be tempered by two considerations: in the first place, it does not apply in every one of the six countries and, secondly, trituration is merely one of several branches of activity in the edible oils industry. This latter remark is illustrated by the fact that one of the basic features of this sector is the trend towards integration of the various stages in processing oilseeds, to a degree which varies from country to country, with those processes which are subsequent to trituration representing an increasingly valuable contribution to the final product. Furthermore, the trituration stage is very closely bound up with the pattern of end-uses: it is clear that the industrial structure of the whole sector is different according to whether we consider a country where the major consumer product is margarine, or one where cooking or salad oils are the main outlet.

Within the six countries, a clear trend towards both vertical and horizontal integration is observed, and this will no doubt gain further momentum as market unification at European level progresses: this is quite certainly a significant element of the competitive position as between oilmills in Europe and those in the A.A.S.M.

The supply lines used by the oilworks, and especially the import channels, will not be the subject of a systematic description in this chapter. This is because the preliminary surveys leading up to this report showed that the importing houses and organisations in the six countries are, generally speaking, a neutral factor from the economic standpoint; they constitute an increasingly impartial stage linking the demand emanating from the processing sector — whose structure will be described later — and the offer position represented by the tropical countries. We will therefore limit our comments to those intermediaries whose activity appears to have an influence on the competitive situation between products imported (1).

1 — *THE GERMAN OIL INDUSTRY*

From our survey of the German oil industry, we will extract the following elements as being of special significance: some stagnation in the level of activity, particularly as observed from the trend in sales turnover, together with far-reaching transformations in the pattern of primary products taken up for processing leading to increased emphasis on seeds with a low oil content. Furthermore, the activity and structures of the industry are strongly influenced by the over-riding importance of margarine-making as a consumption sector.

Trend of turnover in the German oil industry

In million DM

1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
928	989	1 238	1 250	1 263	1 119	917	940	992	1 006

At the same time as a productivity drive, between 1954 and 1963, enabled the labour force to be reduced by 7.5%, turnover in the oil industry failed to improve. Concurrently, the fraction of sales represented by actual oil declined, whereas that of by-products increased: for instance, during the last three years of the

(1) See Part One, Chapter II, Section II.2 — Role of the S.I.O.F.A., and Part Two, Chapter I, Section I.2.

period, sales of oil fell by 5% in terms of value, and those of by-products rose by 37%. Thus, between 1960 and 1963, the proportion of total turnover represented by by-products rose from 35% to 44%. In this connection, it should be noted that sales of oil also reflect the decline in market prices for this product which was referred to earlier.

1.1 – THE EXTRACTION SECTOR

The following table constitutes an estimate of the quantity of crude vegetable oils produced in Germany, both from imported and home-grown oilseeds. No allowance is made for stock variations, re-exports, or direct consumption of oilseeds as such.

German production of crude vegetable oils

In '000 t

1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
309	351	402	447	447	415	487	490	530	511

The output of crude vegetable oils thus recorded a fairly regular increase of 5% per year between 1954 and 1963.

The fraction represented by triturated products has undergone considerable change. According to an independant source, the percentage formed by the hard oils fell from 68% in 1954 to 46% in 1963, whereas that formed by siccative oils remained constant. Soft edible oils rose 29% in 1954 to 50% in 1963, this increase being due to augmented trituration of soya beans, which accounted in 1963 for 40% of the crude vegetable oil produced by Germany, as compared with 14% in 1954. As the oil content of the soya bean is no more than 17%, the 1963 production figure corresponds to about two-thirds of the oilseeds treated in terms of volume. Consequently, it is seen that the 5% rise in vegetable oil production represents a much greater increase in the volume of seeds treated in the trituration sector.

This trend towards replacing high oil-content seeds by high protein-content ones directed to the manufacture of animal feedingstuffs is reflected in increased quantities of soya oil found on the market: it may, however, eventually have a favourable effect on the sale of oils originating in the A.A.S.M. This prediction is supported by the fact that Germany's extracting capacity has augmented only slightly since the pre-war period. In 1963, this capacity was 2.25 million tons of oilseeds, with such increase as this represents being contributed by the very large firms. It seems unlikely that this capacity will be significantly increased in the course of the years to come, because of sharp competition from American oilcakes and the increasing resistance being encountered by soya bean oil on the domestic market in Germany. The current actual level of trituration represents some 73% of full capacity, which is a fairly high rate. Increased input of soya beans will thus tend to restrict German output of oil, which should in turn imply greater reliance on imported oils.

There is already evidence of this kind of trend, which partly accounts for the share — an important one — in oil imports which is handled by independent importers: in 1962, for instance, about 40% of vegetable oil imports passed throught the latter, whereas practically all imports of oilseeds were purchased directly by the manufacturers. These independent operators base most of their activity on oils which are imported on only a small scale, such as corn and colza oil, but they also handle nearly 30% of groundnut oil imports. Consequently, promotional efforts directed to increasing the sales of A.A.S.M. produced oils in Germany should not neglect to cover the independent importers, particularly in view of the fact that the German oilmaking industry does not have the same financial and commercial connections with the A.A.S.M. oilmakers as do the French manufacturers. Other factors contributing to further development of this channel include its reputation for rapidity of supply and the increased demand for oils used to enrich animal feedingstuffs.

1.2 – REFINING AND HYDROGENATION

Refining and hydrogenation form a very important part of the German oilmaking industry's activity. Refining capacity represents some 1.15 million tons of refined oil, and hydrogenation

capacity some 407 thousand tons of hydrogenated oil. The actual level of refining activity is estimated to be about 62% of capacity, which leaves a substantial margin available for processing additional imports of crude oils.

The part played by the refining sector is related to the fact that only 27% of the crude oil produced is sold directly by the oilmakers; even then, one-quarter of these outside sales goes to other oilmakers, for refining. Exports account for 17% of total output, and 58% are used in the unprocessed state — mainly in the "industrial uses" sector or, to a lesser extent, for enriching oilcakes.

Two-thirds of the 1963 oil production (both crude and refined) were processed by the same manufacturers, which is an indication of the extent to which the processing stages have been integrated: these two-thirds comprised 73% of crude oil production and 62% of refined oil production. It is to be noted that 58% of the refined oils were utilised by a single industrial group. This degree of vertical integration is explained by the fact that margarine-making dominates the sales outlets for German-manufactured oils.

1.3 – SALES OUTLETS

The proportion accounted for by each of the various domestic consumption sectors in total end-uses of refined and hydrogenated oils can be seen from the cross-table of oils and fats utilisation in West Germany (1):

— 19% of oils are used for household consumption, in the form of "salad oils";

— 11% are absorbed by the food industries other than margarine-making (pastries and confectionery, mayonnaise and prepared foods manufacturers);

— 70% are taken up by the margarine and copra oil industries.

The consumption pattern for salad oil during 1962 was as follows:

— soya bean oil: 68.8%

— sunflower seed oil: 12%

— groundnut oil: 7.4%

— rapeseed oil: 7.3%

— olive oil: 2.5%

— others: 2%

The major part of the salad oil (76%) is sold without indication of origin. The reason for this is the unfavourable public image of soya bean oil. Proprietary brands cover about 20% of the market, with the leading brand accounting for between 12 and 14%. Generally speaking, branded oils are subject to retail price maintenance conditions, whereas the price of other oils varies according to the discretion of retailers. Only the three leading brands engage in extensive publicity.

As concerns distribution, the most striking feature is the very limited role accorded to wholesalers: most retailers receive their supplies direct from manufacturers.

The German market for salad oils is thus seen to be both limited in extent and dominated — as concerns quantity — by soya bean oil. The quality standards which, as we shall see later, govern the margarine sector, do not appear to apply to any significant extent to salad oils.

Furthermore, the German public is largely ignorant of the qualities of groundnut oils, whereas cereals-based oils enjoy a good reputation.

Taking these various factors as a whole, one is led to the conclusion that the sales possibilities for A.A.S.M. products are more dependent on developments in the margarine market than on those in the salad oils market, as far as can be seen at present.

1.4 – THE PATTERN OF PRODUCTION

In 1963, 65 firms were engaged in the oilmaking sector, including 48 wholly specialised ones. Their total labour force was about 6000, of which three-quarters were manual workers.

The degree of concentration which has developed in the industry is illustrated by the following figures:

— in 1962, four firms belonging to a single group accounted for about 50% of production;

— 5 firms accounted for 63% of production;

— 70% was due to 8 firms;

— 99% came from 24 firms.

(1) See cross-table of uses in Germany, document "1970-1975 Forecasts" (in preparation).

This move towards increased concentration was quite pronounced between 1954 and 1963, when the number of firms employing more than 10 workers increased from 24 to 30 and the average labour force per firm from 219 to 253, in spite of the fact that the overall labour force in the industry diminished over the same period.

The integration of the processing stages, which — as we have already seen — is consequent on the dominating position of margarine in the consumer industries, is reflected in the structure of the individual firms. The 8 firms which account for 70% of production are equipped to carry out the full range of operations, from extraction to hydrogenation, and to handle all types of oilseeds. Furthermore, the group controlling the four leading producers is also the largest margarine producer.

Consequently, the German potential for taking up tropical oils and fats is seen to be directly related to developments in the margarine market and to the ingredients used therein.

2 — *THE FRENCH EDIBLE OILS INDUSTRY*

Activity in the French edible oils industry is governed by the fact that the consumption sector places the strongest emphasis on oils and fats for household consumption, especially groundnut oil.

This factor is reflected both in the historical development of the extraction branch and in the structure of the industry as a whole, which is less dependent on margarine production than in Germany and Benelux.

As already noted for Germany, the turnover figures for recent years denote a degree of stagnation:

In million FF (1958)

1958	1959	1960	1961	1962
1 417	1 440	1 500	1 550	1 490

2.1 — THE EXTRACTION SECTOR

The quantity of oilseeds going for extraction each year between 1954 and 1963 was lower than the 1938 figure. Between 1938 and 1963, a drop of approximately 23% was observed. This reduction, the largest recorded within the E.E.C. countries, was due to the decline in the percentage of groundnut imports represented by whole groundnuts — 99% in 1938, falling to 67.5% at the later date. At the same time, the more recent trend shows a reversal of the long-term movement, with an increase of 10% in the quantities triturated between 1957 and 1963.

The quantitative trend in the extraction sector in France

In t

	1938	1957	1958	1959	1960	1961	1962	1963
Seeds giving soft edible oils :								
— groundnuts	750 532	374 514	413 145	409 819	430 868	462 379	458 697	504 224
— soya beans	13 590	80 316	53.842	81 567	176 201	78 863	144 916	128 064
— others (rapeseed, sunflower etc.)	40 006	72 347	108 085	82 777	40 906	79 716	59 103	59 535
Totals	804 128	527 177	575 072	574 163	647 975	620 958	662 721	691 823
Seeds giving hard oils	230 882	206 897	199 015	160 262	165 245	175 756	169 956	166 590
Linseeds	211 246	132 523	130 986	100 044	93 124	97 835	91 180	88 881
Castor oil beans	19 939	16 054	15 498	15 227	24 792	10 785	24 341	27 737
Grand totals	1 266 195	882 651	920 571	849 696	931 136	905 334	948 198	975 031

Source : Syndicat général des fabricants d'huile et de tourteaux de France.

Extraction of seeds giving soft edible oils, which is the major part of the oil-making industry's activity (71%), increased by 24% over the above period (1957-1963), groundnut recording a 34% rise (52% of activity in 1963) and soya augmenting by 60%, although home-produced oilseeds fell by 17%.

This trend illustrates the gradual supremacy acquired by groundnut oil as representing a high quality product, whereas the ground lost by the ordinary varieties of salad oil has led to reduced extraction of home-produced oilseeds, of which increasing quantities have to be exported. Current expansion in sales of groundnut oil from the A.A.S.M. has not prevented increased activity in the extraction sector. However, the increased quantities of soya beans being treated, for the reasons already explained (Part One, Chapter II), seem destined to become the major factor governing developments in this branch.

There is a less favourable trend in the extraction of the other classes of oilseeds: for the hard oils, there was a 20% drop in the level of activity between 1957 and 1963, and one of 37% for linseed over the same period. There was an increase in the quantities of castor oil beans triturated, but these represent only a small fraction of the total.

On an estimated total extraction capacity of 1 290 000 metric tons of seed, the current level of absorbtion is in the region of 75%.

As we saw in Chapter II, Section II, 2, production of oilcakes is becoming a major item in the activity of the edible oils industry.

The relative stagnation in the total turnover of the extraction sector will no doubt encourage the industry to extend oilcake production, and at the same time the introduction of common trade regulations will remove the obstacles to imports of soya beans.

2.2 – REFINING

The development of the refining branch follows the same lines as that of French consumption of edible oils. Thus far, exports have been a very minor feature, limited to certain countries in the Franc Area, and the way in which the French market is organised has led to an increase in the prices of refined products. The refining branch handles both oils from locally-triturated seeds and semi-refined or crude oils imported from abroad. The latter accounted, in 1962, for about one-third of the total quantity refined.

2.3 – CONSUMER OUTLETS

In 1962, household consumption of salad oil accounted for some 67% of the market for refined oils, with the margarine and other edible fats manufacturers taking up the remaining 33% (1). Oil for industrial uses represents 20% of the market for crude oils which can be produced in France. The household market is thus of particular importance: groundnut oil takes up an 87% share of this market, with that of the other oils — known as "table (or salad) oils" — having diminished considerably over the reference period. Despite the fact that roughly 75% of the groundnut oil sold in France is marketed by a single firm, relatively lively competition is observed on this market, as is evidenced by large-scale publicity campaigns and promotional ventures, together with the introduction of new packaging formulas — especially plastics and non-returnable glass containers intended to attract the consumer public.

The distributive trade in oils for household consumption is developing on the same lines as that for all grocery products. Integrated marketing, including chain stores, consumer co-operatives and department stores, is slowly taking over the lead, accounting for about 40% of total sales in 1963, as against 30% for integrated distributors and 30% for independent retailers.

2.4 – THE PATTERN OF THE OILMILL INDUSTRY

The firms whose main activity resides in edible oils production in France employ a labour force of about 9 000. The number of firms, at 560, is much higher in Germany and the Benelux States. This is no doubt due to the presence of a number of small firms handling only local crops from the domestic harvest, which is far from negligible (colza, rape-seed, turnipseed and sunflower seed). At the same time, the shrinking market for household oils of this quality is leading to increasing emphasis on exports of

(1) See "Forecasts for 1970-1975", in preparation: matrix table of end-uses for oils and fats in France during 1962.

these products in their natural form, so that competition between oilmills is becoming sterner. Consequently, it may be expected that the number of very small firms will decrease sharply.

An examination of these 560 firms reveals the following information:

— only 222 of them have full-time paid workers;

— 26 of them produce 95% of the crude oils, and are virtually the only ones which handle tropical oilseeds.

This situation has developed as the result of a fairly pronounced move towards increased concentration among the leading firms. Of the 65 leading firms operating in 1939, only 30 were in continued existence in 1963, as the result of closures, mergers and take-overs.

In the oils sector, horizontal concentration is thus a prominent feature. At the same time, vertical integration is on a much smaller scale than in the Northern E.E.C. countries, owing to the lesser importance of margarine as a sales outlet. In fact, the largest firm specialising in oil for household consumption is independent of the large international groups referred to earlier. The following figures are significant in this respect:

— a single firm produces 36%, and two firms produce roughly 56% of the soft edible oils (extraction and refining);

— a single firm produces 36% of the hard edible oils.

One group alone markets roughly 50% of the soft edible oils for household use and, as we have already seen, 75% of the groundnut oil used in this way: this group also produces margarine and soaps, but has edible oils as its primary activity.

It should be noted that an important fraction of the oilmills in the Associated Countries in Africa and Madagascar has connections with the group in question, so that the latter plays a capital role both in the extraction and marketing of groundnut oil in the E.E.C. area and in the development of the oilmaking industry in the A.A.S.M. To some extent, therefore, this group's selection of a European or an African location for its extraction plant is a matter of internal policy.

3 — *THE EDIBLE OILS INDUSTRY IN ITALY*

Three features of the Italian industry are worthy of special notice: the predominant role played by direct household consumption as a sales outlet; the existence of two separate industrial branches — with olive oil production being quite distinct from that of the other edible oils; the considerable expansion recorded in this "other oils" sector between 1954 and 1963.

3.1 — THE EXTRACTION SECTOR

Reference has already been made to the importance of olive growing in Italy, leading to a correspondingly important role being played by olive oil in the country's edible oils economy. This sector is sharply divided from the extraction of the oilseeds with which we are concerned.

Under Italian Law, in fact, an oil manufacturer may not use the same premises for making olive oil and other kinds of oil.

The following table shows the development of the extraction branch in Italy as it affects the products with which we are concerned herein. In addition to these, account must be taken of extraction of miscellaneous products such as grape-seeds, maize (corn) shoots, etc., which represented an additional volume of 22% in 1962 and 17% in 1963.

This shows that the volume extracted quintupled over the reference period, corresponding to an average annual growth rate of 18.5%. Imported

Historical trend in the extraction of tropical oilseeds in Italy

In crude oil-equivalent

In '000 t

1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
39	65	110	119	116	129	147	174	191	258

oilseeds accounted for 94% of the total. This growth in the extraction branch was obtained at a time when a series of measures introduced for the purpose of protecting the olive-growing industry tended to restrict imports of tropical oilseeds. The common trade regulations to be introduced throughout the E.E.C. should give an additional boost to the Italian oil industry.

The pattern of products handled developed along the same lines as in the other countries, i.e.

— soya beans were increasingly prominent (1% in 1958, 23% in 1963);

— hard oils and siccative oils both lost ground (from 10% in 1958 to 7.5% in 1963, and from 9% in 1958 to 3% in 1963, respectively).

3.2 — THE REFINING BRANCH

At the refining stage, seed oils and olive oils are not so strictly segregated as during extraction. In 1963, 39% of the seed oils marketed came from oilmills which were originally exclusively producers of olive oil. The oilworks are currently investing heavily in automatic or continuous-process refining equipment. The proportion of total seed oil consumption in Italy represented by refined or hydrogenated oils is thought to be about 80% (1).

3.3 — SALES OUTLETS

The main sales outlet for vegetable oils in Italy corresponds to household consumption (2), which represents 63% of all oils sold and 77% of the refined oils excluding olive oil. The trend in the composition of the oils marketed for household consumption is therefore of special importance. Apart from corn and grape-seeds oil, the pattern of consumption of salad and cooking oils in 1962 was as follows:

soya: 36%

rapeseed: 27%

groundnut: 23%

sunflower: 8%

sesame: 5%

linseed: 1%

Generally speaking, these oils are marketed without their composition being specified, except for olive and groundnut oil which are sold under their respective names.

In the first place, it is compulsory for manufacturers to include 5% of sesame oil, which acts as a detector proventing fraudulent practices such as mixing seed oil and olive oil.

Groundnut oil is only rarely used in blends, mainly because of its cost.

At present, soya bean oil does not seem to have found favour in Italy, where it is never sold separately; it is said to keep badly and to have a very strong flavour, but these defects will no doubt be overcome to some extent when the largest oilmills have finished installing highly modern equipment. Soya bean oils are usually blended with rape and sunflower seed oils.

In Italy, rapeseed oil is considered as of high quality and relatively cheap. As we have already seen, the introduction of the common trade regulations should make it easier to develop the market for colza oil.

Sunflower seed and oil, which are imported from Eastern Europe under bilateral trade agreements, are available only in limited quantities which are taken up in full by two associated oilmakers.

Maize and grape-seeds oils are considered to be top-quality products, but they are manufactured only in small quantities at a time by small oilworks located close to the growing areas, with the latter being widely scattered over the country.

It should be noted that between 20 and 25% of the refined oils are used for blending with olive oil.

The prospects for groundnut oil appear to be limited, due to the facts that olive oil is more competitive in the high-quality range and that the former is not highly suitable for blending purposes. These two factors, added to those already mentioned in Part One, indicate that there is little chance of successfully promoting groundnut oil in Italy.

A significant feature of the Italian marketing system for table and cooking oils is the importance of bulk sales, which are now virtually unknown in the other E.E.C. countries.

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(1) This figure corresponds to the proportion of the main oilseed products used for human consumption.
(2) See document "Forecasts for 1970-1975", in preparation.

Bulk sales account for some 80% of producers' sales, and it was only in 1958 that some of the large oilmills started to market a part of their output in retail quantities, usually in one- or one-half-litre cans. The importance of bulk marketing by producers has led to the wholesalers adopting a leading role and, until recently, the latter acted as middle-men in connection with all consumer sales of table and cooking oils: in addition to their purely commercial function, the wholesalers in fact not only canned or bottled the oil but also did the blending. The rapid development of producer-canned or -bottled oils has been achieved through large scale publicity campaigns on behalf of the brands which have adopted this system of marketing. The part played by the wholesalers in selecting and blending oils thus seems due to diminish in the course of the next few years: at the time of writing, three oilmakers are organised for direct deliveries to retailers throughout the country.

3.4 – THE PATTERN OF THE EDIBLE OILS INDUSTRY IN ITALY

There are 210 firms producing oil from oilseeds, with a total labour force of approximately 7 600: the move towards greater concentration is on a significant scale, as the number of firms fell from 636 in 1948 to 334 in 1953 before reaching its present level (a drop of 31% in the last 10 years).

Of these firms, about thirty account for 90% of total output, as concerns both extraction and refining. The other manufacturers operate on the artisanal and local scale, and their number is expected to decrease strikingly in the course of the next few years.

Finally, there are 5 firms which are quite independent — with special reference to their lack of connections with the margarine industry — which have a production capacity of over 22000 metric tons and which manufacture 50% of the seed oils sold in Italy. As compared with the other E.E.C. countries, this is an original feature.

Reference should also be made to two large firms in the margarine and soap sectors which process the hard oils and which are not comprised in this survey of the Italian edible oils industry.

4 – *THE EDIBLE OILS INDUSTRY IN THE NETHERLANDS*

The main features marking developments in the Netherlands edible oils industry are as follows:

— stagnation in the extraction branch;

— development of the refining and hydrogenation branches;

— the importance of exports and margarine-making as production outlets.

Between 1954 and 1961, the overall trend in the turnover of the sector was a favourable one. Taken as a whole, the firms employing more than 10 workers recorded an annual increase in their turnover of roughly 6%. The figures published for 1961 and 1963 indicate some degree of stagnation, but it should be noted that they do not include data for the firms whose main activity is based on animal feddingstuffs, whereas the latters' strong upward trend has already been referred to. The labour force has remained at a constant level over the past ten years.

The Netherlands edible oils industry : trend in turnover

In million Fl.

1954	1955	1956	1957	1958	1959	1960	1961	1961 (1)	1962 (1)	1963 (1)
471 031	440 770	521 653	516 636	540 655	632 573	667 828	638 910	445 920	431 937	438 554

(1) Excluding animal feedingstuffs manufacturers, whose activity in the extraction sector is of secondary importance.

4.1 – THE EXTRACTION SECTOR

The lack of expansion in this branch is mainly explained by a levelling-out of consumption of vegetable oils in the Netherlands, where the gross increase in consumption has been met by animal oils and fats.

At the end of our reference period, the quantities handled for extraction were comparable to those recorded in 1938 (1):

	1938	Average for 1961-1962-1963
— oilseeds processed	672 000 t	670 000 t
— crude oil produced	237 000 t	238 000 t

The internal breakdown of products sent for extraction, however, underwent considerable change between 1954 and 1963:

— a significant decline in copra working, for the reasons already described, together with a similar decline as concerns linseed and groundnuts due to special conditions in the competitive field which involve large transit stocks of groundnut and linseed oil at Rotterdam en route from the Argentine;

— a compensatory increase in soya bean trituration, whose share increased from 15% in 1938 to 32% in 1958 and again to 50% in 1963.

The Netherlands trituration capacity can be estimated as being between 800 000 and 1 000 000 tons of seed per year, so that current activity represents some 85% of potential.

4.2 — REFINING AND HYDROGENATION

Output in 1963 (1) was 473 000 tons of crude oil equivalent, and had shown a steady rise of 3.45% per annum over the last seven years of the period concerned. This increased activity is due to extended processing of oil obtained from marine animals (a rise of 50% between 1960 and 1963), with the hard oils being in marked regression and soya oil remaining at a fixed level between 1960 and 1963.

4.3 — SALES OUTLETS

One of the specific features of the Netherlands oilmaking industry is the importance of the export sales market. In relation to the margarine manufacturing sector, the industry's position is comparable to that observed in Germany, with a consequent narrowness of the salad and cooking oils market.

4.3.1 — *The export market*

In 1963, roughly 42% of the Netherlands output of oils and fats were exported. During the reference period, approximately 25% of the turnover of the 22 largest oilmills was on account of exports. By 1963, the proportion rose to 36%, excluding the turnover of those firms whose principal interest is in the manufacture of animal feedingstuffs.

The following data is extracted from the Netherlands export record for oilseeds, oils, fats and oilcakes:

— in 1963, the value of oils and fats exports represented 50% of their total value, as compared with 60% in 1956;

— the value of oilcake exports in 1963 represented 37% of the total, as against 24% in 1956.

These figures reflect a degree of stagnation in oils and fats exports, in terms of volume.

Netherlands exports of edible oils include about 60% of hard oils — especially coconut oil. Of these exports, 70% go to E.E.C. countries, mainly to Germany. On the other hand, three-quarters of the soft oil exports go to third countries, with soya oil accounting for the highest proportion (60% of fluid oil exports). The tightness of competition in the soya bean and cottonseed oil markets (exported under U.S.—Public Law 480) may partly explain the levelling-out of soft oil exports.

As we know, the introduction of the common trade regulations will result in the abolition of internal tarifs. This measure should in itself lead to an expansion of intra-Community trade, since the market for industrial oils is not affected by the statutory regulations and marketing restrictions which are an obstacle to trade in other products, such as margarine, even when Customs barriers are lifted.

In view of the pattern of end-consumption in the Netherlands, the margarine and cooking fats industries are the main outlet for the oil manufacturers. The margarine industry accounts for about 50% of domestic sales by the trituration branch, and about 73% of those by the re-

(1) Source: MVO Jaarverslag.

fining and hydrogenation branch (1963 figures [1]). With the addition of vegetable lard and other cooking fats, these figures rise to 60 and 90% respectively. This feature explains to a great extent the degree of vertical integration in the oilmaking industry, which will be discussed later.

4.3.2 – *Oils for household consumption*

In contrast, the opportunities for oils designed for household consumption appear to be very limited, as will be seen from the following table:

Household consumption of vegetable oils

In '000 t refined oil

1960	1961	1962	1963	1964
7 200	7 500	7 000	7 500	7 625

Total household consumption represents no more than 3 or 4% of the outlets for refined products and 5% of those for oil extracts.

Of little significance, the salad oil market does not seem destined to become a very competitive one, in spite of a very wide range of prices; publicity budgets are small, and the "packaging war" noted in other countries had not spread to the Netherlands by 1963 [2]. In actual fact, trade rivalry seems to be more marked in the field of ready-made sauces (containing between 25 and 35% oil), where overseas competition is a significant factor [3].

The prospects for groundnuts in this salad oil market are very limited. At present, oil for household use consists of 70% soya, 13% groundnut, and less than 2% of corn oil. The market is a small one, and there are reasons to believe that even if eating habits took a more favourable turn (such as increased consumption of salads), this would primarily benefit the ready-made sauces, of which a relatively expensive ingredient like groundnut oil is not present in large quantities.

4.4 – THE PATTERN OF THE OILMAKING INDUSTRY

The market as described above is supplied by an industrial structure with the following features:

– firstly, a pronounced pattern of vertical integration, due to the importance of the margarine manufacturers as a sales outlet and to the low profitability of trituration taken as a sole operation;

– secondly, some degree of horizontal concentration which, in conjunction with the advantages conferred by the availability of the major port of Rotterdam, may explain why the Dutch oilmaking industry is so strongly competitive on the international plane.

There are 35 firms engaged in the Netherlands industry. Twenty-two of them employ more than 10 workers and represent a total labour force of about 3 300 including 72% of manual workers. In the last 10 years, the number of firms has dropped by 30%, with the total labour force resting constant.

Breakdown data concerning these 35 firms are as follows:

– 6 of them account for about 85% of trituration;

– 6 of them account for 85% of refining;

– 6 of them engage in both trituration and refining;

– 9 of them engage in both refining and margarine-making;

– 2 of them do trituration, refining and margarine-making.

Some firms which engage in only one of these activities belong in fact to groups which, taken as a whole, have triturating, refining and hydrogenation interests.

Horizontal and vertical integration patterns intermingle: for instance, of the 6 firms which account for 85% of refining activity, 3 engage in trituration and margarine-making, or belong to groups which do so, 1 makes margarine, and 1 has a trituration department.

(1) This is a theoretical estimate based, for the extraction sector, on the proportion represented by the relevant sectors in the total domestic consumption of vegetable oils (exluding palm oil) and, for the refining branch, on the proportion represented by the non-technical consumer sectors in domestic oil consumption. See document "Forecasts for 1970-1975", in preparation – matrix table of end-uses.

(2) It should however be noted that metal containers are used for a small fraction of the sales.

(3) The distributive circuit for these products includes wholesalers and retailers. Department stores apart, 20% of the retail trade is handled by independant traders and voluntary chains, and the remaining 80% by chain stores and consumer co-operatives.

5 – *THE EDIBLE OILS INDUSTRY IN THE BELGIUM-LUXEMBOURG ECONOMIC UNION (BLEU)*

As far as can be assessed from the very fragmentary data available for these countries, the oilmaking industry in B.L.E.U. seems to have developed satisfactorily, with a labour force which increased by 20% between 1954 and 1963.

Between 1955 and 1961, the sector turnover increased by 14%. Still referring to 1961, the breakdown of receipts was as follows:

— 11% on account of sales of crude oil,

— 68% on account of sales of refined oil,

— 21% on account of sales of oilcakes.

5.1 – THE EXTRACTION SECTOR

As we saw in Part One, the trend in seed imports has not, on the whole, had an adverse effect on the trituration branch in the B.L.E.U. The table hereunder shows that the increase in the quantities handled was especially marked between 1956 and 1962 (about 9% per annum), although the volume treated at the end of that period was still slightly smaller than the 1939 figure.

Oilseeds processed in Belgium

In '000 t

Years	Groundnuts	Linseed (1)	Soya Bean	Others	Total	Production of unrefined oils and fats (2)
1938 (3)	82.0	97.0	22.0	82.0	283.0	100
1956	36.5	41.6	—	97.0	175.1	61
1957	28.1	52.4	37.5	72.8	190.9	67
1958	59.9	23.6	38.1 (4)	61.4	183.0	64
1959	68.8	27.3	78.3 (4)	53.6	228.0	80
1960	27.5	26.8	114.5	61.1	229.9	80
1961	57.4	38.7	90.5	71.8	258.4	91
1962	66.3	29.3	109.1	72.8	277.5	96

From Bulletin de statistique, Belgian Institute of Statistics, Brussels.
(1) Imported and home-produced linseed.
(2) Estimates based on an average yield of 35 per cent.
(3) *From* Produktschap voor margarine, vetten en oliën (MVO).
(4) Including karite nuts to the limited extent of about 2000 3000 tons.

The repartition between the different kinds of oilseeds treated underwent some change between 1956 and 1962, with linseed losing ground while soya beans made very strong progress, for reasons similar to those obtaining in the Netherlands. Soya, however, accounts for only 39% of the total, as compared with 50% in the latter country. In 1962, the consumption of groundnuts was running at a higher rate than at the beginning of our reference period.

5.2 – REFINING AND HYDROGENATION

It will be seen from the following table that the output of refined and hydrogenated oils increased between 1956 and 1963 at the rate of approximately 3% per annum.

Edible oil production

In '000 t

1956	1957	1958	1959	1960	1961	1962	1963
131.5	125.4	132.2	137.8	143.4	141.8	153.0	156.3

As in the Netherlands, the share of the total represented by the hard oils has decreased (from 48 to 46% between 1956 and 1963), but this has been accompanied by a similar decline in the output of soft vegetable oils (from 45 to 43% over the same period): here again, oils obtained from marine animals account for most of the overall growth in output recorded (i.e. 57%).

5.3 – SALES OUTLETS

We were not able to obtain more than very rudimentary information regarding the breakdown of producer sales of refined oils in Belgium, so that the following estimated figures should be taken merely as an order of size.

Subject to this reserve, margarine making accounts for about 57% of total output, oil for household use about 17% (1), and exports about 12% (2). In other words, the household consumer market is much more substantial, by comparison with the margarine industry, than in the Netherlands. This latter consideration is all the more significant in that groundnut oil has a leading position in the household consumer market, although it has not enjoyed the same

(1) Approx. 26 000 tons in 1962
(2) Approx. 18 900 tons in 1963.

advantages as in France: in 1963, it accounted for about 65 to 70% of this market, followed by soya at 20 to 25%, maize at about 8% and olive oil with 2%.

The prospects for groundnut oil on the B.L.E.U. market are thus bound up both with its ability to resist competition from soya bean oil, which seems to have made its greatest inroads in the Dutch-speaking regions, and with the results of the promotional activities destined to stress the quality aspects of groundnut oil: in the latter connection, it is to be noted that corn oil is making considerable progress in the Belgian market for high-quality oils.

In contrast with the position in the Netherlands, the B.L.E.U. market for salad oils is a highly competitive one featuring intensive publicity and, more recently, efforts to improve retail presentation (1). At the distributive level, competition is reflected in price reductions (2).

Four manufacturers' brands lead the market, but one of the singularities of the situation in the B.L.E.U. is that roughly 50% of the market is held by brands sponsored by integrated wholesale-retail organizations.

(1) Nevertheless, in 1963, 80% of salad oils were still being retailed in returnable glass bottles.

(2) Up to 1962, the Belgian oilmakers applied a pricing agreement.

5.4 – THE PATTERN OF THE INDUSTRY

There are 36 firms engaged in the oilmaking industry in the B.L.E.U. The total labour force employed increased between 1953 and 1963, although the number of firms decreased by 18%, showing a strong trend to greater concentration which is further illustrated by the following observations:

— only 4 firms account for 90% of total production of edible oils;

— three of the firms make 70% of all linseed oil produced;

— 90% of the corn oil is also produced by only three firms;

— 90% of all the refining is done by only 5 firms.

There is also a high degree of vertical integration with, as we have already seen, the margarine manufacturers taking up 57% of the production of refined oils. Of the five firms accounting for 90% of all refining, four also carry out 90% of the extracting, and three of them are margarine producers themselves.

SECTION II

THE MARGARINE INDUSTRY

Under this section we shall be concerned only with those firms whose main activity is the manufacture of margarine proper, as defined in the Brussels Nomenclature. The manufacture of vegetable lard and other cooking fats will not be discussed except as concerns countries where it is intimately tied to margarine making and can be considered to be a factor in the development of the margarine industry itself.

The margarine market in the E.E.C., which represented 30% of total World production in 1963, displays the following prominent features:

— seen at overall level, production is stagnating, but future prospects must be assessed for each country separately;

— the national markets are very highly specific and self-contained, with virtually no intra-Community trade;

— the structure of production is on semi-monopolistic or semi-oligopolistic lines.

1 — *THE TREND OF PRODUCTION*

1.1 — THE OVERALL TREND

We have seen, from Table 37, that the overall production figure — representing some one million tons of finished product — has remained constant from 1954 to 1964. This overall stability is the result of two divergent but complementary trends in that, over the period, German production declined while the manufacturers in the B.L.E.U. and in France expanded their output, with the Netherlands contribution remaining at more or less the same level.

This current overall picture of stagnation in the E.E.C. countries contrasts with the expansion in margarine production which took place in Germany and the Netherlands between 1945 and 1955. The latter movement was due not only to striking improvements in the quality of margarine as compared with the pre-War product, and to a marked difference in the prices of margarine and butter respectively, but also to the butter shortage in Europe during the immediate post-War period. Now that this shortage no longer exists, and with the increase in the public's purchasing power, competitive positions underwent radical change between 1954 and 1963, to the point where the future outlook has become uncertain.

Table No. 35 points to a basic factor in the heterogenous nature of the margarine market within the Community.

Differences in the pattern of final consumption of edible oils and fats [1] from country to country are responsible for the fact that margarine production centres mainly on Germany and the Netherlands (51 and 23% respectively of the total E.E.C. output in 1963). The structure of the larger markets is different from that found in countries where the rate of personal consumption of margarine is at its lowest, with the former having larger-scale production units, together with a wider range of products and qualities necessary to satisfying a wider variety of demand: this is particularly the case with the German market, where the prospects for tropical products used in margarine making are seen to be linked to those for the sales of high-quality margarines. A special paragraph will be reserved for an examination of the trend in this "quality" market.

In France, production increased at a very steady rate of 4.8% per annum between 1954 and 1962. The output of "produits blancs" (= compound cooking fats) from the same manufacturing sector declined slightly and now represents some 4% of margarine production.

For Italy, production figures prior to 1959 are known only approximately, but as from that date a manufacturing tax enables a check to be kept on the amounts produced [2]. The production of margarine for direct consumption, which was unknown in 1954, expanded at a high rate up to 1959. The decline in output recorded subse-

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(1) See Chapter III

(2) See Part One, Chapter I.

TABLE 35

Evolution of the production of margarine in the member countries of the EEC

In '000 t
(in %)

Country	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Germany	615.5 *(59.7)*	139.2 *(59.3)*	665.7 *(59.4)*	648.0 *(59.3)*	624.1 *(57.7)*	614.0 *(56.4)*	609.6 *(54.4)*	573.6 *(53.2)*	559.9 *(52.2)*	548.8 *(50.9)*	568.0 *(50.8)*
France	82.7 *(8.0)*	84.5 *(7.8)*	92.1 *(8.2)*	93.9 *(8.6)*	98.6 *(9.1)*	102.9 *(9.4*	114.2 *(10.2)*	113.0 *(10.5)*	121.5 *(11.3)*	131.0 *(12.1)*	134.9 *(12.1)*
Italy	17.2 *(1.7)*	17.3 *(1.6)*	20.0 *(1.8)*	27.0 *(2.5)*	32.0 *(3.0)*	37.0 *(3.4)*	47.0 *(4.2)*	43.0 *(4.0)*	35.0 *(3.3)*	35.0 *(3.2)*	35.0 *(3.1)*
Netherlands	233.7 *(22.7)*	250.2 *(23.2)*	253.3 *(22.6)*	230.2 *(21.1)*	227.1 *(21.0)*	230.4 *(21.2)*	237.7 *(21.2)*	237.4 *(22.0)*	241.4 *(22.5)*	245.5 *(22.8)*	255.0 *(22.8)*
Belgium	82.5 *(7.9)*	86.2 *(8.1)*	90.4 *(8.0)*	93.7 *(8.5)*	99.2 *(9.2)*	104.9 *(9.6)*	112.5 *(10.0)*	112.2 *(10.3)*	115.3 *(10.7)*	118.6 *(11.0)*	124.8 *(11.2)*
EEC	1 031.6 *(100.0)*	1 077.4 *(100.0)*	1 121.5 *(100.0)*	1 092.8 *(100.0)*	1 081.0 *(100.0)*	1 089.2 *(100.0)*	1 121.0 *(100.0)*	1 079.2 *(100.0)*	1 073.1 *(100.0)*	1 078.9 *(100.0)*	1 117.7 *(100.0)*

quently is at least partly due to the price incidence of the manufacturing tax, but it would be unwise to dismiss the possibility that there may be some understatement of the quantities declared for fiscal purposes. The estimated production for industrial uses from 1954 to 1960 is based on statements obtained from the manufacturers.

Production of margarine in Italy

In '000 t

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
For direct consumption	0.2	0.3	3.0	10.0	15.0	20.0	19.9	18.3	17.8	17.6
For industrial use (1)	17.0	17.0	17.0	17.0	17.0	17.0	28.0	24.7	17.2	17.4
Totals	17.2	17.3	20.0	27.0	32.0	37.0	47.0	43.0	35.0	35.0

(1) 1954-1959 : estimate based on questionnaire survey ; 1960-1963 : obtained by subtracting the ISTAT figures for direct consumption from the total production figures given in the Statistical Bulletin issued by the EEC Statistics Office.

In the Netherlands, production stagnated throughout the period: production of vegetable lard and other processed cooking fats is given in the following table:

Production of imitation lard and other compound cooking fats in the Netherlands

In '000 t

1956	1957	1958	1959	1960	1961	1962	1963
71.3	80.7	79.9	96.9	110.6	82.0	79.7	84.0

The above figures represent 22% of the total production of processed vegetable fats (including margarine) for 1956 and 25% for 1963. A high proportion of these products goes for export (42% in 1963).

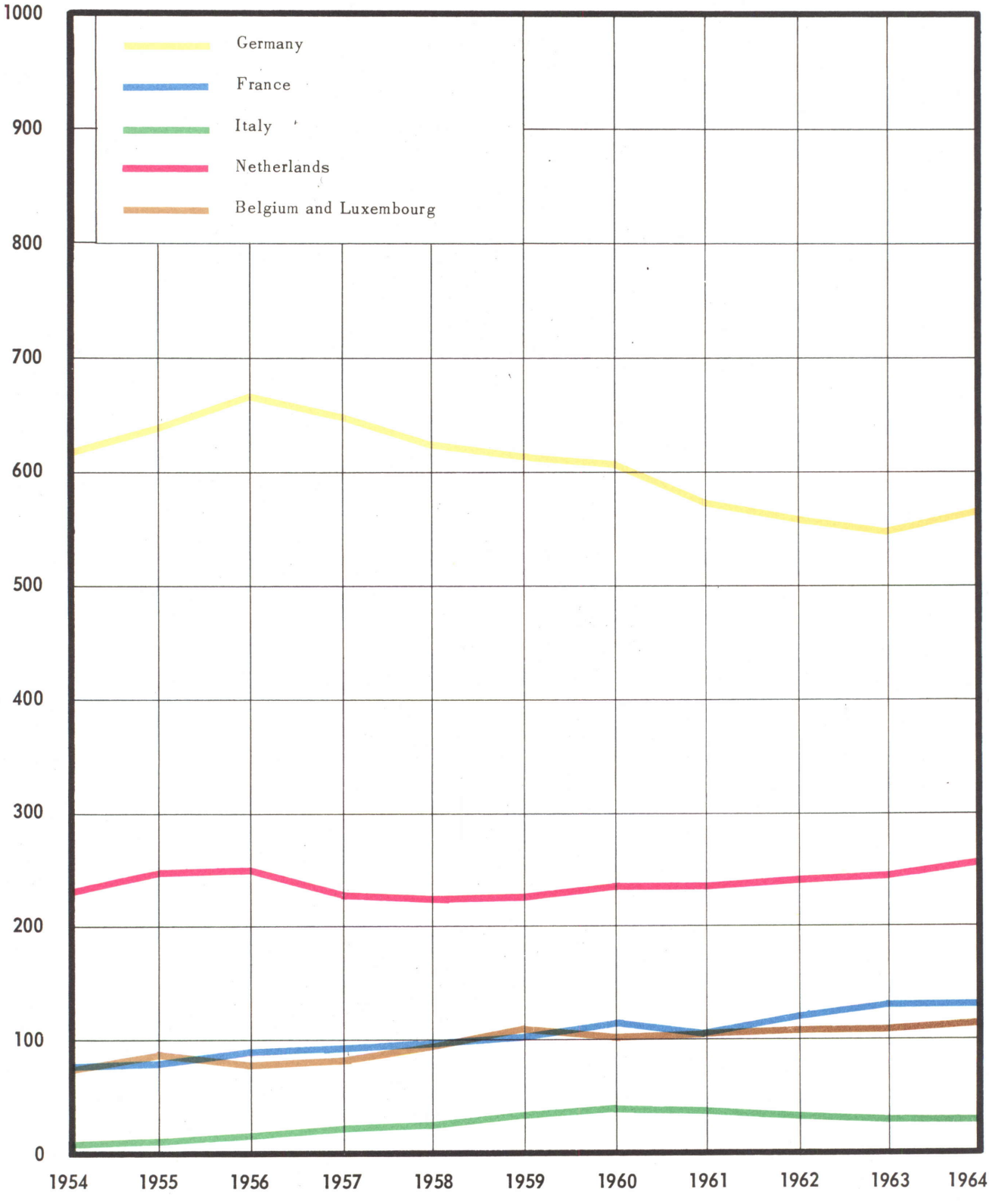
In the Belgium-Luxembourg Economic Union, production rose by 4.2% per annum over the ten-year period 1954/1963. There is no information available as to the production of vegetable lard and other processed cooking fats.

DIAGRAM No. 12

The trend of margarine production in the member-countries

In thousand tons

Source: table No. 35



1.2 – MARGARINE PRODUCTION IN GERMANY

As we have already seen, the German margarine industry is a very important outlet for tropical products, such as copra and palm kernels [1].

The trend in this sector should be viewed from three standpoints:

– in relation to other products which, in the particular case of Germany, are also marketed by the margarine producers;

– the competitive situation as between butter and margarine on the German market;

– the share of the total market held by the various qualities of margarine.

1.2.1 – *Margarine and other compound cooking fats*

The table hereunder shows that margarine production has declined by roughly 1.6% per annum between 1954 and 1964, although the 1964 figures show an upward tendency. During the same period, coconut oil fat production, which is for household use, increased at the annual rate of 2.5% and that of vegetable fats for industrial use showed a very steady increase of 7.7% per annum. This trend partly compensates for the reduced opportunities offered by the margarine manufacturers, and coconut oil fat is becoming a more significant factor in the pattern of tropical oilseeds consumption (8% of the total in 1954, rising to roughly 10% in 1964).

Output of the German margarine industry

In '000 t
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Margarine	615.5 *(88.9)*	639.2 *(89.6)*	665.7 *(89.2)*	648.0 *(89.1)*	624.0 *(88.3)*	614.0 *(87.9)*	609.6 *(87.2)*	573.6 *(85.8)*	559.9 *(84.3)*	548.8 *(84.0)*	568.0 *(83.9)*
Coconut oil fat	56.2 *(8.1)*	51.4 *(7.2)*	55.3 *(7.4)*	53.1 *(7.3)*	55.9 *(7.9)*	56.2 *(8.0)*	58.1 *(8.3)*	62.0 *(9.3)*	67.3 *(10.1)*	64.5 *(9.8)*	66.4 *(9.8)*
Vegetable fats for industry	20.7 *(3.0)*	22.6 *(3.2)*	25.1 *(3.4)*	25.9 *(3.6)*	26.9 *(3.8)*	28.3 *(4.1)*	31.3 *(4.5)*	32.7 *(4.9)*	37.3 *(5.6)*	40.4 *(6.2)*	42.9 *(6.3)*
Totals	692.4 *(100.0)*	713.2 *(100.0*	746.1 *(100.0)*	727.0 *(100.0)*	706.8 *(100.0)*	698.5 *(100.0)*	699.0 *(100.0)*	668.3 *(100.0)*	664.5 *(100.0)*	653.7 *(100.0)*	677.3 *(100.0)*

1.2.2 – *Margarine in relation to butter*

In the context of a total edible fats consumption which is stationary, combined with limited export possibilities, the trend in margarine production appears as closely linked to the trend in butter consumption. Accordingly, we are inserting at this point a table showing the contrasting trends in final demand for butter and margarine respectively in Germany, although this would more properly belong to Chapter III where we shall discuss the consumption of end-products.

[1] See Part One, Chapter I.

Consumption of butter and margarine in Germany

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Butter consumption :											
— total (in '000 t)	338.5	359.3	365.0	382.3	407.4	423.7	459.3	487.4	507.1	520.7	505.1
— per capita (in kg)	7.0	7.0	7.0	7.3	7.7	7.8	8.3	8.7	8.9	9.0	8.7
— indice (1954=100)	100	100	100	104	110	111	119	124	127	129	124
Margarine consumption :											
— total (in '000 t)	613.8	641.2	662.8	648.0	623.8	615.4	609.6	576.7	557.7	550.2	569.3
— per capita (in kg)	12.1	12.5	12.7	12.3	11.7	11.3	11.0	10.3	9.8	9.5	9.8
— indice (1954=100)	100	103	105	102	97	93	91	85	81	79	81

Over this period the per capita consumption of margarine fell by 3.1 % per annum (1), while that of butter increased by 3.3% per annum. If this historical trend were to be purely and simply extrapolated, as representing for the most part the influence of rising standards of living on consumer habits, this would lead to a pessimistic assessment of the prospects for margarine production in Germany. However, the very latest information available points to a decrease in butter consumption (- 4.1%) and an increase in margarine consumption (+ 2.4%) during 1964. Furthermore, the butter versus margarine position needs to be seen in the light of the trend concerning different qualities of margarine. It can already be assumed that, as reported in Part One above, the question of price is a primary one when considering the trend in the demand for butter, but it will not be possible to go into details on this point until the econometric study now in hand has been completed.

1.2.3 – *The different qualities of margarine*

The German margarine market is an extremely diversified one, and this is a basic feature of the competitive scene. This diversity is illustrated by the following table of prices:

Trend of German margarine retail prices

In DM/kg
(1955 = 100)

	1955	1956	1957	1958	1959	1960	1961	1962	1963
Delikatessmargarine (1)	—	2.61	2.64	2.64	2.64	2.64	2.64	2.64	2.64
« Spitzensorte » (1)	2.01	2.03	2.05	2.07	2.14	2.20	2.20	2.20	2.20
« Tafelmargarine » (1)	1.32	1.43	1.53	1.55	1.55				
Index (2)	*(100)*	*(99)*	*(98.5)*	*(96.5)*	*(100)*	*(96)*	*(94)*	*(91)*	*(88)*

(1) *From :* Statistiches Bundesamt, Wiesbaden.
(2) *From :* Institut für Landwirtschaftliche Marktforschung, Braunschweig; computed on the basis of the base year index adjusted to allow for the quantities of each type of margarine sold and for changes in the cost-of-living index.

The price range is a very wide one. A noteworthy feature is the stability of the various prices in terms of current money values, in contrast to the short-term price fluctuations affecting raw materials (see Chapter II). There was however a slight price increase in 1964.

The following table shows that, on the basis of our estimates, the share of the market held by each of the different qualities of margarine has varied considerably over the ten years of the reference period.

(1) Margarine consumption increased by 70% between 1950 and 1956, so that the current decline means that considerable amounts of production capacity are lying unused.

Relative market position of the various qualities of margarine

In kg/capita
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Delikatessmargarine	1.21 *(10)*	4.49 *(36)*	5.86 *(46)*	6.40 *(52)*	6.79 *(58)*	7.13 *(63)*	7.26 *(66)*	7.08 *(69)*	7.05 *(72)*	7.25 *(76)*	7.82 *(80)*
Spitzensorte	9.16 *(76)*	6.99 *(56)*	6.12 *(48)*	5.28 *(43)*	4.33 *(37)*	3.74 *(33)*	3.30 *(30)*	2.87 *(28)*	2.54 *(26)*	2.19 *(23)*	1.85 *(19)*
Tafelmargarine	1.69 *(14)*	1.00 *(8)*	0.76 *(6)*	0.62 *(5)*	0.59 *(5)*	0.45 *(4)*	0.44 *(4)*	0.31 *(3)*	0.20 *(2)*	0.10 *(1)*	0.10 *(1)*
Totals	12.06 *(100)*	12.48 *(100)*	12.74 *(100)*	12.30 *(100)*	11.71 *(100)*	11.32 *(100)*	11.00 *(100)*	10.26 *(100)*	9.79 *(100)*	9.54 *(100)*	9.77 *(100)*

This trend has two significant aspects: firstly, it reveals an increase in the per capita consumption of high-quality margarine, which is butter's strongest competitor and may well halt the overall decline in margarine sales; secondly, this same expansion in the sales of high-quality margarine is an important factor in the competition between tropical oils and fats and less expensive ingredients (see Chapter II).

2 – *THE OBSTACLES TO INTRA-COMMUNITY TRADE*

The following table illustrates the low level of margarine exports, particularly as concerns intra-Community trade. Exports to other Community countries represent less than 10% of the total exports of margarine, imitation lard and other compound cooking fats.

The Netherlands is the Community's largest exporter, but imitation lard and other compound cooking fats represent 80% of this country's external sales, and exports to other E.E.C. countries amount to only 7% of the total.

Exports of margarine, imitation lard and other compound cooking fats (1)

In '000 t

	1959	1960	1961	1962	1963
EEC Countries combined :					
— total	74.5	89.4	54.9	—	52.1
— intra-Community	4.5	7.3	5.2	—	—
Germany :					
— total	2.7	2.5	2.3	3.9	3.2
— intra-Community	0.7	0.5	0.4	—	1.0
France :					
— total	6.2	7.5	6.1	4.5	3.8
— intra-Community	0.3	0.4	0.3	0.4	0.2
Netherlands :					
— total	64.7	75.2	43.8	47.2	43.7
— total margarine only	9.3	8.4	8.0	10.1	8.6
— intra-Community (2)	3.1	3.4	2.4	—	2.8
B.L.E.U. :					
— total	0.9	4.1	2.7	—	1.5
— intra-Community	0.4	3.1	2.2	—	1.2

Sources : For 1959-61 and 1963, EEC Trade by Products Tables; for 1962, l'industrie des corps gras.
(1) Italian exports are not significant.
(2) Includes imitation lard and other compound cooking fats.

The following table shows the pattern of intra-Community trade during 1963. Netherlands exports of margarine, vegetable lard and other vegetable cooking fats amounted for the B.L.E.U. countries to 1500 tons, or roughly 1% of those countries' total consumption for the year.

Breakdown of intra-community trade in margarine, imitation lard and other compound cooking fats, 1963

In '000 t

Destination	E.E.C.	Germany	France	Netherlands	B.L.E.U.
World	52.1	3.2	3.8	43.7	1.5
of which :					
— EEC	5.3	1.0	0.2	2.8	1.2
— Germany	1.1	—	0.2	0.9	—
— France	1.5	0.1	—	0.3	1.1
— Italy	0.3	0.2	—	0.1	—
— B.L.E.U.	2.3	0.8	—	1.5	—

Source : EEC Trade by Products Tables.

There are a number of reasons for this lack of fluidity. Some are temporary obstacles, such as intra-Community tariff barriers, while others seem to be of only secondary importance, such as the difficulty in conserving the products in question: a third category, which includes the existence of incompatible national regulations, has more far-reaching consequences.

High entrance tariffs and low import quotas are the most obvious obstacles to intra-Community trade. In January 1966, the tariff rates applied to trade between Member countries were as follows:

— in Germany (F.R.), 87%;

— in France, 10,5%;

— in Italy, 10,8%;

— in Benelux, 6,0%.

At the same date, imports into Germany and France (margarine only) were subject to quota. When the common trade regulations come into operation these obstacles will be removed, whereas there will be introduced a common external tariff corresponding to the straight average of the separate tariffs applying in 1957 to third countries, i.e. 25%. These measures, however, will not of themselves produce a completely untrammelled market, this being illustrated by the poor fluidity of trade between the Netherlands and the B.L.E.U. area where no tariff barriers are in force.

TABLE 36

Composition and packaging of margarine - Statutory regulations

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
Minimum fat content	78 %	None specified	84 %	80 %	82 % (salted margarine 75 %)	82 %
Maximum water content	20 % (incl. water)	16 %	None specified	16 %	None specified	16 %
Colourings	Carotene carotene + annatto	None (except for export	Table margarine : carotene + annatto Industrial : No colouring allowed	Carotene annatto	Carotene annatto	Carotene annatto
Flavourings	Natural flavourings and identical chemical formulations	Diacetyl only, diacetin (the " ingredients " text must include " flavoured with diacetin »)	Natural flavourings of vegetable origin, and some synthetic flavourings	Natural flavourings and identical chemical formulations, and some synthetics	Now being drafted	No specification
Emulsion agents	Digl-lecithin, max. peroxide ind. 10	Lecithin + Diglycerides	Diglycerides Saccharose esters	Diglycerides and Lecithin	Diglycerides + Lecithin sugar esters	No specification
Butterfat content	Prohibited, except limited quantities of milk or cream	10 %	Prohibited	Prohibited, together with cream, except fot export	10 %	10 %
Preserving matter	Sorbic acid max. 0.12 %	Prohibited	Sorbic acid max. 0.05 %	Benzoïc Acid 0.2 % or Sorbic acid 0.1 %	Sorbic acid max. 0.1 %	No specification
Anti-oxidants	Ascorbic acid, tocopherol, natural anti-oxidants and identical chemical formulations	Industrial margarine : 0.03 % ascorbic acid, propyl gallates, octyl gallates BHA (1) dodecyl gallates and mixtures thereof, max 0.01 %	Ascorbic acid palmitate 0.2 %, BHA (1) 0.25 %, propyl gallates, octyl gallates, dodecyl gallates 0.01 % d-1-alpha-tocopherol 0.03 %, lecithin 0.05 %	Prohibited	Ascorbic acid palmitate 0.3 % propyl, octyl and dodecyl gallates 0.01 %, BHA(1) 0.02 %	Not known
Vitamins	Vitamins A, C, D, and E not compulsory	Allowed only for sales to chemists	No specification	Compulsory : Vit. A, 20 IU per g., Vit. D_3 ; 3 IU p. g.	Now being drafted	Not known
Shape of packaging	Cube cup-shaped	Cube	Parallelepiped	Parallelepiped brick-shaped or cylindrical (allowed exceptionally)	Cube	Shape unrestricted
Weight	No specification	Not known	Max. 200 g.	250 g, 500 g, 2 500 g, tins cont 1/4, 1/2, 1 kg	250 g, 500 g, 1 kg, 2 kg	No specification
Detector agents	10 % sesame oil or 0,2/0,3 % of starch inc. potatoestarch	min. 0.2 % rice, potatoe or corn starch	Table margarine : 5 % sesame oil. Marg. Ind., 5 % sesame oil + 0.2 % potatoe starch	No specification but starches prohibited	2.5 % sesame oil, 0.2 % potatoe starch	10 % sesame oil or 5 % sesame oil + 2 % potatoe starch
Legislation	Act 15.6.1897 Act 23.3.1933 Decree 4.7.1897 as amended 23.10.1916	General : Art. 2, Act. 16.4.1897 as amended by Act 28.2.1931 Labelling : Art. 7 Decree 11.3. 1908 as amended by Decree 20.7.1910	Act 4.11.1951 N° 1316 Act 11.6.1959 N° 450	Decree 13.11.1935 as amended by Royal Decree 27.1.1936 Butter Act 1900 as amended	Act 8.7.1935 as amended 1939 Royal Decrees 27.1.1936 26.3.1937	Acts 1.3.1903 25.9.1953

(1) Butyl - hydrosyl - anisol.

Margarine is a perishable article whose taste, like that of butter, deteriorates except when it is stocked at a low temperature. This defect can be at least partly remedied by employing a manufacturing recipe which obviates the need for deep-freeze storing and distribution. At the same time, the necessity of offering an entirely fresh product to the public compels the producers to accept the return of unsold stocks, and this in turn implies that the distributive circuits must be both well-equipped and restricted to relatively small areas. The very nature of the product may thus, in present conditions, be an obstacle to long-distance supply [1] but it is no excuse for restrictions on trade between neighbouring countries.

The lack of uniformity in national regulations governing the composition and packing of margarine is a much more effective obstacle to trade. In practice, manufacturers are compelled to produce specially-designed products for each national market with its own specific regulations. At the outset, the regulations introduced in each country were mainly intended to prevent any undue confusion between margarine and butter as concerned their composition, form, packaging and point of sale. Table No. 36 summarises the main regulations governing the actual manufacture of margarine: these are supplemented by additional provisions relating to labelling, especially as concerns the display of the word " margarine ", the manufacturer's name and references to vitamin content and other additives [2].

Consequently, any talk of a margarine market at Community level must be subordinated to prior harmonisation of national regulations.

Moreover, these various existing obstacles, taken as a whole, have resulted in the implantation of an industrial structure which may well in itself constitute a hindrance to the development of Community trade.

3 – *THE STRUCTURE OF THE MARGARINE INDUSTRY*

The margarine industry is characterised by a strong element of concentration which, as we have already seen, has repercussions on the oils and fats sector as a whole. Before going on to examine this particular factor, we will discuss two other espects of the market which attract attention: firstly, it is a market dominated by branded products and, secondly, there are virtually no distributive circuits which are both independent and specialised.

3.1 – THE ROLE OF BRANDS IN THE MARGARINE MARKET

The special features particular to each national market derive added force from the fact that margarine is essentially sold as a branded product. The brands operate on a national scale and are almost invariably sponsored by a manufacturer. For commercial reasons, they have fostered consumer loyalty to the special characteristics with which their products are identified and which are themselves based on national, sometimes regional, consumer habits.

In Germany, for example, branded products cover 80% of the total market, of which 65% are manufacturers' brands sold subject to retail price maintenance agreements, and the remaining 15% are marketing brands. In Italy, two national-scale brands between them share out most of the market and, in Belgium, eight brands sold at maintained retail prices account for between 80 and 85% of margarine sales for direct consumption. A similar situation obtains in France, but in the Netherlands greater prominence appears to have been achieved by the brands developed by the integrated marketing organisations.

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(1) It should nevertheless be noted that the Netherlands exports tinned margarine beyond the E.E.C. area.

(2) Compulsory labelling in Belgium and in France respectively comprises the following instructions:

— Belgium: containers or packaging up to contents of 5 kg maximum shall bear the inscription margarine on their outer face together with, where appropriate, the qualification salted to be printed on a pale background in black or dark blue lettering of uniform style and with each letter standing out separately to a height of not less than 2 cm. The length of the word margarine shall be not less than 4 cm. The whole inscription shall be apposed in such a manner that it may not be removed at the time of sale or delivery.

— France: the word margarine or "oléo-margarine" shall appear on not less than 3 sides of the recipient or, if the latter is square in shape, on not less than 4 sides thereof, and the name and address of the manufacturer shall be displayed on at least one side of the recipient and of any external wrapping, all such inscriptions to be in lettering of a size consonant with current prescriptions as published elsewhere.

3.2 – THE DISTRIBUTIVE TRADE

There are no wholesale circuits specializing in margarine, such as might be inclined to develop export trading. Margarine is distributed by wholesalers dealing in general groceries, and in some countries even these have only a limited influence.

In Germany, the influence of the middlemen is on the decline. It is estimated that 35% of output is supplied directly to the big retailing organisations, 4% to large-scale consumers, and 61% is initially stocked by the manufacturers for subsequent delivery to either wholesalers or retailers.

In France, the distributive system is run by the wholesalers, usually on the basis of deliveries direct from the factory but, in the case of the largest manufacturer, also from special margarine depots.

In Italy, the two major manufacturers have their own distributing organizations.

In the Netherlands, the largest manufacturer implements a dual marketing policy: via approved wholesalers for sales to independent retailers, but with direct delivery to supermarkets and chain stores.

In Belgium, the two largest manufacturers supply direct to the retail trade.

In most of the countries, the manufacturers are seen to have established control of the distributive side, both by imposing their brands and by extensive use of the direct delivery system to retailers.

The structure of the retail trades for margarine is the same as that for groceries in general, and thus calls for no special remarks.

3.3 – THE STRUCTURE OF THE MANUFACTURING INDUSTRY

Within the general framework as just described, we find 122 firms with a combined annual output of 1 080 000 tons of margarine and a total labour force of nearly 20 000 (1962-63). These manufacturers may be classified under four headings by reference to their position on their domestic markets:

— a single group which, in each Member country, controls between 45 and 70% of the market. The figure of 67% will be taken as a plausible approximation of the proportion of the total E.E.C. output which is accounted for by this group via about ten factories under its control;

— three other firms, unconnected with the first group, each of which controls at least 10% of the market in one of the countries. The relative importance of these firms is clearly much reduced when compared to the total output of the E.E.C. area, but on the other hand such a comparison is not meaningful in the present segregated state of the market;

— about 27 firms each produce a significant quantity of margarine at the level of one of the countries, but it is impossible to put forward any valid estimate of their exact output;

— finally, there are 82 firms producing only very small quantities which operate only on a regional or local scale using artisanal methods.

The following table gives an overall picture of the above structure as at 1963.

Structure of the margarine industry in 1963

Country	Output (in '000 t)	Total Labour Force	Number of firms	Proportion of total production due to one industrial group (in %)	Number of firms producing 10 per cent or more of total output
Germany	548.8	10 300	33	69.5	1
France	131.0	2 800	15	70.0	2
Italy	35.0	1 300	30	45.0 (1)	2
Netherlands	245.5	2 300	23	62.0 (2)	2
B.L.E.U	118.6	3 100	21	70.0	1
EEC	1 078.9	19 800	122	67.0	8

(1) 45 to 50 per cent of table margarine, 30 per cent of "industrial" margarine.
(2) Between 60 and 65 per cent.

The economic pattern of production in both Germany and Belgium corresponds to what might be called a "semi-monopoly". In France, Italy and the Netherlands, it would be more accurate to speak of a "semi-oligopoly", as, in these countries, there are at least two firms which have a leading position in the market. Consequently, the terms of competition are not exactly

the same in all the countries. In Italy, for example, where the market is a restricted one, the two firms which account for about 90% of all margarine sales for direct consumption are of comparable size. One of these firms entered the market at a late stage, when the other one had already established itself in a strong position — mainly through extensive publicity. Competition between the two firms takes the form of discount offers to retailers and of gift offers to the public.

In the Netherlands, also, the largest group has an interest which is smaller than that recorded for the average largest firm in the E.E.C. area as a whole, whereas the second largest firm accounts for 12% and the third largest for about 8%, in a market whose magnitude has already been described earlier.

During recent years, a move towards increased concentration has been recorded both in France and in Germany. In the latter country, the move has at least been towards greater technical concentration, with the number of firms employing more than 10 workers having declined by 20% in 10 years (1954 to 1963), while at the same time the total labour force increased very strongly (1) — probably as the result of the engagement of part-time workers. In France, the number of firms fell from 19 in 1958 to 15 in 1962.

Going beyond these differences at national level, the consequences of the highly concentrated pattern of the industry are not, of course, easy to assess. The following elements of appreciation may however be noted:

3.3.1 — *Structure in relation to prices*

As is invariably the case with a semi-monopolistic or -oligopolistic structure — even an imperfect one —, the margarine market in the six countries is affected by price-leadership on the part of the leading firms. In other words, it appears that, although the sales of the small or medium-sized firms are a fundamental element in determining the marketing strategy of the large ones, it is the price of the product marketed by the latter which often serves as the basis of the formers' commercial policies.

This structure reflects a given equilibrium of the market situation whose durability we are unable to assess. It enables the large firms to dispose of their production at a given price which represents a wider profit margin than that obtained by their smaller competitors, due to the fact that they enjoy better co-ordination of supplies, large-scale production and marketing advantages and, in all likelihood, a higher degree of technical proficiency leading to greater flexibility in the make-up of their products in response to fluctuations in raw materials prices.

If the state of equilibrium were to be upset, this would mean that the dominant firms would lose the advantages conferred by their controlling position and that the smaller ones would lose those implicit in their possession of what might be call the "corners of the market", such as small local markets, special qualities for a small demand, and so on, which are incompatible with mass-production techniques. The present balance is thus seen to reflect some degree of mutual interest.

In view of this structure, the demand position for tropical oils and fats reveals a degree of concentration which is all the more pronounced in that — as we have already seen — the margarine industry has ramifications in the other processing sectors involved.

The incidence of these structural factors on retail price-formation and trends is not easy to evaluate, but a number of features of that trend nevertheless attract attention, as follows:

a) a downward trend in the retail price of margarine, in terms of constant real purchasing power, as illustrated by the following table:

For most of the countries, this fall in prices is markedly in advance of the decline in raw materials prices over the same period. It cannot however be said whether this downward trend reflects a tightening of the distributors' margins. This is because a number of obstacles lie in the way of any investigation of this point: the secrecy surrounding price-formation at both the processing and the distributive stages, the variety of retail prices and of distribution circuits, the variety of qualities of products and their composition, and the flexibility of the wholesale price concept, all combine to prevent any valid attempt to decompose retail prices in a manner applicable to the full range of products.

Any such analysis could be valid only in respect of a strictly-defined product of known composition whose progress through the various distri-

(1) 314 workers per firm instead of 188 ten years earlier.

Trend of the retail price of margarine (1)

Local currency per kg

Country	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany (2)		100	99	99	97	100	97	94	91	88
France (3)	100	102	94	82	76	80	74	72	69	67
Italy (4)					100	107	113	100	104	106
Netherlands (5)	100	89	84	80	78	78	73	71	66	66
Belgium (6)	100	97	97	95	94	94	93	98	90	87

(1) Adjusted to allow for changes in national retail price indexes.
(2) Based on data supplied by the Institut für Landwirtschaftliche Marktforschung, Braunschweig - see 1.2 above.
(3) INSEE Paris price-index.
(4) EEC Statistics.
(5) CBS - The Hague - if the 1954 and 1955 figures are adjusted to eliminate the effect of the 0.48 Fl per kg tax as reduced then suppressed in March 1955, the series reads as follows : 1954 : 100; 1955 : 101; 1956 : 97; 1957 ; 101; 1958 : 97; 1959 : 99; 1960 : 98; 1961 : 96; 1962 : 91; 1963 : 94.
(6) National Statistics Institute. Brussels.

bution channels could be followed with precision. To conclude on this point, it should be remembered that margarine, in the same way as edible oils and other mass-consumption items, is considered at the retail stage as a sales leader which leaves only a small margin on final marketing. This may to some extent explain the trend which has been observed.

b) a high degree of price-stability in the short run

This stability is in contrast to the wide range of fluctuation in the European ports c.i.f. price of raw materials. The high absorbtion capacity of the processing sector is no doubt a significant factor in stabilizing prices, when it is remembered that the raw materials cost component of the ex-factory price of margarine represents some two-thirds of the whole. There are a number of factors which tend to limit a strict relationship in the short term between the price of the final product and the cost of the raw materials, especially on the upturn. For example, there is margarine's competitive position with regard to butter, whose price fluctuations are unrelated to those affecting oil products, and also the strategic influence of margarine prices in connection with the retail price indexes in certain countries. As will be seen further on, this rigidity in the retail pricing of margarine can be an important consideration in relation to substitution between the raw materials used in the manufacture of margarine.

c) Price differences as between countries in respect of products of similar quality

These differences are not limited to the margarine market, but also apply in the oilmaking industry. For the moment, it is not possible to identify the part played in this situation by the differences in buying costs and in manufacturing costs, on the one hand, and, on the other hand, the structural rigidity which is largely determined by the de facto segregation of national markets in the E.E.C. area.

The three observations made above illustrate the difficulty of evaluating the incidence of a given fiscal or Customs measure on retail prices, in both the short and the long terms. In particular, two questions whose importance cannot be under-estimated are left open, i.e.

— what was the true incidence of the preferential high buying price applied in France to oilseeds from Franc area countries on the retail prices of the final products?

— what will be the effect of the oils and fats tax which is to be a feature of the common trade regulations, on price levels and, therefore, on consumption levels? The considerations already set out explain the fact that, in the paragraphs of this report which discuss the probable effects of the latter provision, we have done no more than to examine hypothetical situations. The lack of a direct relationship between the cost of primary ingredients and the price of final products offered to the consumer, together

with the low rating of the tax, are grounds for assuming that the incidence of the tax itself will be a very limited one.

3.3.2 — *Structure and unification of the EEC market*

The earlier observations made in this Chapter reveal the importance of the obstacles standing in the way of unification of the six-country market and explain how the structure of production is the outcome of the market segregation which obtains.

Within this context, the low volume of intra-Community trade may also find some explanation in the fact that the major producer has but very little interest in promoting exports from one country to another of the Community, given that he is himself a producer in all of the countries. The problem of redistributing and concentrating this producer's plant is unlikely to arise until the conditions conducive to a genuine unification of the market — with particular reference to the harmonisation of statutory provisions — have become effective.

Furthermore, this low level of intra-Community trade has led the E.E.C. Commission to promote an inquiry into the margarine sector, under Article 12 of Council Regulation No. 17 (6th February 1962) concerning the rules of competition (1).

To sum up, the demand situation in the margarine industry as regards tropical products is highly concentrated and emanates from a high-powered processing industry faced with a market which appears to be pegged at its present level. The econometric study which is being undertaken independently of the present report will lead to an accurate assessment of future prospects in this field.

Given the structure both of the margarine market and of the margarine industry, there is little prospect of any early transformation of the present features of this sector and its outlets as the result of the introduction of common trade regulations.

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(1) See the August 1965 issue of the E.E.C. Bulletin, which states that "this investigation is the first to be undertaken under Article 12 of Regulation 17. The Commission is empowered to order such an inquiry in a given economic sector if the trend in trade between the Member countries, price movements, price rigidities or other circumstances give reason to believe that, in the sector in question, competition within the Common Market is being restricted or deformed. Such inquiry shall be designed to enable the Commission to determine whether the situation as observed is ascribable to infringements of Articles 85 and 86 of the Treaty or whether it has arisen from other causes. Consequently, the mere decision to order an investigation must not be taken to imply that there exists a cartel agreement or other abusive exercise of a dominating market position."

THE SOAPS AND SYNTHETIC DETERGENTS INDUSTRY

The hard tropical oils have in the past relied extensively on soap-making as a consumer branch. Except in the Netherlands, this is still the principal outlet for copra, palm and palm kernel oils apart from the food industries, in the E.E.C. Member countries.

In the course of the last ten years of the reference period, however, the pattern of activity in this industry has been considerably modified by the introduction and development of synthetic products whose increasing use has been largely as a soap substitute. This trend, which made inroads into the market for tropical products, is being further aggravated by changes in soap formulations themselves — to the point where the eventual disappearance of this particular market must be considered as a possibility.

The trend in the activity of the industry, especially as concerns soap production, will be examined in the following pages, together with its main structural characteristics. The problem of end-product formulations will be discussed in Chapter II which deals with the selection of raw materials for product formulations.

1 — *SOAP AND SYNTHETIC DETERGENTS PRODUCTION IN 1963*

According to the information supplied by the International Soap Manufacturers' Association, the total output of the branch in 1963 was approximately 1 800 000 tons of finished products. Table No. 37 shows the pattern of production in each of the Member countries, which can be taken as a reliable pattern of internal demand. With the help of such technical data as are available, the various types of product have been classified under three headings — soaps, hybrid products and synthetics. The results of this breakdown — which could be only an approximate one — are summarised in the following table.

Soaps an synthetic detergents production by Countries

In '000 t
(in %)

Country	Soaps	Synthetic and hybrid products	Total	Percentage of total represented by soaps
Germany	107.4 *(18.4)*	518.2 *(40.5)*	625.6 *(33.6)*	*(17.1)*
France	161.9 *(27.8)*	384.8 *(30.1)*	546.7 *(29.4)*	*(29.6)*
Italy	220.7 *(37.9)*	219.7 *(17.1)*	440.4 *(23.6)*	*(50.4)*
Netherlands	48.1 *(8.3)*	72.9 *(5.7)*	121.0 *(6.5)*	*(39.7)*
B.L.E.U.	44.8 *(7.6)*	83.8 *(6.6)*	128.7 *(6.9)*	*(34.8)*
Totals	582.9 *(100.0)*	1 279.5 *(100.0)*	1 862.4 *(100.0)*	*(31.0)*

German output represents more than one-third of the total and 40% of the production of hybrid and synthetic products. The proportion of total production accounted for by soap varies substantially from one country to another, e.g. more than half in Italy, down to 17% for Germany.

Table No. 37 shows that toilet soaps represent a high proportion of total soap output for Germany (46%), where the latter accounts for only a low percentage of the whole, whereas in Italy toilet soaps are only 12% of all soap production. This is because toilet soaps, unlike the other soap products, particularly washing powders, have not been affected by competition from synthetics. As these toilet products, with a high fatty acid content (1), are also those whose retail price can most readily allow the incorporation of high-cost ingredients, they will be dealt with separately.

(1) Approximately 80%, as against 10-20% for washing powders and 12-40% for rough soaps.

TABLE 37

Breakdown of 1963 deliveries by the soaps and detergents sector

In '000 t
(in %)

	Germany (excl. Berlin)	France	Italy	Netherlands	Belgium
Toilet and Beauty Soap (1)	49.5 *(46.1)*	28.1 *(17.4)*	27.0 *(12.2)*	11.2 *(23.2)*	8.0 *(17.8)*
Shaving sticks and powders	0.6 *(0.5)*	0.2 *(0.2)*	0.2 *(0.1)*	0.2 *(0.3)*	0.1 *(0.3)*
Shaving cream	1.3 *(1.2)*	1.8 *(1.1)*	1.2 *(0.5)*	0.2 *(0.3)*	— *(0.2)*
Hard household soaps (2)	16.6 *(15.5)*	99.4 *(61.4)*	175.0 *(79.3)*	4.4 *(9.2)*	4.3 *(9.6)*
Soap flakes and shavings for household use	5.0 *(4.7)*	10.7 *(6.6)*	3.0 *(1.4)*	0.1 *(0.3)*	0.4 *(0.8)*
Industrial soaps	2.1 *(1.9)*	8.2 *(5.0)*	1.7 *(0.8)*	2.0 *(4.3)*	2.8 *(6.2)*
Liquid soaps	2.5 *(2.4)*	2.1 *(1.3)*	0.4 *(0.2)*	0.3 *(0.7)*	0.4 *(0.9)*
Fatty acid-based washing powders and slabs	15.0 *(14.0)*	1.3 *(0.8)*	4.2 *(1.9)*	26.9 *(55.8)*	6.7 *(15.0)*
Soft soaps	14.8 *(13.7)*	10.1 *(6.2)*	8.0 *(3.6)*	2.8 *(5.9)*	22.1 *(49.2)*
Total soaps	107.4 *(100.0)*	161.9 *(100.0)*	220.7 *(100.0)*	48.1 *(100.0)*	44.8 *(100.0)*
Special hand-washing product	13.5 *(70.0)*	19.0 *(100.0)*	0.4 *(24.1)*	— *(—)*	0.3 *(30.8)*
Shampoos	5.8 *(30.0)*	— *(—)*	1.1 *(75.9)*	— *(—)*	0.8 *(69.2)*
Combined total	19.3 *(100.0)*	19.0 *(100.0)*	1.5 *(100.0)*	— *(—)*	1.1 *(100.0)*
Washing powders and slabs synthetic-(90 %) and mixed-basis (10 %)	310.1 *(62.2)*	281.4 *(76,9)*	180.0 *(82.9)*	47.9 *(65.7)*	58.9 *(71.2)*
Synthetic-based (90-95 %) washing liquids	37.5 *(7.5)*	24.9 *(6.8)*	5.0 *(2.3)*	— *(—)*	4.3 *(5.2)*
Auxiliary washing items	80.3 *(16.1)*	12.9 *(3.5)*	2.2 *(1.0)*	15.4 *(21.1)*	5.8 *(7.0)*
Scouring products	64.9 *(13.0)*	39.2 *(10.7)*	23.0 *(10.6)*	— *(—)*	6.5 *(7.8)*
Cleansing products	6.1 *(1.2)*	7.4 *(2.1)*	7.0 *(3.2)*	9.6 *(13.2)*	7.2 *(8.8)*
Total synthetics	498.9 *(100.0)*	365.8 *(100.0)*	217.2 *(100.0)*	72.9 *(100.0)*	82.7 *(100.0)*
Unstated	0.9 *(100.0)*	— *(—)*	— *(—)*	— *(—)*	0.1 *(100.0)*
Grand totals	626.5	546.7	439.4	121.0	128.7
Soaps	107.4 *(17.1)*	161.9 *(29.6)*	220.7 *(50.4)*	48.1 *(39.7)*	44.8 *(43.8)*
Mixed items	19.3 *(3.1)*	19.0 *(3.5)*	1.5 *(0.3)*	— *(—)*	1.1 *(0.8)*
Synthetics	498.9 *(79.6)*	365.8 *(66.9)*	217.2 *(49.3)*	72.9 *(60.3)*	82.7 *(64.3)*
Unstated	0.9 *(0.2)*	— *(—)*	— *(—)*	— *(—)*	0.1 *(0.1)*
Grand totals	626.5 *(100.0)*	546.7 *(100.0)*	439.4 *(100.0)*	121.0 *(100.0)*	128.7 *(100.0)*

Source : International Soap Industries Association.

(1) Belgium : not including perfumery products.

(2) Italy : also includes « soap flakes and shavings for household use », « hard industrial soaps » and « special hand-washing products ».

2 – *PRODUCTION TRENDS FOR SOAPS AND DETERGENTS*

The country statistics available for past years lack comparability and must be used with caution, so that we have not produced a consolidated table for the E.E.C. as a whole. The only directly comparable data are those in Table No. 37. Nevertheless, we will see that the trends in each country taken separately follow a similar pattern.

2.1 – THE GROWTH IN OVERALL PRODUCTION OF SOAPS AND SYNTHETIC DETERGENTS

The overall growth rate in the sector is a high one, in contrast to the trend observed in the edible fats industries. The highest annual rates recorded are those for Italy (+ 4.3% per annum between 1954 and 1962) and France (+3.5% per annum between 1958 and 1963), these being the countries where the per capita consumption was initially the lowest. The rate recorded for Germany (+2.9% per annum between 1954 and 1963) is propably an overstatement, as figures for the Saar were not included until 1960. The annual growth rate for the Benelux is only 0.84% for the Netherlands, and 1.2% in the B.L.E.U. This overall expansion conceals divergent trends for the two main categories of product (Table No. 38).

2.2 – THE DECLINE IN SOAP PRODUCTION IN FAVOUR OF SYNTHETIC PRODUCTS

This is a general feature, but is more or less pronounced from one country to another. In Germany, for example, there is an average annual decline of 1.5%, with signs of some improvement towards the end of the period. In France, the fall in output reached 2.1% per annum between 1958 and 1963. Italian soap production rose between 1954 and 1956, then levelling out, and a definite down-turn took place only as from 1960. The most marked decline was in Belgium, with a drop of 7.2% per annum from 1956 to 1963.

The growth in the production of synthetic and hybrid products (wherever we were able to make the distinction) has thus more than compensated for the above decline. The most spectacular progress was recorded in Italy, where synthetic products were virtually unknown up to 1954, and in Belgium where output was doubled in 8 years. The products most strongly affected by the increase in production are washing powders, followed by special products for hand-washing and by scouring powders, which have both opened up new markets and taken the place of soaps previously used for these purposes.

On the face of it, the rise in the production of synthetic products was not expected to preclude recourse to lauric acid-based oils, which these products originally contained. In actual fact, this position seems to heve developed as follows:

— initially, lauric acid-based oils were used in the manufacture of synthetic detergents, in the form of the surface-active agents derived from lauric acid which assist lathering; subsequently, synthetic surfactants were developed which had more potent lathering properties, so that this outlet for the natural oils disappeared:

— more recently, and especially in the United States, there developed campaigns to combat the use of synthetic detergents, which are accused of being toxic (although little evidence of this has been brought forward), of causing sewage waste to froth, of corroding certain metals and of causing indirect pollution by encouraging the use of anti-lather substances in connection with sewage disposal; consequently, some detergents containing small quantities of lauric acid derivates came back onto the market. However, systematic research is reported to have led to the development of new surfactants in the synthetics range which lend themselves to complete bio-filtering; it is thus expected that the synthetic products now being developed will be able to comply with the statutory provisions which have been introduced in certain countries (1).

There is therefore good cause to believe that the synthetic detergents will gradually cease to make use of lauric acid-based oils.

2.3 – INCREASED PRODUCTION OF TOILET SOAPS

If the historical trend were to be purely and simply extrapolated, this would lead us to forecast the eventual disapprearance of soap products. However, toilet soaps — especially in the quality range — have been affected by an inverse trend which is expected to continue in

(1) As in Germany — the synthetic Detergents Act dated 1st October, under which all laundering products sold in the Federal Republic must contain at least 80% of bio-filterable matter.

TABLE 38

Trend in the production of soaps and hybrid and synthetic products in the ECC countries

In '000 t
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany (1)										
Soaps	126.6	121.0	122.2	118.2	111.5	111.2	112.4	113.3	111.3	108.3
	(26.0)	*(25.5)*	*(26.4)*	*(24.3)*	*(23.4)*	*(22.0)*	*(21.4)*	*(20.3)*	*(18.7)*	*(17.3)*
Synthetics	360.8	353.7	341.5	367.4	365.4	398.1	413.5	443.7	482.3	518.2
	(74.0)	*(74.5)*	*(73.6)*	*(75.7)*	*(76.6)*	*(78.0)*	*(78.6)*	*(79.7)*	*(81.3)*	*(82.7)*
Total	487.4	474.7	463.7	485.6	476.9	510.3	525.9	557.0	593.6	626.5
	(100.0)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*
France (2)										
Soaps					180.2	186.0	178.7	175.0	173.6	161.9
					(39.9)	*(38.6)*	*(34.4)*	*(32.4)*	*(31.6)*	*(29.0)*
Hybrid items					13.3	15.8	17.1	18.1	18.3	19.0
					(2.9)	*(3.3)*	*(3.3)*	*(3.3)*	*(3.3)*	*(3.4)*
Synthetics					258.5	280.3	323.4	347.5	356.7	377.2
					(57.2)	*(58.1)*	*(62.3)*	*(64,3)*	*(65.1)*	*(67.6)*
Total					452.0	482.1	519.2	540.6	548.6	558.1
					(100.0)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*
Italy (3)										
Soaps	200.0	220.0	230.0	210.0	210.0	210.0	210.0	195.0	185.0	
	(90.9)	*(86.3)*	*(80.4)*	*(75.0)*	*(70.0)*	*(67.7)*	*(63.6)*	*(59.1)*	*(54.6)*	
Synthetics	20.0	35.0	56.0	70.0	90.0	100.0	120.0	135.0	154.0	
	(9.1)	*(13.7)*	*(19.6)*	*(25.0)*	*(30.0)*	*(32.3)*	*(36.4)*	*(40.9)*	*(45.4)*	
Total	220.0	255.0	286.0	280.0	300.0	310,0	330.0	330.0	339.0	
	(100.0)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	
Netherlands (4)										
Soaps			81.1	71.7	68.4	68.5	69.4	69.4	66.4	
			(61.5)	*(59.2)*	*(57.6)*	*(56.6)*	*(55.0)*	*(53.3)*	*(49.4)*	
Synthetics			50.9	49.5	50.3	52.5	56.7	60.7	68.0	
			(38.5)	*(40.8)*	*(42.4)*	*(43.4)*	*(45.0)*	*(46.7)*	*(50.6)*	
Total			132.0	121.2	118.7	121.0	126.1	130.1	134.4	
			(100.0)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	
B.L.E.U. (5)										
Soaps			79.7	65.8	57.5	51.3	53.0	50.9	48.2	45.2
			(67.1)	*(52.6)*	*(47.1)*	*(40.5)*	*(41.6)*	*(40.5)*	*(35.8)*	*(31.9)*
Hybrid items			10.6	10.1	11.7	11.2	10.5	10.7	17.0	17.2
			(8.1)	*(8.1)*	*(9.6)*	*(8.9)*	*(8.2)*	*(8.5)*	*(12.6)*	*(12.1)*
Synthetics			40.2	49.1	52.7	64.0	64.0	64.2	69.6	79.1
			(30.8)	*(39.3)*	*(43.3)*	*(50.6)*	*(50.2)*	*(51.0)*	*(51.6)*	*(56.0)*
Total			130.5	125.0	121.9	126.5	127.5	125.8	134.8	141.5
			(100.0)	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*	*(100.0)*

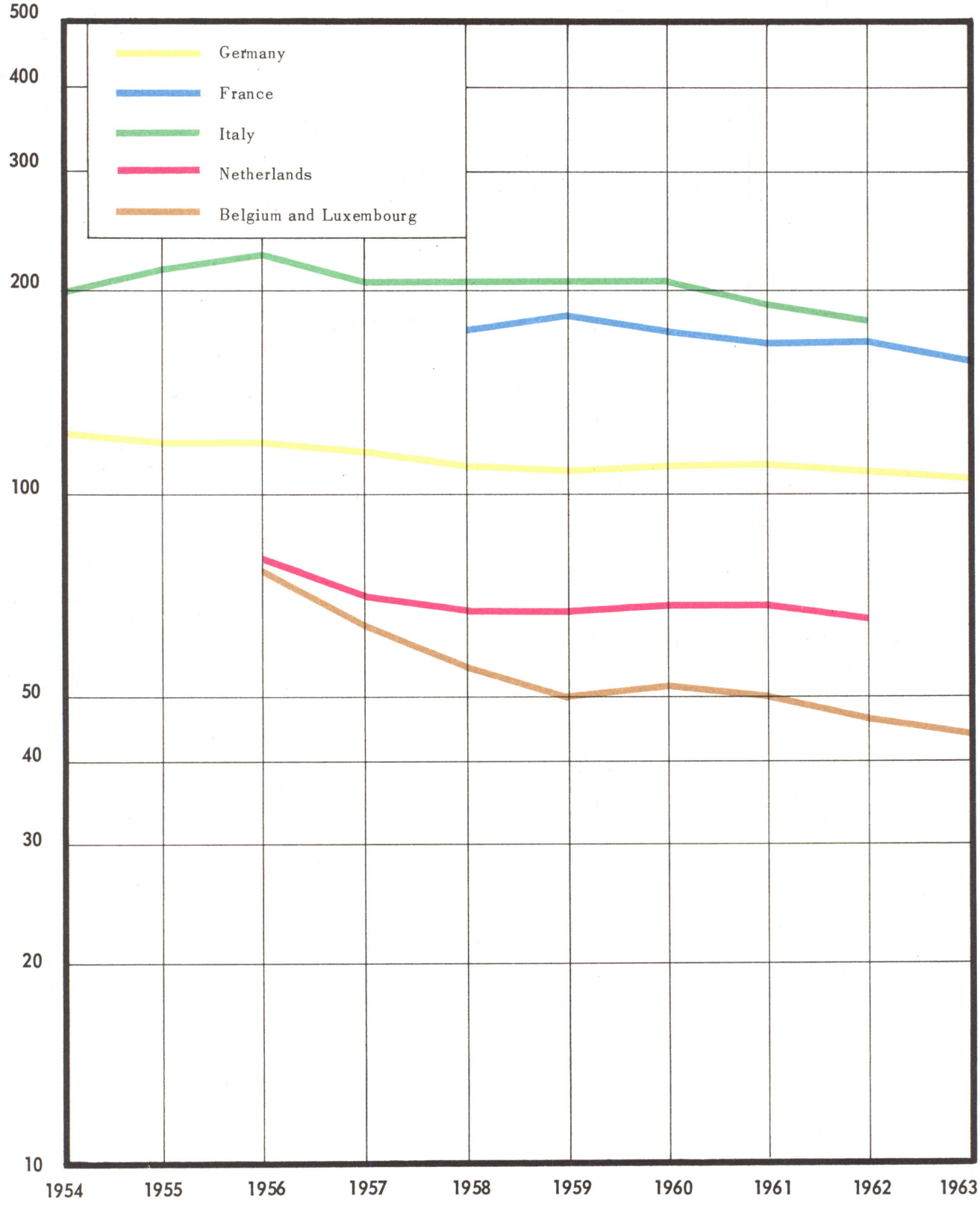
(1) Germany : Statistisches Bundesamt, Industry in the Federal Republic, Vol 3. N.B. 1954 - 1958 : data refer to the Federal Republic less the Saar and Berlin ; 1959 - 1963 : data refer to the Federal Republic less Berlin.
(2) France : documents supplied by the Syndicat Général des Fabricants de Savons, de détergents et de produits d'hygiène.
(3) Italy : data obtained from field investigations. The data refer to consumption and not to total deliveries. Under synthetics we have included hybrid semi- lathering powders for washing machines, which have a very low fat content. There are no production statistics for hybrid products, but it is known that, in 1963, they accounted for some 10 per cent of the total production of synthetic detergents.
(4) Netherlands : data derived from the CBS publication Produktiestatistieken. Data refer to deliveries by firms whose main activity is in production of soaps or synthetic detergents, which represent some 80 percent of all Netherlands output in this sector.
(5) B.L.E.U. : derived from data supplied by the Fédération des industries chimiques de Belgique.

DIAGRAM No. 13

The trend in soap production in the member-countries

Thousand tons

Source: table No. 38



Trend in production of toilet and scented soaps

In '000 t
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany	38.9	39.5	42.0	44.6	43.1	47.2	48.1	48.9	49.2	49.5
— of all soaps	*(30.7)*	*(32.7)*	*(34.4)*	*(37.8)*	*(38.7)*	*(42.1)*	*(42.8)*	*(43.1)*	*(44.2)*	*(45.7)*
France				23.5	26.3	26.1	24.4	25.0	25.8	28.1
— of all soaps					*(14.6)*	*(14.0)*	*(13.7)*	*(14.3)*	*(14.8)*	*(17.4)*
Netherlands			6.7	6.4	6.8	8.0	8.4	7.9	11.4	
— of all soaps			*(8.3)*	*(8.9)*	*(10.0)*	*(11.7)*	*(12.1)*	*(11.3)*	*(17.1)*	
B.L.E.U.			8.6	8.0	8.2	7.9	7.4	8.1	7.8	8.0
— of all soaps			*(10.7)*	*(12.2)*	*(14.4)*	*(15.4)*	*(13.9)*	*(15.9)*	*(16.2)*	*(17.7)*
EEC countries combined less Italy				82.5	84.4	89.2	88.3	89.9	94.2	
— of all soaps				*(—)*	*(20.0)*	*(21.3)*	*(21.4)*	*(22.0)*	*(23.6)*	

Sources : as for Table 38.

view of the rise in personal incomes and the resulting changes in standards of hygiene. Soap production may therefore level-out, or even rise in relation to a minimum level which cannot be identified until the econometric study has been completed (1).

Over the last 10 years, Germany's production has increased by about 3% per annum, and that of the Netherlands by about 9% per annum over six years. The annual growth rate in France over the last six years has been only 1.6%. The apparent stagnation of production in the B.L.E.U. can be ascribed in part to the absence of any data regarding scented soaps.

3 — *STRUCTURE OF THE SOAPS AND SYNTHETIC DETERGENTS INDUSTRY*

The total labour force of this industry in the E.E.C. is a approximately 52 000 (2), and the total number of firms engaged in the sector may be very roughly estimated as being six or seven hundred, of very varying sizes. Reference was made earlier to the connections existing between some of the most important soap factories and the other sectors in the oils and fats industry, as well as to the fact that the principal soap factories in the E.E.C. area belong to firms whose activities extend to a wider geographical coverage than the Six.

The share of the retail market which is controlled by the very largest firms, for each product and in each Member country, is a very considerable one: the data which we have assembled refer to types of product and they cannot always be extended to the output of the sector as a whole.

In Germany, for instance, 10 firms have a turnover in excess of 20 million DM and account for roughly 80% of total production. For ordinary washing powders, 2 firms alone represent between 80 and 85% of total turnover and, for higher-quality powders, another 2 firms account for more than 90% of the total.

In France, 90% of toilet soap production is due to 4 groups and 80% of that of synthetic detergents to 3 groups.

In Italy, a single group supplies 40% of all the laundry soaps, 3 firms supply 80% of these products together with between 75 and 80% of all toilet soaps, whereas 2 groups sell 50%, and 4 groups 85%, of the synthetic preparations.

In the Netherlands, 4 firms appear to control between 80 and 85% of the soap market, with the same number of firms having a similar share where synthetic detergents are concerned.

In Belgium, 5 firms account for 95% of soap sales, and 4 groups sell 85% of all synthetic preparations.

(1) Synthetic products have not yet made significant inroads into the toilet soaps sector, only being represented by small quantities of hybrid preparations of the " beauty bar " type.

(2) See Chapter I, Introduction.

It is noticeable that the share of the market held by the largest firms is comparable from one country to another. Moreover, the production of the synthetic detergents has generally been developed by the leading soap manufacturers themselves. In the course of this process, the small and medium-sized soap factories have ceased to be competitive, and this explains the fall in the number of firms recorded in several countries, and the conversion of some firms to supplying semi-finished products to the giant producers.

In the Netherlands, for example, the number of firms employing more than 10 workers fell by 30% between 1953 and 1963, whereas in Belgium 26% of the total number of firms disappeared over a ten-year period. In Italy, it was seen that, in addition to closures and mergers, many firms now either limit their activity to supplying semi-processed items to the largest producers or place the marketing of their products in the hands of other organizations or firms.

This trend towards greater concentration of the industry seems likely to continue, especially in view of the fall in the sales of soap.

We thus see that, in the soaps and detergents industry, as in the margarine industry in the E.E.C. countries, the major part of the outlet for tropical oils and fats is represented by large-scale undertakings which are able to face competition at international level.

Chapter II

Applications of tropical oils and fats and end-product formulations

Chapter One was concerned with the current and future competitive position of the limited range of end-products which represent the main part of the consumer outlet for tropical oils and fats in the EEC area. This new Chapter will deal with the actual composition of these consumer goods.

The first Section under this heading consists of an assessment of the present importance of each type of end-product in relation to the tropical oils and fats market as a whole.

Sections II and III analyse the factors which determine the choice of the primary ingredients entering into the composition of margarine and then of soap products. On the basis of a number of examples, the trend in margarine and soap formulations is examined with a view to identifying the respective influences of raw materials prices and of technical considerations.

END-USES FOR TROPICAL OILS AND FATS IN THE E.E.C. COUNTRIES

Table No. 39 gives, for the year 1962, the breakdown by end-uses of tropical oils and fats consumption in the E.E.C. Countries. In view of the fragmentary nature of the data available for the B.L.E.U., the actual coverage is in fact limited to Germany, France, the Netherlands and Italy. Due caution should be observed when relating these data to those concerning apparent consumption which are set out at Part One above, as Table No. 39 allows in most cases for stock variations and, furthermore, the sources are not always common to both series. The latter differences are referred to in the footnotes to the Table.

Direct consumption of liquid oils (including households and institutions) accounts for something like one-third of the consumer outlet for tropical oils and fats, with margarine manufacturing taking up about 40% and industrial uses about 11%.

As we noted earlier, the breakdown between end-uses varies from country to country and between different products.

The breakdown by countries reflects their patterns of food consumption. In Germany, margarine manufacturing accounts for 60% of the total consumption of tropical oils and fats, whereas in France 68% is consumed in the form of liquid oil. In the Netherlands, margarine represents two-thirds of the total, but in Italy the balance is much more even.

The breakdown by products leads to the following conclusions:

a) for groundnuts, direct consumption in France is the dominant factor, although the German margarine industry must also be taken into account (1);

b) for coconut and palm kernel oils, which have almost identical uses, the margarine industry represents one-half of the total sales (nearly one-half of which in Germany), whereas 29% is taken up by the other compound cooking fats, the household consumption of coconut oil fats in Germany again being a significant item. Twenty per cent of the total imports are used for industrial purposes, mainly soapmaking except in the Netherlands, where 12.6% are taken up by other industries. The following are among the other industrial uses of copra and palm kernel which seem to offer increasing opportunities:

— use of coconut oil, for its high lauric acid content, in the chemical industries;

— manufacture of resins; according to the information provided by Italian industry, coconut oil accounts for 15% of all the oils used in resin formulations. The resins in question are used mainly (75%) in the manufacture of printer's inks, paints, varnishes and enamels, with the remaining 25% being taken up by paper-making, gramophone records, plastics, cosmetics and tannery. There is evidence that the plastics industry offers wider possibilities in some other countries, as in the Netherlands, for example;

— distilling (manufacture of lauric alcohol);

— for increasing the viscosity of incendiary formulations (fatty acid from coconut oil used in the manufacture of napalm);

— animal feedingstuffs: augmentation of their fat content (Netherlands and Germany).

c) for palm oil, 68% of imports are taken up by the margarine manufacturers. It is noteworthy that, in contrast with the other products considered, this proportion is virtually the same from one country to another. Industrial uses represent 13% of the total. Soap-making is found to be no longer an outlet for palm oil.

The other industrial uses are as follows:

— in metallurgy. The physical properties of palm oil make it suitable for use in galvanizing (although increased use of electrolosis techniques in this field is likely to cause a reduction here) and in metal-rolling — where demand is on the increase;

— in chemicals, where there are more limited openings than for coconut and palm kernel oils.

(1) However, the quantity consumed varies considerably from one year to the next.

Internal (1) end-uses of tropical oils (excluding B.L.E.U.) (2)

In crude

	Groundnuts oil					Coconut and Palm-		
	Germany	France	Italy	N'lands	Total	Germany	France	Italy
Soft Oils								
Direct consumption	9.33 *(16.40)*	327.60 *(96.90)*	35.00 *(100.00)*	1.70(3) *(27.80)*	373.63 *(85.70)*	— *(—)*	— *(—)*	— *(—)*
Food processing	1.20 *(2.10)*	6.40 *(1.90)*	— *(—)*	1.56 *(25.50)*	9.16 *(2.10)*	— *(—)*	— *(—)*	— *(—)*
Margarine (4)	45.80 *(80.60)*	4.00 *(1.20)*	— *(—)*	2.27 *(37.20)*	52.07 *(11.90)*	134.50 *(50.20)*	55.60 *(50.50*	8.00 *(20.00)*
Imitation lard and other cooking fats								
Direct consumption	— *(—)*	— *(—)*	— *(—)*	0.50 *(8.20)*	0.50 *(0.10)*	67.30 *(25.10)*	30.00 *(27.20)*	12.00 *(30.00)*
Food processing	— *(—)*	— *(—)*	— *(—)*			23.13 *(8.60)*		
Industrial sectors								
Soap manufacturing	— *(—)*	— *(—)*	— *(—)*	— *(—)*	— *(—)*	42.93 *(16.10)*	16.60 *(15.10)*	16.00 *(40.00)*
Other industries	0.50 *(0.90)*	— *(—)*	— *(—)*	0.08 *(1.30)*	0.58 *(0.20)*		8.00 *(7.20)*	4.00 *(10.00)*
Totals	*56.83* *(100.00)*	338.00 *(100.00)*	35.00 *(100.00)*	6.11 *(100.00)*	435.94 *(100.00)*	267.86 *(100.00)*	110.20 *(100.00)*	40.00 *(100.00)*

Sources : Germany : Ministery of Industry and, for the breakdown of " other cooking fats ", private industry. France : Ministery of Industry and CETEMA. Netherlands : derived from data supplied by MVO. Italy : estimates based on field investigations.

(1) These data may be approximated to internal end-uses : for Germany, France and Italy, exports of processed items are not significant, while for the Netherlands the figures given include only those exports concerning items whose composition is not known. *N.B.* The above data cannot be related to those previously given for apparent consumption, which do not allow for stock variations and are converted to a uniform basis for each country.

(2) The fragmentary nature of the data supplied for the BLEU made it impossible to include that area in the above table. The

and fats imports into the EEC countries
- 1962

oil-equivalent

In '000 t
(in %)

kernel oils		Palm oil					Grand total				Total EEC
N'lands	Total	Germany	France	Italy	N'lands	Total	Germany	France	Italy	N'lands	
—	—	—	—	—	—	—	9.33	327.60	35.00	1.70	373.63
(—)	(—)	(—)	(—)	(—)	(—)	(—)	(2.40)	(68.40)	(35.00)	(1.30)	(33.70)
—	—	—	—	—	—	—	1.20	6.40	—	1.56	9.16
(—)	(—)	(—)	(—)	(—)	(—)	(—)	(0.30)	(1.30)	(—)	(1.20)	(0.80)
56.85	254.95	55.50	18.50	15.00	30.06	119.06	235.80	78.10	23.00	89.18	426.08
(71.70)	(51.30)	(80.10)	(60,10)	(60.00)	(61.40)	(68.40)	(59.00)	(16.30)	(23.00)	(66.40)	(38.50)
10.51	142.94	—	7.90	—	14.22	31.95	67.30	37.90	21.00	25.23	175.39
(13.30)	(28.70)	(—)	(25.60)	(—)	(29.10)	(18.30)	(17.10)	(7.90)	(21.00)	(18.80)	(15.80)
		0.83		9.00			23.96				
		(1.10)		(36.00)			(6.10)				
1.94			0.40	—	0.03			17.00	16.00	1.97	
(2.40)			(1.30)	(—)	(0.10)			(3.50)	(16.00)	(1.50)	
	99.41	13.01				23.07	56.44				123.06
	(20.00)	(18.80)				(13.30)	(14.20)				(11.20)
9.94			4.00	1.00	4.63			12.00	5.00	14.65	
(12.60)			(13.00)	(4.00)	(9.40)			(2.60)	(5.00)	(10.80)	
79.24	497.30	69.34	30.80	25.00	48.94	174.08	394.03	479.00	100.00	134.29	1 107.32
(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

incidence of this omission may be assessed from the following percentage of total EEC consumption represented by the B.L.E.U. in 1962 : groundnuts, 7 % ; copra, 8,5 % ; palmkernels, 9 % ; palm-oil, 13 %.
Other data given for the B.L.E.U. are as follows : — 21 000 tons of groundnut oil consumed as salad oil ; — used by the margarine industry : 7 600 tons of groundnut oil, 12 000 tons of copra, 14 200 tons of palm kernel, 20 300 tons of palm oil ; — used by the soap industry : 1 300 tons of thick oils.
(3) Estimate corresponding to 13 % of the 7 000 tons of liquid oil sold for household use.
(4) For France, this also includes " produits blancs " (= compound cooking fats) representing 4 % of total margarine production.

Palm oil is used as a lubricant, as a dressing for textile fabrics and for stripping moulded plastics and rubber;

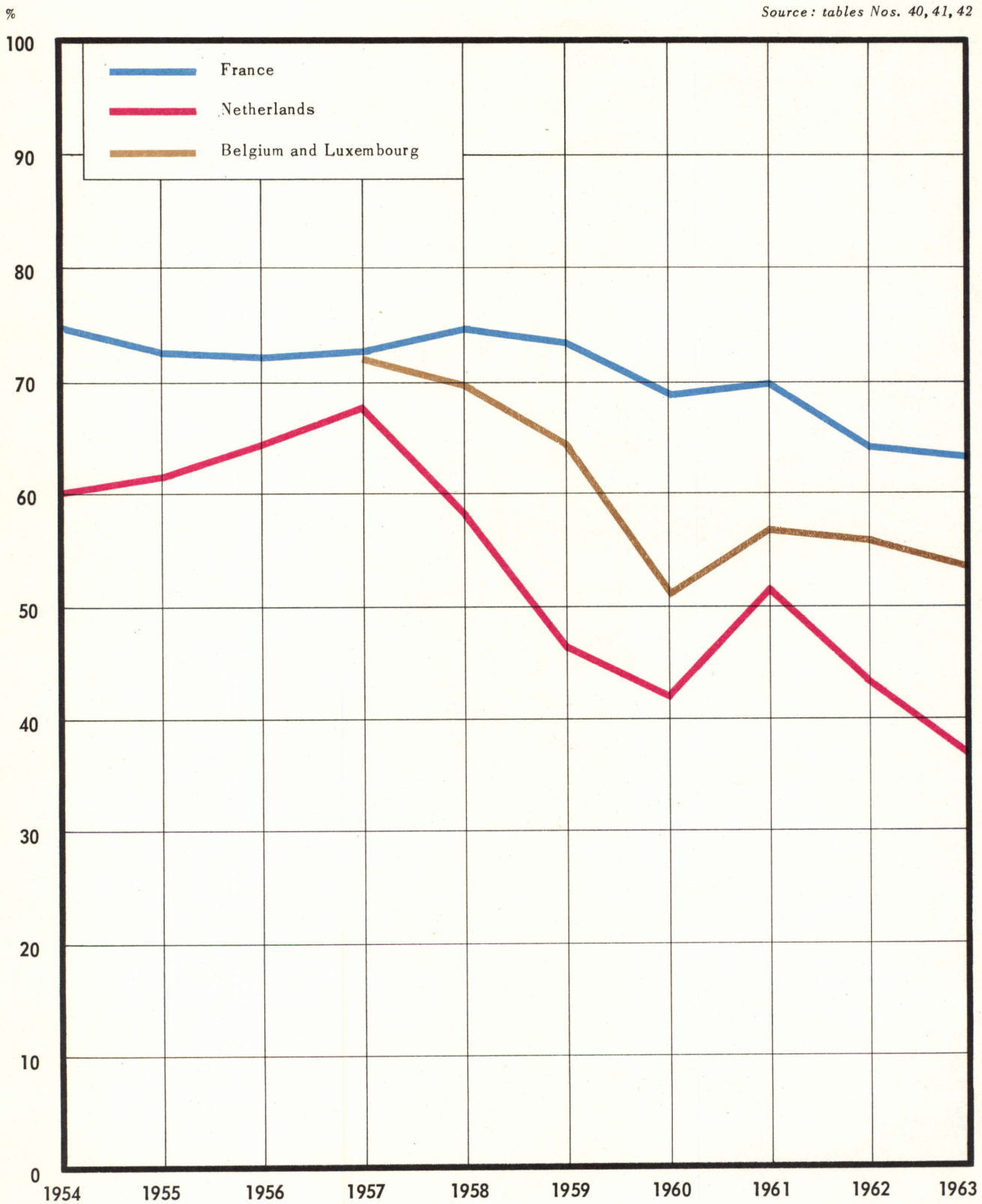
— in pharmaceuticals, where the carotene extracted from palm oil is used in vitamin preparations etc.

It should also be noted that, although this could not be included in the table of end-uses, palm oil is traditionally the commonest ingredient in margarine-making in the B.L.E.U. countries.

The above description gives a static view of the relative importance of each end-use associated with tropical oils and fats. In actual fact, the position in 1962 is merely one stage in a long line of developments governed by the competitive position of the various primary products available.

DIAGRAM No. 14

The proportion of tropical oils entering into the composition of margarine



SECTION II

TRENDS AFFECTING THE COMPOSITION OF MARGARINE

The terms of competition — with special reference to statutory regulations — between oils and fats have been broadly discussed in the preceding Chapters. This Section of the report will consist of an examination of the information which has been collected (1) regarding the very delicate problem of the respective roles of raw materials prices and of technical imperatives in the selection of the primary ingredients used in the manufacture of margarine.

1 — *STATEMENT OF THE PROBLEM*

The market prices of the primary ingredients used in the margarine industry oscillate at widely-different levels and are subject to short-term fluctuations over a significant range. The following table, which sets out the World prices for these products, delivered c.a.f. at typical European ports, is an illustration of this point, in spite of the fact that fluctuations over shorter periods than one year are not recorded.

As we have already seen, retail prices are very stable in the short term, this being due to the competition from butter, the strategic value of margarine in relation to retail price-indexes in certain countries, and to some degree of structural rigidity within the industry itself.

This being so, and with due regard to the importance of primary ingredients as a cost component, the margarine industry is inclined to maintain or improve its profit performance by two types of action on the composition of the final products, i.e.

— at long range, by calling more heavily on the cheaper ingredients;

(1) This information was collected within the industry and some of it taken from The Coconut Situation, published by the F.A.O. under reference 65/2 dated 25th April 1965: other sources are quoted in the footnotes to the attached tables showing the trend in the composition of margarine.

Edible oils - The trend in world prices (Yearly averages)

In $/t

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	Average 53/64
Nigeria groundnuts caf Europe	386	371	288	369	360	276	300	327	330	274	268	314	322
Ceylon coconut oil caf Europe	341	306	260	265	274	316	383	312	254	249	284	296	295
Congo palm kernel caf Europe	315	284	254	260	257	286	343	305	236	228	268	288	277
US Soya bean oil caf Europe	338	333	294	339	306	256	232	224	287	227	224	230	274
Congo Palmoil caf Europe	199	215	226	248	247	223	237	224	226	214	227	239	227
Antartic Whale caf Europe	205	232	244	254	245	218	219	209	195	135	205	231	216
Australia tallow caf Europe	166	216	216	216	221	227	204	182	189	151	169	207	197
US fish-oil (Menhaden fob USA)	164	171	181	195	195	176	162	143	136	103	139	194	163

— in the short run, by adapting recipes in relation to price fluctuations affecting raw materials.

The need for this kind of action is most pressing in the case of cheap margarines and those whose price is subject to strict control; it is not so keenly felt, and is more difficult to apply, in the case of high-quality products whose retail price is more consonant with the incorporation of expensive ingredients subject to sharp price movements.

The opportunities for short-term intervention are limited by technical difficulties and the cost of reconversion to new recipes, by the state of current stocks, and by the ability of the processing firms to predict future trends in world prices. In addition, and this also applies to long-term interventions, public taste and other consumer requirements concerning the product's quality are paramount limiting factors.

The tropical products most widely used in the E.E.C. countries for making high-quality margarine are copra and palm kernel: they are also the products whose absolute price levels are the highest, if we except groundnuts. According to the information supplied by the International Federation of Margarine Manufacturers' Associations (1), coconut and palm kernel oils are favoured for their high proportion of saturated components, as this minimises variations in the consistency of the product after hardening.

Chemical composition of coconut and palm kernel oil (1)

In %

	Palm kernel oil	Coconut oil
Fatty acids		
C 8, saturated	1	6.5
C 10, »	2	6
C 12, »	66	50
C 14, »	11	19
C 16, »	5	7
C 18,	2	2
C 18, double-bonded	11	5.5
C 18, two double bonds	2	1
C 20, saturated	—	1
C 20, double-bonded	—	0.5
C 22, saturated	—	1.5

(1) *Source :* The Coconut Situation, FAO, Rome.

The above table also shows that copra and palm kernel contain a high proportion of lauric acid (C12. H24. 02), which means that they are not easy to replace by other products.

The degree of usefulness of coconut and palm kernel oils varies according to the properties required of the margarine, i.e.:

— for cheap margarines intended for general use, the presence of these two ingredients is not essential, which explains the high proportion of marine oils and semi-hardened soft oils going into these products. The same is true of margarines which quickly take on a creamy appearance and texture;

— for magarines which are required to spread easily, even after cold-storage (such as those used for sandwiches etc.), or to withstand high temperatures, it is difficult to see any substitute for copra: the same applies to margarine required to melt rapidly in the mouth (a property which seems highly-prized by the German consumer) or to mix quickly, as in pastry-making.

Still according to the same source, animal lard cannot be substituted for copra and palm kernel in margarines of the qualities described above. From the point of view of texture — but not of taste — it is possible to substitute only certain kinds of tallow which melt at low temperatures. Hardened fluid oils are not a complete answer to the problem of fast melting. These defects can be corrected to some extent by using technical processes influencing texturisation and cristallisation and which are more specially suitable for adapting to single-process manufacturing lines.

The figures given below nevertheless confirm that coconut and palm kernel oils are being less widely used in the margarine industry, as we deduced earlier from our study of the trend in apparent consumption.

In the first place, the train of substitution seems to be set off by short-term price increases for these products (resulting from a lowering of supply levels). These increases make it necessary to develop new formulations involving the replacement — at least partly — of ingredients which had hitherto been considered to be irreplaceable, and the return to " normal " price levels is not accompanied by a return to the earlier formulations. This non-reversibility of the substitution process can be given as an explanation for the steady loss of ground by the " expensive " ingredients such as copra and palm kernel. In addition, the technical advances recorded, especially in the largest undertakings,

(1) The Coconut Situation, op. cit.

have enabled more rapid switching of formulations to be operated. It is reported that these switches can now be effected, at least for the cheaper lines, within less than three months after the price increase; for the more important changes, involving public testing of consumer reactions to the new product, the time-lag is said to be less than six months.

In. view of the above considerations, the trend of consumer preferences towards high-quality margarines, with their insistence on properties which can only be obtained at this stage by using coconut and palm kernel oils, is undoubtedly the surest guarantee that these products will continue to find a market. In this connection, we have already seen that high-quality margarines are making outstanding progress on the German market (1). Any promotional work for tropical oils and fats in Germany should thus be directed to fostering consumer attitudes which are already favourable. In addition, international action to stabilise prices is particularly necessary with a view to dispose of product substitutions resulting from market fluctuations.

2 – *THE TREND IN MARGARINE RECIPES IN FRANCE, THE NETHERLANDS AND B.L.E.U.*

The only data which is available for a sufficiently long period is in respect of the above three economies. The trends observed for the Netherlands are of special interest, both from the fact that this country has experience of free access to world markets which foreshadows (as we have already seen) many aspects of the future Community organisation, and from the fact that the statistics relating thereto are available in very detailed form.

2.1 – MANUFACTURING RECIPES FOR MARGARINE IN THE NETHERLANDS

Margarine formulations in the Netherlands are an accurate reflection of the pattern of apparent consumption of oils and fats other than butter for that country. At the end of our reference period (1963), they displayed the following features (Table Nr. 40):

(1) See Chapter 1, Section II – The Margarine Industry.

– a limited reliance on the hard oils, especially coconut oil (11.7%)

– a heavy emphasis on soft oils, especially soya (13.1%) and, to an even greater extent, marine oils (38%).

The most noteworthy changes which occurred between 1954 and 1963 were the large increase in the consumption of whale and fish oils (+ 96%), the ground lost by coconut oil (- 62.5%) and, to a lesser extent, the reduction in consumption of palm oil (- 37%) and of palm kernel oil (- 11.8%). Soya and cottonseed oils (2) progressed only slowly (+ 1.3%).

Going back to the hypotheses set out in the previous paragraph, we will now attempt to evaluate the incidence of raw materials prices with respect to these developments.

2.1.1 – *Annual fluctuations in world prices and the choice of raw materials* (3)

a) Coconut oil

For this product, the correlation between the increase in the price index and the increase in the consumption index (quantities used) has been calculated. The coefficient thus obtained (- 0.58) confirms, in spite of the smallness of the sample, that there is a relationship between the annual variations in the two series (4).

The consequences of the copra crisis in 1958-1959 – when the level of supply was insufficient – enable us to determine the role played by price in the choice of copra as an ingredient. In 1958, the price index rose first by 13, and then by 22, points, whereas the consumption index fell from 118 in 1957 to 48 in 1958 and to 13 in 1959. The amount of the price fluctuation, in absolute terms, is seen to have played a decisive role: it is as though a fluctuation threshold had been crossed, beyond which the industrial sectors replaced a product which they had hitherto considered to be indispensable.

(2) Soya oil having replaced cottonseed oil during the reference period, we will consider only the total of the two.

(3) This is merely a preliminary analysis referring only to annual data, which is without prejudice to the methods adopted for the purposes of the main econometric study of "Forecasts for 1970-1975" which is now in hand.

(4) This coefficient applies only to the Netherlands and is not to be taken as a coefficient of price elasticity.

TABLE 40

Composition of margarine intended for domestic consumption in the Netherlands

In kg per 100 kg of fat content

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Cottonseed	11.2	7.2	3.8	0.8	0.1	1.4	3.0	1.0	—	0.1
Groundnut	—	1.2	0.3	0.7	3.6	4.4	0.6	0.6	1.1	0.4
Soya bean	2.3	4.9	8.5	7.7	9.0	15.0	18.0	6.8	9.9	13.1
Other soft oils	1.7(1)	0.6	0.8	0.5	2.4	4.4	1.9	3.0	3.3	5.8(2)
Total soft oils	15.2	13.9	13.4	9.7	15.1	25.2	23.5	11.4	14.3	19.4
Copra	21.7	17.9	25.2	25.5	10.5	2.8	9.4	13.5	11.6	11.7
Palm kernel	13.0	15.8	17.3	17.1	18.5	17.0	11.8	15.8	17.3	10.6
Palm oil	25.7	27.2	21.7	24.4	26.1	22.9	21.2	22.7	14.3	15.8
Total hard oils	60.4	60.9	64.3	67.0	55.1	42.7	42.4	52.0	43.2	38.1
Animal fats	2.0	0.8	0.8	1.9	3.3	3.1	4.7	2.5	2.3	3.2
Marine oils	21.3	23.8	20.1	20.2	25.0	27.1	27.0	31.2	37.6	38.0
Misc. fats	1.1	0.6	1.4	1.2	1.5	1.9	2.4	2.9	2.6	1.3
Total oils and fats	24.4	25.2	22.3	23.3	29.8	32.1	34.1	36.6	42.5	42.5
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : MVO.
(1) Mainly sunflower.
(2) 45 % sunflower, 45 % rapeseed : proportions of these items fluctuated over the period.

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Cottonseed, Soya										
— Quantity	100	90	91	63	67	121	156	58	73	97
— Price (Soya)	100	88	102	92	77	70	67	86	68	67
Groundnut (base 1955)										
— Quantity		100	25	58	300	367	50	50	92	33
— Price		100	128	125	96	104	114	115	95	93
Other soft oils										
— Quantity	100	35	47	29	141	259	112	176	194	341
Total soft oils										
— Quantity	100	91	88	64	99	166	155	75	94	128
Coconut										
— Quantity	100	82	116	118	48	13	43	62	53	54
— Price	100	85	87	90	103	125	102	83	81	93
Palm kernel										
— Quantity	100	122	133	132	142	131	91	122	133	82
— Price	100	89	92	90	101	121	107	83	80	94
Palmoil										
— Quantity	100	106	84	95	102	89	82	88	56	61
— Price	100	105	115	115	104	110	104	105	100	106
Total hard oils										
— Quantity	100	101	106	111	91	71	70	86	72	63
Animal fats										
— Quantity	100	40	40	95	165	155	235	125	115	160
— Price (tallow)	100	100	100	102	105	94	84	88	70	78
Marine oils										
— Quantity	100	112	94	95	117	127	127	146	177	178
— Price (whale)	100	105	109	106	94	94	90	84	58	88
Fats and Mixtures										
— Quantity	100	55	127	109	136	173	218	264	236	118
Total animal oils and fats										
— Quantity	100	103	91	95	122	132	140	150	174	174

The fall in prices recorded in 1960 and 1961 brought the index down to below the 100 mark, but resulted in only a limited increase in copra consumption, which at the end of the reference period was still 62% below its initial level. The effect of the price fluctuations on the quantities employed was thus an irreversible one, at least to some extent, which seems to confirm the hypothesis concerning the substitution mechanisms for high-priced products which we adopted at the beginning of this chapter. Furthermore, it seems clear that the danger of a fresh shortage of supply has prevented the industrial sectors from revising their manufacturing recipes to include a higher proportion of copra.

b) Palm kernel oil

Here, the correlation calculated according to the method outlined in the preceding paragraph gives a coefficient of only 0.52.

The index (Table No. 42) movement shows that, in spite of an increase in the price of palm kernels during 1958-1959 which attained almost the same proportions as that recorded for copra[1], the decline in both offer and consumption was much less marked than for the latter. This is explained by the fact that the price of palm kernel oil (which, as we saw earlier, has much the same properties as those for which coconut oil is employed) is, in absolute terms, significantly lower than that of coconut oil: consequently, we see that when the prices of the lauric acid oils were rising it was the most costly of these which was the most heavily affected by the falling-off in demand, although the relative prices followed almost the same curve. This probably is the reason why palm kernel oil consumption fell by only 11.8% during the reference period.

c) The soft oils

These are the products which seem to have benefited most by the crisis affecting the lauric acid oils in 1958-1959. Their share in the total quantities used increased from 9% in 1957 to 15% in 1958 and again to 25% in 1959. This improvement coincides with a fall in the prices of the products concerned, which occurred in 1958 for groundnuts (which are used only in irregular fashion) and for the miscellaneous soft oils (such as rapeseed and sunflower), and in 1959 for soya beans. This appears as confirmation of the information referred to above concerning the use of "stiffened" fluid oils as a replacement for coconut oil. This aspect is of interest in connection with the future Community system, which provides for support for rapeseed.

The increase in groundnuts prices, in 1960, and that in soya prices, in 1961, resulted in a fall in manufacturing consumption; it can thus be said that, at this point, the relative level of prices (soft oils as against lauric acid oils) was the main influence.

d) Palm oil

As concerns palm oil, the outstanding feature is the total absence of any relationship between variations in the price index and those in the quantity index. It must therefore be supposed that the ground lost by palm oil (- 37%) is due not so much to user-reactions to price fluctuations, as to the absolute level of its price.

e) Fish and other marine oils

These are the products for which the closest relationship between annual price fluctuations and quantities consumed is observed. The correlation factor obtained on the basis of whale-oil prices is 0.607. Price fluctuations are thus a significant explanation to the extent of 36% of the variation in the quantities used. This difference in comparison with the trend observed in respect of palm oil will be discussed in the next paragraph.

2.1.2 – *Absolute price levels and long-range changes in margarine formulations*

The following table shows the main products used in the Netherlands margarine industry, placed in descending order of average prices between 1953 and 1964. The prices have been indexed [2] for convenient assessment of variations.

Apart from the groundnut position, where consumption is both small and very irregular, the following features are outstanding:

— the downward trend in consumption of the most expensive products. In the case of copra

[1] There is a very marked relationship between the prices of these two products.

[2] The basis adopted is the f.o.b. (lower than c.a.f.) Continental ports price of fish-oil: this is a sufficient approximation for the analysis.

Trend in manufacturing consumption and price levels

	Variation in manufacturing consumption 1953-1963 (in %)	Average price 1953-1964 ($/t)	Ratio if price to that of the least expensive product
Groundnut	Irregular	322	198
Coconut oil	— 62.5	295	180
Palm kernel oil	— 11.8	277	170
Cottonseed/Soya bean oil	+ 1.3	274(1)	168
Palm oil	— 37.0	227	140
Whale/Fish oil	+ 96.0	216(2) 163(3)	133 100

(1) Soya bean oil prices.
(2) Whale-oil prices.
(3) Fish-oil prices.

and palm kernels, this observation is additional confirmation of a situation already referred to in connection with the influence of short-term price movements and the partly irreversible nature of the substitution process;

— among the cheaper products, palm oil has lost ground in spite of the fact that its price has been much more steady than those of the lauric acid oils. Palm oil is the " most expensive of the cheap oils ", and the price difference, in absolute terms, between it and the marine oils seems to be the main factor which encourages substitution. In support of this, it will be noted that when the prices of whale and fish oils fell, in 1958-1959, their consumption increased only slightly: the crisis affecting copra and palm kernels brought little benefit to the marine oils, and the palm oil position was hardly eroded; however, a further price fall in 1961, gaining momentum in 1962-1963, led to a very steep rise in the consumption of marine oils, whereas palm oil lost further ground. In other words, the difference in price in absolute terms enabled the cheapest product to progress at the fastest rate over the period as a whole.

In conclusion, it appears that — in spite of some technical restrictions — the price of raw materials is an essential factor in the trend of consumption, although it acts through processes which are complex and which vary from one product to another: reactions, which may or not be reversible, to short-term fluctuations, the part played by short-cycle " accidents " (such as the copra shortage of 1958-1959) and adaptations to the long range levels and trends of World prices.

These comments refer to a well-defined market — that of the Netherlands: the supply position therein is characterised by unrestrained access to world markets, and the attitudes and requirements of the consumer public are not necessarily the same as those encountered in the other countries, especially Germany. However, the observations recorded above bring general corroboration to the conclusions reached by the F.A.O. as to the developments in a greater number of countries, which included Great Britain (1), and, furthermore, the forthcoming Community system will result in more general access to the World market.

Consequently, it is reasonable to forecast that the position of tropical products, which depend so heavily on the margarine market as an outlet, will become increasingly vulnerable. This assessment is confirmed by developments in B.L.E.U. and France.

2.2 — THE COMPOSITION OF MARGARINE IN FRANCE

At the end of the reference period, the composition of margarine in France (Table No. 41) displayed the following features:

— a very high proportion of copra and palm kernel: 46% in 1962, against 29% in the Netherlands, 27.5% in B.L.E.U. and 28.5% in Germany. This overall proportion is as high as that which applied to the best quality of margarine being sold in Germany at that time (1);

— a fluid oil content (13.6%) comparable to that in the Netherlands (14.3%) and much lower than that in Germany (41.5%). Groundnut oil (whose price, as we have already seen, is much higher in France than in the Northern E.E.C. countries) accounts for only a small proportion (3.3%), compared with 7.5% in B.L.E.U. and 10% in Germany;

— a high proportion of palm oil (15.3% in 1962; 18.7% in 1963), although lower than in Belgium (21.6%);

— whale-oil accounts for one-quarter of the total fat content, which is a lower proportion than in the Netherlands, but a higher one than in Germany or in B.L.E.U.

(1) The Coconut Situation, op. cit.
(2) From the results of a study carried out by D.I.V.O. Institut.

TABLE 41

Composition of margarine and « Produits blancs » (compound cooking fats) in France

Per 100 kg of fat content

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Groundnut	8.6	7.4	6.9	6.7	7.6	10.4	8.2	6.3	3.3	2.7
Other soft oils	4.6	5.4	5.5	6.0	6.4	5.4	7.7	8.0	10.3	11.2
. Coconut and palm kernel oils	52.8	52.1	50.3	51.8	52.1	45.8	43.3	46.0	46.0	42.9
Palm	13.6	13.7	15.4	14.5	14.8	17.2	17.7	17.7	15.3	18.7
	0.9	1.0	0.9	0.8	0.7	0.7	1.8	0.4	0.2	0.2
Whale-oil	19.5	20.4	21.0	20.2	18.4	20.5	21.3	21.6	24.9	24.3
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : CETEMA (except for Muttonfat - Ministery of Industry).

1957 = 100

	1957	1958	1959	1960	1961	1962	1963
Groundnut							
— quantity	100	113	155	122	94	49	40
— price (1)	100	106	106	106	112	112	106
Other soft oils							
— quantity	100	107	90	128	133	172	187
— price (1) (2)	100	106	107	106	112	112	105
Coconut and palm kernel oils							
— quantity	100	101	88	84	89	89	83
— price (1)	100	115	145	127	108	105	113
Palm oil							
— quantity	100	102	119	122	122	106	129
— price (1)	100	106	108	110	105	105	104
Tallow							
— quantity	100	88	88	225	50	25	25
— price (1)	100	100	105	98	98	98	98
Whale-oil							
— quantity	100	91	101	105	107	123	120
— price (1)	100	105	111	107	105	86	88

(1) *Source :* Chambre syndicale de la margarinerie : figures correspond to real prices paid by manufacturers, and not to cif prices.
(2) Mainly colza oil, refined.

The following table compares the trend in proportions of the main ingredients between 1954 and 1963, with the average prices of the raw materials concerned. As c.a.f. prices are not very representative of the real cost of raw materials in France, we have used the average real prices provided by the Margarine Manufacturers' Association: unfortunately, this data is available only for the period 1957-1963.

In the same way as for the Netherlands, we see that the more expensive products are losing favour, i.e.:

— groundnut oil, with a drop of 47% in consumption. The lost ground was made up by the other fluid oils, mainly the home-produced ones represented essentially by colza and cheaper than groundnut. Total consumption of

Trend in manufacturing consumption and price levels

	Variation in manufacturing consumption 1954-1963	Average price 1957-1963 (FF/100 kg)	Ratio of price to that of the least expensive product
Groundnut	— 47.4	227	173
Home-produced fluid oils (1)	+ 148.8	200	153
Copra palm kernel oils	— 18.9	181	138
Palm oil	+ 32.1	139	106
Whale oil	+ 24.0	131	100

(1) The price refers to copra.

fluid oils rose slightly, especially during the crisis which affected the lauric acid-based oils;

— coconut and palm kernel oils, where the fall in consumption was significant (19%) but at the same time limited, and not comparable to that recorded for the Netherlands. This firmer resistance was doubtless due, to some extent, to consumer insistence on quality in a highly competitive retail market, but the most important factor was that the products in question were purchased throughout the period as a whole at prices close to world market prices, whereas the Franc Area regulations governing edible soft oils were such as to make the latter uncompetitive. The introduction of the Common Trade Regulations covering these products will upset the balance of this situation by lowering rapeseed and groundnuts prices and allowing soya bean imports.

Among the cheaper products, a noteworthy feature is the parallel rise in palm oil and whale oil consumption (32% and 24% respectively). This deviation from the trend observed for the Netherlands is explained by the fact that their relative prices and the import regulations in France have been much less weighted against palm oil: palm oil from the Franc Area and the Democratic Republic of the Congo had free entry into France under tied trading arrangements ("jumelage"), whereas whale oil was subject to strict quotas. Up to 1961, the price levels of the two products, in absolute terms, were virtually identical: when the prices of marine oils slumped in 1962-1963, however, whale-oil consumption rose strongly, while that of palm oil stagnated at a depressed level. When the Common Trade Regulations come into force, tariff penalisation of marine oils will disappear, but the menace which this would normally represent for palm oil will probably be mitigated by the fact that whale oil is becoming scarcer.

In the main, therefore, the lesser impact of the trends observed in France as compared with the Netherlands can be ascribed to differences in the import regulations applied in the two countries.

2.3 – THE COMPOSITION OF MARGARINE IN BELGIUM

The most original feature of margarine formulations in Belgium is the high proportion of palm oil employed (22.3% in 1963 — see Table No. 42). From the breakdown of data available, we have been unable to assess the incidence of soft oils other than groundnut (8.2% in 1963). The proportion of whale oil used (14.6% in 1963) is substantially lower than in the Netherlands and France. The fact that the Customs statistics for the B.L.E.U. include an item under imports of 6 000 tons from Peru suggests that some fish oils are included under the heading "other oils and fats" (30.6%).

The largest increase (+ 122%) between 1957 and 1964 was in respect of this same item "other oils and fats". Consumption of coconut oil declined strongly (- 35.5%) following the 1958 shortage, being compensated by that of palm kernel. Palm oil consumption declined at the same rate as in the Netherlands. These features confirm the trends observed for the Netherlands, but the data are not sufficiently detailed for us to undertake as thorough a scrutiny of the position as in the two preceding paragraphs.

TABLE 42

Composition of margarine in Belgium

Per 100 kg of fat content

	1957	1958	1959	1960	1961	1962	1963
Groundnuts	6.7	11.1	14.1	4.8	5.0	7.5	8.2
Coconut	25.1	15.3	6.9	10.4	16.3	12.4	14.2
Palm kernel	7.9	9.7	12.1	8.9	9.1	15.1	10.1
Palm	33.1	34.8	31.9	27.6	27.2	21.6	22.3
Whale	12.0	16.3	16.4	15.1	15.2	16.3	14.6
Other oils and fats	15.2	12.8	18.6	33.2	27.2	27.1	30.6
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : The Coconut Situation, FAO (N° 10), 1963.

1957 = 100

	1957	1958	1959	1960	1961	1962	1963
Groundnuts							
— quantity	100	166	210	72	75	112	122
— price	100	77	83	91	92	76	74
Coconut							
— quantity	100	61	27	41	65	49	57
— price	100	115	140	114	93	91	104
Palm kernel							
— quantity	100	123	153	113	115	191	128
— price	100	111	133	119	92	89	104
Palm							
— quantity	100	105	96	83	82	65	67
— price	100	90	96	91	91	87	92
Whale							
— quantity	100	136	137	126	127	136	122
— price	100	89	89	85	80	55	84
Other oils and fats							
— quantity	100	84	122	219	179	178	201

Source : The Coconut Situation, FAO (N° 10), 1963.

SECTION III

TRENDS IN SOAP-MANUFACTURERS' FORMULATIONS

The decline in soap consumption (apart from toilet preparations) is, as we have seen already, the primary cause of the reduction in the use of hard oils by soap manufacturers. The trend in soap formulations has led to an almost complete disappearance of palm oil as a soap ingredient, together with a sizeable cut in copra and palm kernel purchases for this purpose. While animal fats are hardly prominent in the margarine industry in the E.E.C. countries, tallow features outstandingly as a soap component. Data for Germany and Italy are not available, so that the following analysis is based on the trends recorded in France and B.L.E.U.

1 – *THE REPLACEMENT OF PALM OIL AS A SOAP INGREDIENT*

Palm oil has been almost entirely replaced in soap formulations by tallow, which costs less. In France, it represented 12% of all ingredients in 1938, 4.6% in 1954, and was down to 0.3% by 1964. In the Netherlands, 1963 saw the complete disappearance of palm oil from soap formulations.

2 – *THE GROUND LOST BY COCONUT AND PALM KERNEL OILS*

Soap-makers use these two products for their lauric acid-induced lathering properties. High-quality toilet soaps are now their most significant outlet. In France, their proportionate utilisation fell from 38.6% in 1938 to 23% in 1954 and then to 13.4% in 1963. Here again, we find that the 1959 shortage led to increasing substitution for these expensive ingredients. In the Netherlands, coconut and palm kernel oils represent no more than 7.1% of total ingredients. There are indications that the lauric acid oils are used by the soap makers in the direct form of fatty acids obtained as a refinery by-product. This is an indirect outlet for copra and palm kernel but limits their primary market.

3 – *THE INCREASED RELIANCE ON FATTY ACIDS*

The share of the market enjoyed by fatty acids obtained from refining, cracking or distilling, has marked a strong increase in the Netherlands, rising from 53% in 1956 to 67% in 1963. In the B.L.E.U., refinery by-products now represent 56% of the market. A notable feature under the latter heading is the increasing part played by items of animal origin [1].

4 – *THE INCREASE IN CONSUMPTION OF TALLOW AND OTHER ANIMAL FATS*

This increase is more marked in France than in the other countries, with a rise in consumption from 18.6% in 1938 to 46% in 1954 and 65.4% in 1964. However, a maximum point was attained in 1962 and tallow consumption has slightly declined since then, in spite of a downward price movement. In the Netherlands, the trend is rather towards a decrease in the consumption of animal fats. No clear trend can be identified for the B.L.E.U.

As the product classifications are not entirely comparable between countries, it would be unwise to come to any conclusions as to the trend under the headings of refinery by-products, animal fats and miscellaneous fats respectively.

To conclude, we will point to the disappearance of palm oil as a soap item and the significant loss of ground by the lauric acid oils, in spite of the increased sales of high-quality toilet

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[1] Tall oil, a fatty acid which is a by-product from the manufacture of chemical pulp, is practically unknown in the E.E.C. soap industry. It is in short supply, and the quantities available are primarily used in the manufacture of oil-based resins, where tall oil is challenging soya and linseed oils. Tall oil represents only 1% of the total soap-making ingredients used in the United States.

preparations. These trends undoubtedly add to the vulnerability of the hard tropical oils which has already been noted with regard to the margarine industry. Both of these end-uses, although widely different from each other, illustrate the fact that the development of the market for high-quality products offers the most promising prospects for coconut and palm kernel oils, in the same way as action in support of the favourable prejudice enjoyed in France and Belgium by groundnut oil is undoubtedly the most promising line of promotion where table oils are concerned.

At the same time, a study of the substitution mechanisms shows that fluctuations in world prices, especially those resulting from a reduced offer position, are also of considerable importance. The sponsoring of tropical products must therefore not stop at the promotional level, but must also include an attempt towards greater stabilization of prices.

TABLE 43

Trend in soap manufacturers' formulations - France

In %/100 kg
(1954 = 100)

	1938	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Coconut and Palm kernel oils	38.6	23.0	24.5	23.5	24.4	20.2	14.1	13.0	12.6	13.3	13.4	14.7
— Quantity		*(100)*	*(106)*	*(102)*	*(106)*	*(88)*	*(61)*	*(56)*	*(55)*	*(58)*	*(58)*	*(64)*
— Price		*(100)*	*(85)*	*(87)*	*(90)*	*(103)*	*(125)*	*(102)*	*(83)*	*(81)*	*(93)*	*(97)*
Palmoil (1)	12.2	4.6	4.2	5.1	3.4	1.8	0.7	1.1	1.2	0.3	0.2	0.3
— Quantity		*(100)*	*(91)*	*(110)*	*(74)*	*(39)*	*(15)*	*(24)*	*(26)*	*(7)*	*(4)*	*(7)*
— Price		*(100)*	*(105)*	*(115)*	*(115)*	*(104)*	*(110)*	*(104)*	*(105)*	*(100)*	*(106)*	*(111)*
Total Vegetable Oils	50.8	27.6	28.7	28.6	27.8	22.0	14.8	14.1	13.8	13.6	13.6	15.0
— Quantity		*(100)*	*(104)*	*(104)*	*(100)*	*(80)*	*(54)*	*(51)*	*(50)*	*(49)*	*(49)*	*(54)*
Animal Oils and Fats	18.6	46.0	45.1	47.9	53.1	56.9	62.7	67.6	67.6	68.3	66.1	65.4
— Quantity		*(100)*	*(98)*	*(104)*	*(116)*	*(124)*	*(136)*	*(148)*	*(148)*	*(149)*	*(144)*	*(142)*
— Price		*(100)*	*(116)*	*(125)*	*(126)*	*(113)*	*(119)*	*(124)*	*(126)*	*(127)*	*(120)*	*(117)*
Fatty acids, acid oils and neutralizers	24.4	23.2	23.8	17.9	13.5	17.9	18.4	15.2	16.2	13.3	15.0	15.3
— Quantity		*(100)*	*(102)*	*(77)*	*(58)*	*(77)*	*(79)*	*(65)*	*(70)*	*(57)*	*(65)*	*(66)*
Miscellaneous	6.2	3.2	2.4	5.6	5.6	3.2	4.1	3.1	2.4	4.8	5.3	4.3
— Quantity		*(100)*	*(75)*	*(174)*	*(174)*	*(100)*	*(128)*	*(97)*	*(75)*	*(150)*	*(166)*	*(134)*
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : French Association of Soap, Detergent and Toilet Preparations Manufacturers.
(1) Including Karite.

TABLE 44

Trend in soap manufacturers' formulations - Netherlands

In %/100 kg
(1956 = 100)

	1956	1957	1958	1959	1960	1961	1962	1963
Coconut and Palm kernel oil	12.5	13.5	11.5	11.4	10.8	9.3	7.0	7.1
— quantity	*(100)*	*(108)*	*(92)*	*(91)*	*(86)*	*(74)*	*(56)*	*(57)*
— price (coconut oil)	*(100)*	*(103)*	*(119)*	*(145)*	*(113)*	*(96)*	*(94)*	*(107)*
Palm oil	1.9	1.3	0.9	0.6	0.5	0.2	0.1	—
— quantity	*(100)*	*(68)*	*(47)*	*(32)*	*(26)*	*(11)*	*(5)*	*(—)*
— price	*(100)*	*(100)*	*(90)*	*(96)*	*(90)*	*(91)*	*(81)*	*(92)*
Total vegetable oils	14.4	14.8	12.4	12.0	11.3	9.5	7.1	7.1
	(100)	*(103)*	*(86)*	*(83)*	*(78)*	*(66)*	*(49)*	*(49)*
Animal and miscellaneous fats	32.6	35.5	33.9	36.5	40.4	27.1	32.6	26.3
— quantity	*(100)*	*(109)*	*(104)*	*(112)*	*(124)*	*(83)*	*(100)*	*(81)*
	(100)	*(102)*	*(105)*	*(94)*	*(84)*	*(87)*	*(70)*	*(78)*
— price (tallow)	53.0	49.7	53.7	51.5	48.3	63.4	60.3	66.6
Miscellaneous fatty acids (1)	*(100)*	*(94)*	*(101)*	*(97)*	*(91)*	*(120)*	*(114)*	*(126)*
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : CBS.
(1) Also includes a negligible quantity of fluid oils. *Source :* Jaarverslag (MVO).

TABLE 45

Trend in soap manufacturers' formulations - Belgium

In %/100 kg
(quantity 1956 = 100)

	1956	1957	1958	1959	1960	1961	1962
Vegetable oils	16.0	11.8	8.4	6.6	5.0	5.8	5.3
	(100)	*(74)*	*(53)*	*(41)*	*(31)*	*(36)*	*(33)*
Animal fats	42.5	45.9	39.7	49.4	53.6	52.7	38.1
	(100)	*(108)*	*(94)*	*(116)*	*(126)*	*(124)*	*(90)*
Fatty acids, acid oils, soapstock stearine	40.5	39.5	36.8	36.5	34.5	38.1	35.3
— vegetable origin	*(100)*	*(97)*	*(91)*	*(90)*	*(85)*	*(94)*	*(87)*
— animal origin	1.0	2.8	15.1	7.5	6.9	3.4	21.3
	(100)	*(280)*	*(1510)*	*(750)*	*(690)*	*(340)*	*(2130)*
Acids total	41.5	42.3	51.9	44.0	41.4	41.5	56.6
	(100)	*(102)*	*(124)*	*(106)*	*(100)*	*(100)*	*(136)*
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : Belgian National Institute of Statistics, Brussels.

Chapter III

Consumption of edible oils and fats

As we observed earlier on in this report, the apparent consumption of oils and fats for all purposes in the E.E.C. countries is following a trend which suggests that some degree of saturation has been reached. With a view to a more specific illustration of that assessment, and of its implications for the future of the tropical oils and fats market, the present Chapter will set out the main factors involved in the trend of direct personal consumption of edible oils and fats as a whole.

The first section of the Chapter will be concerned to relate the trend in the visible consumption of oils and fats to the overall personal consumption of these items, including both the visible and the invisible components as defined under the appropriate headings.

The second section will relate the trend in the consumption of the main products concerned to total direct personal visible consumption of oils and fats as a whole.

SECTION I

THE TREND IN CONSUMPTION OF EDIBLE OILS AND FATS

1 – *VISIBLE CONSUMPTION OF OILS AND FATS*

By visible consumption, we refer to the total consumption of all edible oils and fats, whether in direct form or as ingredients of various prepared food items. For convenience of presentation, the products in question have been classified under five headings, as follows: butter; edible oils; margarine; imitation lard and other compound cooking fats; tallow, lard, and animal fats for direct consumption.

The statistical series with which we shall be dealing in this part of our study are obviously different from those used in Part One above when discussing apparent consumption. Our present main concern is with the food component of total consumption (which accounts for 89% of all end-uses for tropical oils and fats), and the increase due to growth of population is not taken into account.

In 1962-1963, the visible per capita consumption of edible oils and fats was of the order of 21/22 kg per year. The growth in consumption recorded between 1954 and 1963 represents a yearly rate of 2.37%, and the actual yearly figures were very close to this average.

There remain significant disparities in the amount of personal consumption as between different countries in the E.E.C. area, although there has been some narrowing between the extreme positions in the course of the reference period (see Table No. 46). Consumption in Italy has made the greatest advance (+ 7.3% per annum) but remains the lowest figure in absolute terms: 17.1 kg per capita in 1963. The consumption levels in the other five countries are all above the average, and relatively close to each other, although that in the Netherlands (27.1 kg per capita per annum in 1963) is significantly higher than the others. The figures given should be considered only as approximations, although every attempt has been made to make them comparable: consumption in the B.L.E.U., for instance, may have been slightly underestimated due to the absence of data concerning " imitation lard and other compound cooking fats ".

2 – *INVISIBLE CONSUMPTION OF EDIBLE OILS AND FATS RELATED TO TOTAL FOOD CONSUMPTION*

By invisible consumption, we refer to the consumption of lipoids contained in miscellaneous foods, such as cereals, vegetables, fruit, meat, eggs, milk and cheese. A comparison of the data concerning the two types of consumption (i.e. visible and invisible) in rewarding from the point of view that there exists a relationship between them, although the precise nature of that relationship cannot be described from the fragmentary information available at this stage (1).

It is observed that the growth in the visible consumption of oils and fats between 1954 and 1963 progressed at a rate which was inversely related to the level of total personal consumption at the start of the reference period (see Tables Nr. 46 and 47). Italy recorded the fastest growth rate, with an annual average increase of 7.3%, followed by the Netherlands (1.6%), France (1.26%), B.L.E.U. (1.13%) and Germany (0.27%). It will be noted that the Netherlands growth rate was faster than that in France, despite the fact that the former started from a higher level of total consumption in 1954/57; however, this can be explained by the fact that invisible consumption of oils and fats in the Netherlands is generally low, and is in fact the lowest of all the E.E.C. countries.

Invisible oils and fats consumption within the E.E.C. is slightly lower than visible consumption. The respective proportions have, at the overall level, remained constant, but this conceals divergent trends within the individual Member countries (see Table Nr. 47). In those countries where personal consumption is high, the proportion accounted for by invisible consumption appears to be on the increase, reach-

(1) To an even greater extent than for visible consumption, the data for invisible consumption are only approximations giving the order of size, as estimates in this respect are of necessity very speculative.

ing almost half of the total for the B.L.E.U., and 54% of that of France, by the end of the period: it also advanced strongly in Germany. This phenomenon is no doubt a reflection of the increased consumption of " rich " products, such as meat, in the countries where personal incomes are high. In Italy, on the other hand, visible consumption of oils and fats has been the outstanding feature in the overall increase, with the invisible proportion falling from 48.4% at the start of the period to 42% in 1962-63. The figures for America confirm this move towards a higher invisible consumption component, although the comparison should not be taken too far. In the United States, the visible consumption of oils and fats seems to have become stabilized at a level comparable to that recorded for the E.E.C. as a whole, with the difference in total personal consumption being explained by a much higher level of invisible consumption.

This trend in respect of the countries with the highest standards of living can be seen as further confirmation of our assumption that the visible consumption of oils and fats in the E.E.C. area is entering a saturation zone.

The final conclusion is that, as already stated in Part One above, Italy is the country which offers the best prospects for expansion, with a level of personal consumption which is still very much lower than that in the other Member countries. The introduction of the Common Trade Regulations will do no more than to cause a temporary disturbance of the trend: the lowering of the prices of finished products which will result therefrom in France and, especially, in Italy, should have the initial effect of stimulating consumption. Where France is concerned, however, there are no signs that this movement will represent more than a temporary and very limited change in the terms of competition between the various visible forms of oils and fats consumption.

In the final issue, it is probably reasonable to assume that the growth in population is destined to become the main — or even the sole — force leading to an increase in the total visible consumption of edible oils and fats. The econometric survey directed to 1970-1975 forecasts will, when completed, enable a more accurate assessment of these prospects to be made.

TABLE 46

Visible consumption of edible oils and fats per capita - EEC

In kg fat/capita

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Germany	23.7	24.7	25.3	24.7	24.8	24.7	24.8	25.0	25.2	24.7
France	18.1	17.7	18.8	18.9	18.7	18.4	19.5	19.3	19.9	20.3
Italy	11.0	10.3	11.3	11.4	14.0	13.5	16.0	16.5	17.5	17.1
Netherlands	23.4	23.4	24.1	24.1	25.5	25.5	25.8	25.8	26.3	27.1
B.L.E.U	20.2	20.6	20.9	20.3	21.2	21.1	21.5	21.5	22.4	22.0
Total	17.7	17.8	18.6	18.4	19.4	19.2	20.4	20.8	21.9	21.0

TABLE 47

Visible and invisible consumption of oils and fats per capita and per annum, by countries and areas

In kg/capita
(in %)

	1954-55/1956-57			1957-58/1959-60			1962-63		
	Visible	Invisible	Total	Visible	Invisible	Total	Visible	Invisible	Total
Germany	24.6 *(56.7)*	18.8 *(43.3)*	43.4 *(100.0)*	24.8 *(55.2)*	20.1 *(44.8)*	44.9 *(100.0)*	25.0 *(53.4)*	21.8 *(46.6)*	46.8 *(100.0)*
France	18.4 *(47.3)*	20.5 *(52.7)*	38.9 *(100.0)*	18.9 *(46.4)*	21.8 *(53.6)*	40.7 *(100.0)*	20.1 *(46.4)*	23.2 *(53.6)*	43.3 *(100.0)*
Italy	11.0 *(51.6)*	10.3 *(48.4)*	21.3 *(100.0)*	13.7 *(54.6)*	11.4 *(45.4)*	25.1 *(100.0)*	17.3 *(57.9)*	12.6 *(42.1)*	29.9 *(100.0)*
Netherlands	23.8 *(59.8)*	16.0 *(40.2)*	39.8 *(100.0)*	25.2 *(55.4)*	20.3 *(44.6)*	45.5 *(100.0)*	26.7 *(58.4)*	19.0 *(41.6)*	45.7 *(100.0)*
B.L.E.U	20.5 *(49.9)*	20.6 *(50.1)*	41.1 *(100.0)*	21.0 *(49.3)*	21.6 *(50.7)*	42.6 *(100.0)*	22.2 *(50.7)*	21.6 *(49.3)*	43.8 *(100.0)*
E.E.C.	18.1 *(52.0)*	16.7 *(48.0)*	34.8 *(100.0)*	19.4 *(51.7)*	18.1 *(48.3)*	37.5 *(100.0)*	21.5 *(52.7)*	19.3 *(47.3)*	40.8 *(100.0)*
United States	20.6 *(39.6)*	31.4 *(60.4)*	52.0 *(100.0)*	20.7 *(40.0)*	31.1 *(60.0)*	51.8 *(100.0)*			

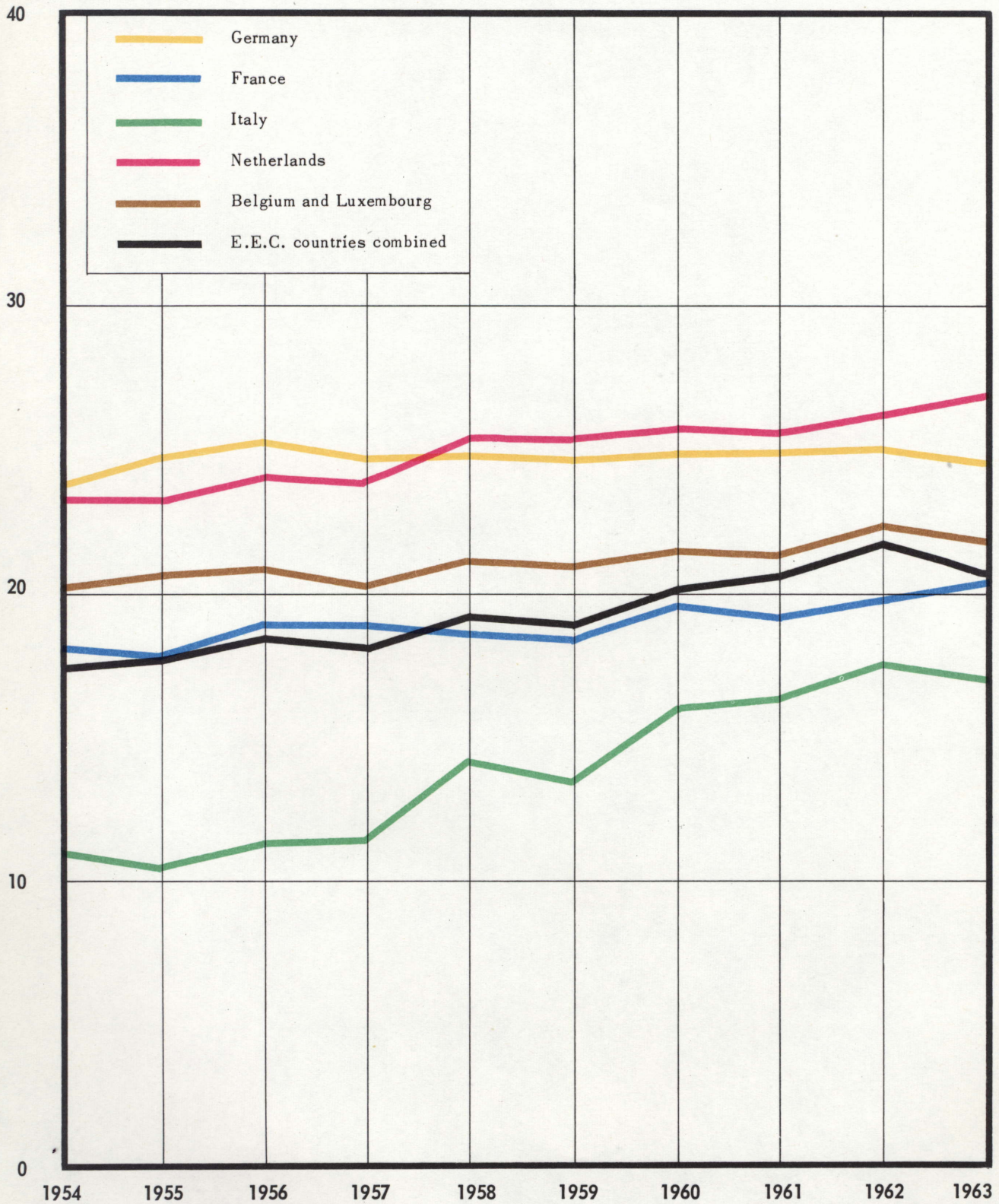
Sources : — visible consumption for the EEC countries - Tables 48 to 53 ;
— invisible consumption and US consumption 1954-1960 - FAO data quoted in " General survey of the world situation regarding fats and oil " EEC 1964 ; invisible consumption 1962-1963 - Food Consumption in OECD Countries, OECD (April 1965).

DIAGRAM No. 15

Visible personal consumption of edible oils and fats in the E.E.C. countries

kg per capita

Source: table No. 46



PERSONAL CONSUMPTION OF THE MAIN EDIBLE OILS AND FATS

In 1963, three main types of product accounted between them for 84% of the total oils and fats consumption in the E.E.C. countries (see Table Nr. 48), i.e.:

— fluid oils, representing one-third of total consumption,

— butter, with 26.5%,

— margarine, with 23%.

The respective trends concerning these three types of product differed considerably between 1954 and 1963. Soft oils consumption increased at the rate of 5% per annum, while butter consumption rose at only half that rate. Margarine consumption was stagnant, as was that of imitation lard and other compound cooking fats: the latter account for some 5% of total consumption.

Tallow, lard and other slaughter fats also progressed, but at a slower rate than the average for all oils and fats. In 1963, these items accounted for 12.6% of total consumption.

The balance between the consumption figures for the various product headings is different from country to country. The data for the individual Member countries illustrates wide differences in consumer habits as between the Northern and the Southern regions of the Community. It will be observed that the most important structural changes are taking place in those countries where oils and fats consumption is high and that in Italy, where per capita consumption is the lowest in absolute terms but is expanding at a high rate, the established structures are being strengthened.

1 — *THE PATTERN OF CONSUMPTION IN GERMANY*

The greatest changes recorded in consumer habits are those concerning Germany (see Table 49): the most important feature of these changes is the ground which has been lost by margarine, with a drop from 40 to 30% of total consumption. In Section II of Chapter I we saw that butter has been the main beneficiary of this change, which is connected with the rising standard of living in Germany, and that margarine consumption itself has gradually swung in favour of the higher quality products. The proportion of total consumption represented by soft edible oils also increased, but this does not imply better prospects for sales of groundnut oil.

It will be noted that the proportion accounted for by tallow and lard, which is traditionally a high one in Germany, has remained constant, whereas it has declined in the other countries. This contrast is a surprising one in the light of the general assumption that the use of tallow, lard and other slaughter fats for cooking purposes is representative of low living standards and destined to become rarer. One explanation of this is that, in Germany, these items do not have the same specifically rural associations as in the other countries.

In line with the considerations already expressed in the course of this study, it is not to be expected that the introduction of the Common Trade Regulations will have any great influence on the above pattern of consumption.

2 — *THE PATTERN OF CONSUMPTION IN FRANCE*

Apart from the steady rise in margarine consumption, which still accounts for only a small proportion of the whole, the pattern of oils and fats consumption in France has remained constant (see Table No. 50). Butter and oil are the two mainstays of consumption and are of equal importance (representing together 76% of the total). Their rates of expansion between 1954 and 1965 have been comparable and, since 1959-60, both seem to have reached a saturation level to some extent. It should be recalled that, between 1954 and 1963, direct consumption swung away from the ordinary oils (known as "huiles de table") towards the higher quality groundnut oils.

As was remarked earlier, the introduction of the Common Trade Regulations may well result in a slight reduction in the price of oilseeds products as compared with that of butter: at the same time, the major factor of change is expected to lie in increased vigour of competition to the disadvantage of groundnut oil.

3 – *THE PATTERN OF CONSUMPTION IN ITALY*

The strong increase in overall consumption of oils and fats has been accompanied by a strengthening of the traditional pattern of consumption (see Table No. 51). Over the ten-year period, the proportion of the whole represented by cooking and salad oils rose from 77 to 80%, and it is in the internal structure of this consumption heading that the most far-reaching changes have taken place: the strong and steady progress made by seed oils had led to some degree of diversification in the pattern of edible oils consumption, which had hitherto been almost entirely composed of olive oil. The introduction of the Common Trade Regulations may well — as described in Chapter II of Part One — lead to further development of the diversification trend.

In spite of the headway made by the margarine industry, which was not in existence at the start of the reference period, consumption under this heading is still marginal, especially in view of the fact that only half the total output is taken up by direct consumption (households and institutions). As already mentioned, the manufacturing tax imposed since 1959 has acted as a brake on margarine consumption.

Butter consumption has risen, in absolute terms, but fallen in relation to the total, which illustrates the extent to which the overall increase in Italian consumption has been directed to fluid oils.

We have already pointed out that the Common Trade Regulations are likely to lead to a substantial lowering of retail prices for oilseed products, and this may stimulate the rise in the consumption level.

4 – *THE PATTERN OF CONSUMPTION IN THE NETHERLANDS*

In the Netherlands, the pattern of consumption has undergone major changes during the period (see Table No. 52). As in Germany, margarine consumption is strongly on the decline, although it continues to account for the highest proportion of the total (60.5% in 1963). Also as in Germany, and probably for the same reasons, butter consumption has been the principal beneficiary under this trend, with a very steady annual growth rate of 8%. It should be remembered, however, that the apparent consumption of butter includes an element of hidden exports whose precise incidence is not known.

Edible soft oils have made some progress but, in contrast with the situation in Italy, this is probably due rather to increased purchases by the processing industries (e.g. bottled sauce manufacturers) than to any change in household culinary practices benefiting direct consumption of soft oils.

Another notable feature is the sharp decline in consumption of tallow, lard and other slaughter fats, together with an increase in that of imitation lard and other compound cooking fats which is probably due to the development of industrial end-uses.

It is not to be expected that the introduction of the Common Trade Regulations will affect the relative price positions of butter and margarine, as the present price of butter is substantially lower than in the rest of the Community. However, one of the consequences of this measure may be that of putting a halt to the fall in the proportional consumption of margarine in relation to overall oils and fats consumption.

5 – *THE PATTERN OF CONSUMPTION IN BELGIUM AND LUXEMBOURG (B.L.E.U.)*

The trend in the pattern of consumption in the B.L.E.U. is the one which has been the most distinctive between 1954 and 1963 (see Table No. 55). The proportion represented by margarine, although starting at a high level in 1954, rose substantially over the reference period; per capita consumption rose steadily at an annual rate of 3.88%, carrying the proportional consumption of margarine from 37 to 46% of the total. The B.L.E.U. is also the only economic unit where the apparent consumption of butter has remained constant or even declined in absolute terms: the figures given under this heading do not constitute a very faithful record of the trend in real consumption, due to the

incidence of a large-scale clandestine trade. As in the other Member countries, with the exception of Germany, the proportion represented by slaughter fats (although it cannot be stated with complete accuracy) is tending to decline and is now no more than 5% of the total.

This increase in margarine consumption is a favourable factor for the tropical oils, especially as concerns palm oil which — although subject to stern competition in the other national markets — continues to maintain its established position in the B.L.E.U.

In this connection, we have already noted the fact that the Common External tariff accords preferential treatment to palm oil from the Associated Countries in Africa and Madagascar, over the products entering from third countries.

There is a strong market in groundnut oil, and when the price of A.A.S.M. produced groundnut is brought into line with World prices this may lead to a significant market being opened up in B.L.E.U. as a replacement outlet for the overflow from the French market.

To sum up, we must consider whether there is a trend towards the uniformisation of consumer habits within the E.E.C. Some of the structural changes noted certainly seem to indicate that this is so. The improvement in the position of butter in relation to margarine, which has been recorded in Germany and in the Netherlands, is bringing these countries nearer to a diversified and better-balanced pattern of consumption, with the B.L.E.U. occupying a middle-of-the-road position. In contrast, the French and Italian consumption patterns continue to retain their distinctive features, even though margarine sales are expanding in France and there are signs of some diversification in Italy.

To obtain a more precise understanding of consumer habits and their trend, it would be necessary to undertake a survey going down to the regional level and to allow, for example, for the incidence of consumers' social and occupational characteristics. In particular, this would enable some light to be thrown on the product-selection motivations of the housewife and, from this, on the respective influences of traditional habits and of modern living fashions (simplification of cooking methods, desire for better-quality products).

On the whole, the dominant feature of the retail market for edible oils and fats is its stability, deriving both from the saturation point reached in personal consumption in those countries where the latter is highest, and from the strong influence of traditional consumption habits in those where there are the best prospects of a rise in personal consumption in the next few years. In contrast, at the other end of the line, the raw materials supply position is subject to sharp fluctuations and cannot be forecast with any degree of certainty.

TABLE 48

Visible consumption of edible oils and fats, by products - EEC

In kg of fat/capita
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Butter	4.6 *(25.4)*	4.6 *(25.4)*	4.8 *(25.1)*	4.9 *(26.1)*	5.2 *(26.3)*	5.1 *(26.0)*	5.3 *(25.6)*	5.4 *(25.5)*	5.6 *(26.0)*	5.7 *(26.5)*
Table and cooking soft oils	5.1 *(28.2)*	4.9 *(27.1)*	5.2 *(27.2)*	5.1 *(27.1)*	5.9 *(29.8)*	5.8 *(29.6)*	6.6 *(31.9)*	7.1 *(33.5)*	7.1 *(33.0)*	7.1 *(33.0)*
Margarine	4.9 *(27.1)*	5.0 *(27.6)*	5.3 *(27.7)*	5.2 *(27.7)*	5.2 *(26.3)*	5.1 *(26.0)*	5.2 *(25.1)*	5.0 *(23.6)*	4.9 *(22.8)*	4.9 *(22.8)*
Imitation lard and other compound cooking fats	0.9 *(5.0)*	0.9 *(5.0)*	0.9 *(4.7)*	0.9 *(4.8)*	0.9 *(4.5)*	0.9 *(4.6)*	0.9 *(4.3)*	1.0 *(4.7)*	1.1 *(5.1)*	1.1 *(5.1)*
Tallow lard and other slaughter fats	2.6 *(14.3)*	2.7 *(14.9)*	2.9 *(15.3)*	2.7 *(14.3)*	2.6 *(13.1)*	2.7 *(13.8)*	2.7 *(13.1)*	2.7 *(12.7)*	2.8 *(13.1)*	2.7 *(12.6)*
Totals	18.1 *(100.0)*	18.1 *(100.0)*	19.1 *(100.0)*	18.8 *(100.0)*	19.8 *(100.0)*	19.6 *(100.0)*	20.7 *(100.0)*	21.2 *(100.0)*	21.5 *(100.0)*	21.5 *(100.0)*

Sources : as for country sections above.

TABLE 49

Visible consumption of edible oils and fats, by products - Germany

In kg of fat/capita
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Butter	5.8 *(24.5)*	5.7 *(23.2)*	5.8 *(22.9)*	6.0 *(24.2)*	6.3 *(25.4)*	6.4 *(25.9)*	6.8 *(27.4)*	7.1 *(28.4)*	7.3 *(28.9)*	7.4 *(30.0)*
Table and cooking soft oils	1.9 *(8.0)*	2.0 *(8.1)*	2.2 *(8.7)*	2.1 *(8.5)*	2.3 *(9.3)*	2.4 *(9.6)*	2.4 *(9.7)*	2.6 *(10.5)*	2.7 *(10.8)*	2.6 *(10.3)*
Margarine (1)	9.5 *(40.1)*	9.9 *(39.9)*	10.1 *(40.0)*	9.7 *(39.4)*	9.3 *(37.5)*	8.9 *(36.3)*	8.7 *(35.0)*	8.1 *(32.4)*	7.7 *(30.6)*	7.5 *(30.5)*
Imitation lard and other compound cooking fats	1.5 *(6.3)*	1.4 *(5.8)*	1.6 *(6.1)*	1.5 *(6.1)*	1.6 *(6.3)*	1.6 *(6.3)*	1.6 *(6.5)*	1.7 *(6.7)*	1.8 *(7.3)*	1.8 *(7.4)*
Tallow, lard and other slaugther animal fats	5.0 *(21.1)*	5.7 *(23.0)*	5.6 *(22.3)*	5.4 *(21.8)*	5.3 *(21.5)*	5.4 *(21.9)*	5.3 *(21.4)*	5.5 *(22.0)*	5.7 *(22.4)*	5.4 *(21.8)*
Totals	23.7 *(100.0)*	24.7 *(100.0)*	25.3 *(100.0)*	24.7 *(100.0)*	24.8 *(100.0)*	24.7 *(100.0)*	24.8 *(100.0)*	25.0 *(100.0)*	25.2 *(100.0)*	24.7 *(100.0)*

Source : Private industry.
(1) Margarine computed on the basis of a 79-per cent fat content.

TABLE 50

Visible consumption of edible oils and fats, by products - France

In kg of fat/capita
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Butter	6.6 *(36.4)*	6.7 *(37.9)*	7.3 *(38.8)*	7.3 *(38.6)*	7.5 *(40.1)*	7.4 *(40.2)*	7.4 *(37.9)*	7.4 *(38.3)*	7.5 *(37.7)*	7.8 *(38.4)*
Edible soft oils	6.9 *(38.1)*	6.7 *(37.9)*	7.0 *(37.2)*	7.1 *(37.6)*	7.1 *(38.0)*	7.0 *(38.0)*	7.8 *(40.0)*	7.5 *(38.9)*	7.6 *(38.2)*	7.7 *(37.9)*
Margarine (1)	1.5 *(8.3)*	1.6 *(9.0)*	1.7 *(9.0)*	1.7 *(9.0)*	1.8 *(9.6)*	1.8 *(9.8)*	2.0 *(10.3)*	2.0 *(10.4)*	2.1 *(10.6)*	2.2 *(10.8)*
Imitation lard and other compound cooking fats	1.2 *(6.6)*	1.1 *(6.2)*	0.9 *(4.8)*	1.0 *(5.3)*	0.9 *(4.8)*	0.8 *(4.3)*	0.9 *(4.6)*	0.9 *(4.7)*	1.1 *(5.5)*	1.0 *(4.9)*
Tallow lard and other slaughter fats	1.9 *(10.6)*	1.6 *(9.0)*	1.9 *(10.2)*	1.8 *(9.5)*	1.4 *(7.5)*	1.4 *(7.7)*	1.4 *(7.2)*	1.5 *(7.7)*	1.6 *(8.0)*	1.6 *(8.0)*
Totals	18.1 *(100.0)*	17.7 *(100.0)*	18.8 *(100.0)*	18.9 *(100.0)*	18.7 *(100.0)*	18.4 *(100.0)*	19.5 *(100.0)*	19.3 *(100.0)*	19.9 *(100.0)*	20.3 *(100.0)*

Source : combination of data issued by the French Ministry of Industry and by CETEMA.
(1) Margarine computed on the basis of a fat content of 82 per cent, by weight.

TABLE 51

Visible consumption of edible oils and fats, by products - Italy

In kg of fat/capita
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Butter (1)	1.2 *(10.7)*	1.2 *(11.8)*	1.2 *(10.8)*	1.3 *(11.8)*	1.6 *(11.2)*	1.3 *(9.4)*	1.6 *(9.7)*	1.1 *(6.9)*	1.6 *(9.2)*	1.5 *(8.9)*
Edible soft oils, Total (1)	8.4 *(76.9)*	7.7 *(74.5)*	8.2 *(72.9)*	8.2 *(71.9)*	10.6 *(75.6)*	10.2 *(75.5)*	12.1 *(75.8)*	13.3 *(80.3)*	13.9 *(79.5)*	13.7 *(80.3)*
of which : — olive oil	7.4 *(67.7)*	6.1 *(59.6)*	4.5 *(40.2)*	4.7 *(41.5)*	7.5 *(53.2)*	6.3 *(46.4)*	8.2 *(51.7)*	9.4 *(56.8)*	9.9 *(56.7)*	8.3 *(48.8)*
— others	1.0 *(9.2)*	1.6 *(14.9)*	3.7 *(32.7)*	3.5 *(30.4)*	3.1 *(22.4)*	3.9 *(29.1)*	3.9 *(24.1)*	3.9 *(23.5)*	4.0 *(22.8)*	5.4 *(31.5)*
Margarine (2)	0.3 *(2.7)*	0.3 *(2.9)*	0.4 *(3.1)*	0.5 *(4.1)*	0.5 *(3.9)*	0.6 *(4.5)*	0.8 *(5.0)*	0.7 *(4.3)*	0.6 *(3.4)*	0.6 *(3.4)*
Lard (1)	1.1 *(9.7)*	1.1 *(10.8)*	1.5 *(13.2)*	1.4 *(12.2)*	1.3 *(9.3)*	1.4 *(10.6)*	1.5 *(9.5)*	1.4 *(8.5)*	1.4 *(7.9)*	1.3 *(7.4)*
Totals	11.0 *(100.0)*	10.3 *(100.0)*	11.3 *(100.0)*	11.4 *(100.0)*	14.0 *(100.0)*	13.5 *(100.0)*	16.0 *(100.0)*	16.5 *(100.0)*	17.5 *(100.0)*	17.1 *(100.0)*

(1) Corresponds to the apparent consumption as dealt with in Chapter I.
(2) Total manufacturing output estimated at 17 000 tons for the period 1954-1959 inclusive, based on manufacturers' statements at interviews.

TABLE 52

Visible consumption of edible oils and fats, by products - Netherlands

In kg of fat/capita
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Butter	2.5 *(10.7)*	2.5 *(10.7)*	2.5 *(10.4)*	3.2 *(13.3)*	4.3 *(16.9)*	3.5 *(13.7)*	4.0 *(15.5)*	4.2 *(16.3)*	4.5 *(17.1)*	4.8 *(17.7)*
Edible soft oils	1.1 *(4.7)*	1.2 *(5.1)*	1.4 *(5.8)*	1.4 *(5.8)*	1.5 *(5.9)*	1.7 *(6.7)*	1.8 *(7.0)*	1.9 *(7.4)*	2.0 *(7.6)*	2.1 *(7.7)*
Margarine (1)	15.5 *(66.2)*	15.8 *(67.5)*	16.3 *(67.6)*	15.9 *(66.0)*	16.2 *(63.5)*	16.9 *(66.3)*	16.5 *(64.0)*	16.1 *(62.4)*	16.2 *(61.6)*	16.4 *(60.5)*
Imitation lard and other compound cooking fats	2.3 *(9.8)*	2.2 *(9.4)*	2.4 *(10.0)*	2.5 *(10.4)*	2.6 *(10.2)*	2.5 *(9.8)*	2.6 *(10.1)*	2.8 *(10.9)*	2.8 *(10.6)*	3.1 *(11.4)*
Tallow lard and other slaugther fats	2.0 *(8.6)*	1.7 *(7.3)*	1.5 *(6.2)*	1.1 *(4.5)*	0.9 *(3.5)*	0.9 *(3.5)*	0.9 *(3.4)*	0.8 *(3.0)*	0.8 *(3.1)*	0.7 *(2.7)*
Totals	23.4 *(100.0)*	23.4 *(100.0)*	24.1 *(100.0)*	24.1 *(100.0)*	25.5 *(100.0)*	25.5 *(100.0)*	25.8 *(100.0)*	25.8 *(100.0)*	26.3 *(100.0)*	27.1 *(100.0)*

Source : derived from data provided by MVO.
(1) Computed on the basis of a fat content of 82,5 per cent.

TABLE 53

Visible consumption of edible oils and fats, by product - Belgium (2)

In kg of fat/capita
(in %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Butter	9.3 *(46.0)*	9.2 *(44.6)*	9.0 *(43.1)*	8.7 *(42.9)*	8.8 *(41.5)*	8.4 *(39.8)*	8.2 *(38.1)*	7.8 *(36.3)*	8.2 *(36.6)*	8.2 *(37.3)*
Edible soft oils	2.2 *(10.9)*	2.4 *(11.7)*	2.6 *(12.4)*	2.1 *(10.3)*	2.4 *(11.3)*	2.3 *(10.9)*	2.6 *(12.1)*	2.9 *(13.5)*	2.9 *(13.0)*	2.7 *(12.3)*
Margarine (1)	7.4 *(36.6)*	7.7 *(37.4)*	8.0 *(38.3)*	8.2 *(40.4)*	8.7 *(41.1)*	9.1 *(43.1)*	9.4 *(43.7)*	9.4 *(43.7)*	9.8 *(43.7)*	10.1 *(45.9)*
Tallow and lard	1.3 *(6.5)*	1.3 *(6.3)*	1.3 *(6.2)*	1.3 *(6.4)*	1.3 *(6.1)*	1.3 *(6.2)*	1.3 *(6.1)*	1.4 *(6.5)*	1.5 *(6.7)*	1.0 *(4.5)*
Totals	20.2 *(100.0)*	20.6 *(100.0)*	20.9 *(100.0)*	20.3 *(100.0)*	21.2 *(100.0)*	21.1 *(100.0)*	21.5 *(100.0)*	21.5 *(100.0)*	22.4 *100.0)*	22.0 *(100.0)*

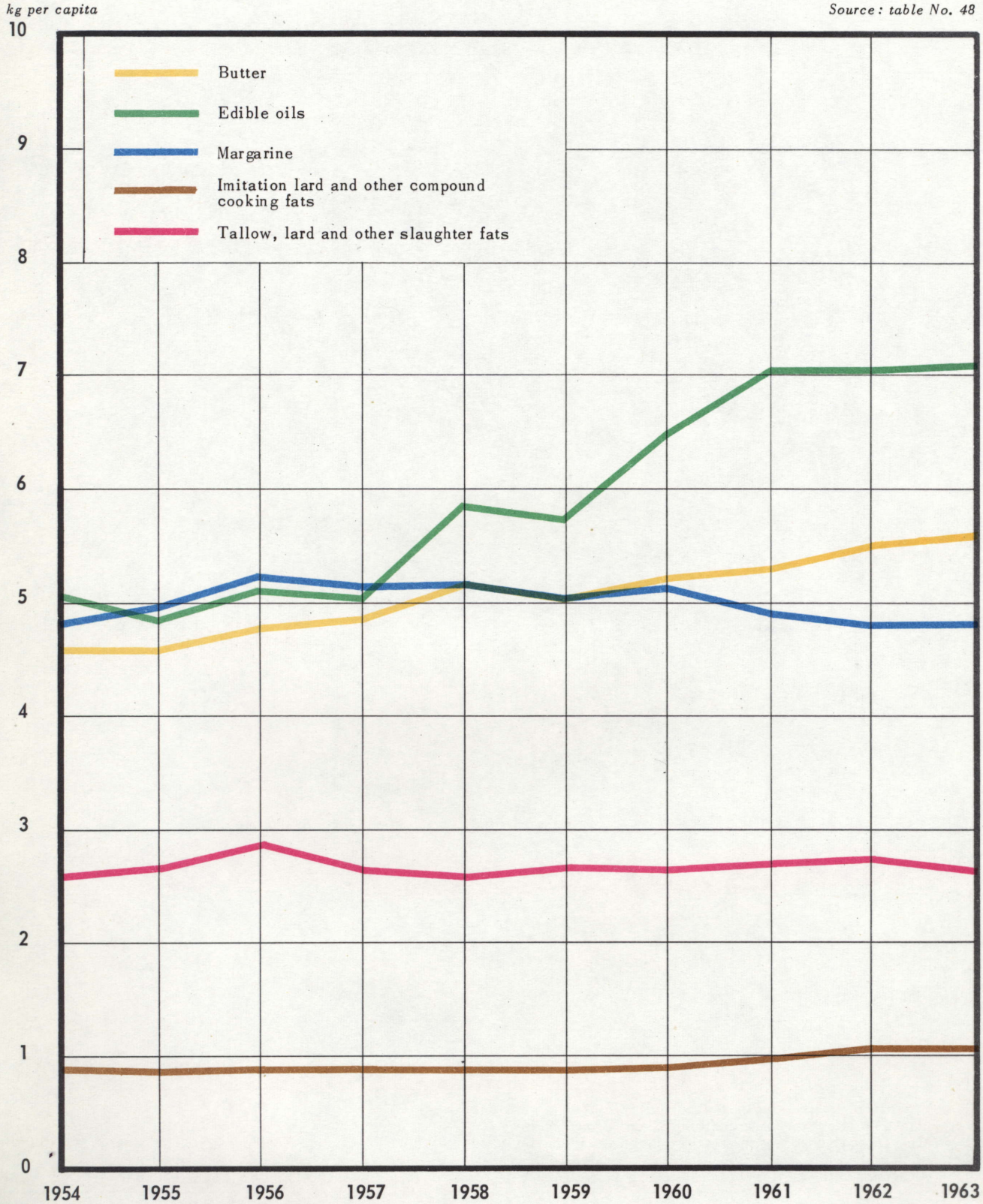
Source : based on data supplied by the Belgian Institute of Statistics.
(1) Computed on the basis of a fat content of 82 per cent.
(2) No data are available in respect of consumption of imitation lard and other compound cooking fats. The figures given for total consumption are thus an under-statement, but our information is that direct consumption of these items is virtually nil in Belgium. Consequently, the only element which is really lacking corresponds to the industrial uses of these items.

DIAGRAM No. 16

Visible personal consumption of edible oils and fats in the E.E.C. area

kg per capita

Source : table No. 48



CONCLUSIONS

As we reach the end of this survey, it becomes clear that the introduction of the Common Trade Regulations forming a stage in the economic unification of Europe may well lead to redirection of the trend as regards the market outlets for the oilseeds production of the Associated Countries in Africa and Madagascar. In relation to this trend, the scheme which has been adopted represents the choice between a number of possible policies concerning the Member countries trade relationships with those countries which are not yet industrialised, with special reference to the associated states in Africa and Madagascar. The choice which has been made implies that, if the export markets of these countries are to be preserved, a certain number of other measures must be introduced to supplement the immediate ones, to promote effective unification of the Six-country market and properly-balanced terms of competition as between different raw materials.

1 – *THE HISTORICAL TREND IN THE EXPORT MARKETS FOR TROPICAL OILS AND FATS IN RELATION TO GENERAL OILS AND FATS POLICIES*

The trends affecting the Community market for tropical products, as they have been brought to light in the course of our survey, are themselves a reflection of the changes which are observed to have taken place in the World market in oils and fats between 1954 and 1963.

In their main lines, these trends have undoubtedly gone against the best interests of the tropical producers.

The relative positions of groundnut, copra, palm kernel and palm oil in the trading structure have been weakened, whereas that of products connected with the meat economy (soya, tallow, lard, fish oil) has been considerably improved. This trend has been accompanied by a striking change in the flow-pattern of trade, due to the geographical redistribution of the producing areas which places increasing emphasis on the temperate countries, especially the United States.

World prices of oilseeds have been subjected to the twin influences of a long-range downtrend (soft oils, especially groundnut) and of annual fluctuations to an extent which has been detrimental to some tropical products, such as copra and palm kernels. The levelling-off, or even lowering, of the supply position — which has not been unconnected with the political events and with the population problem in Asia and, more recently, in Africa — has contributed to this unstable situation.

As concerns the E.E.C. area, it should be recalled that — in spite of a small increase in absolute terms — the share in total consumption enjoyed by the tropical products has decreased: 30% in 1954, it had fallen to 27% by 1963. Copra imports (quantities) fell by 12%, and those of palm kernels, and palm oil by 10 and 2% respectively. The only exception is for groundnuts, where imports increased by roughly 44% as the result of the protectionist measures introduced on the French market. Over the same period, total consumption of primary oils and fats rose by 27%.

Of the numerous and convergent downtrends observed on the E.E.C. markets, the following merit special mention:

— the changes in the pattern of consumption of final products: levelling-off of margarine consumption in the two major producing countries, and competition from synthetics in some sectors such as soap-making;

— the changes in the composition of processed products, with primary fats becoming increasingly interchangeable: substitution for copra and use of marine oils in margarine-making, use of tallow for soap-making, use of soya bean oil in the composition of salad oils in some countries, etc.

In actual fact, the signs are that the most important, even the determinant, factors which will affect the position in the next few years are those relating to the terms of competition as between the different raw materials available. Some of these concern the prices of these products, whether in terms of their absolute level, their relative size, or the fluctuations to which they are subject: others are connected with the extent to which these products can be fully exploited by European industry in a highly-integrated processing system, especially as concerns extraction by-products. In this connection, it has already been observed that the lively demand for animal feedingstuffs has given soya bean a big advantage over the other soft oilseeds in competitive markets. Finally, the increasing European production of fats (olives, rapeseed and butter), together with the protection which it enjoys, constitutes the third basic factor affecting the competitive situation: the future developments in this connection depend

to a large extent, in the waiting period before a common trading policy is introduced, on factors whose precise nature is not yet known.

The general trends, which are valid for the Community taken as a whole, cannot be allowed to conceal the divergencies which appeared in the course of our investigation at the national level. Between 1954 and 1963, the market conditions for tropical oilseeds, and more especially those produced in the Associated Countries in Africa and Madagascar, have been seen to be closely dependent on the commercial and agricultural policies in force in the Member countries. There is no doubt that the outlets for tropical oilseeds have been reduced in the "free" markets, where the end-users were able to buy unrestrictedly on the World market: in contrast, in the highly-organised conditions of the Franc Area, where these products, especially groundnuts, received preferential treatment, consumption of tropical oilseeds and oils has been seen to expand at the highest rate; on the Italian market also, with its marked protectionist nature, such limited openings as there are have developed favourably. Consequently, it can be said that Government policies with regard to oils and fats are of special importance.

The deficit in oils and fats, and the necessity of protecting national agricultural sectors which would not be viable at world prices, are the factors which have influenced not only the Member countries' policies since the end of the last war, but also the shaping of the future common market Regulations. At the same time, the extent to which requirements can be met from internal production, and the relative importance of the latter in the overall pattern of agricultural production, vary a great deal from one country to another. For instance, France, Italy and — to a lesser extent — Germany have practiced interventionist policies with regard to oils and fats such as have been unknown in the Netherlands and the B.L.E.U. These policies have taken the form of various procedures for guaranteeing producer prices. In France, the support system has been extended to cover the full Franc Area market for "edible soft oils". Thus as concerns most of their purchases, France and Italy have been cut off from the international market as a whole, whereas Germany, the Netherlands and the B.L.E.U. have been operating a system of unrestricted supply.

By contrast to the preferential terms guaranteed to the Associated States in Africa and Madagascar which belong to the Franc Area, the future system of supply adopted for the E.E.C. is based on free access to World markets. It is a system similar to that in force in Germany, the Netherlands and the B.L.E.U., differing however in that it provides for a revised scheme for supporting domestic production of oil-bearing plants, especially olives and rapeseed, with no restriction as to quantity.

The future scheme will remove all internal trade barriers and abolish all protectionist measures benefiting oilseeds: the oil industries in the Associated states in Africa and Madagascar will enjoy, in the same way as their European counterparts, the benefits of an external tariff which will be higher than the average one applied during 1965. It can be said that, in comparison with the schemes operated in the other industrialised countries (especially the United States and Great Britain), the E.E.C. system is a relatively liberal one.

In addition to the preferential tariff concerning oils, the A.A.S.M. will also benefit under a system for the absorbtion — at least in part — of any financial losses incurred from their having to sell their produce at world prices. The guaranteed market hitherto provided by France at a support price will thus be replaced by a limited compensation scheme.

2 — *THE PROSPECTS OPENED UP FOR TROPICAL OILS AND FATS AND MEASURES TO ASSIST THE MARKETING OF A.A.S.M. PRODUCTS*

In the chapters dealing with consumption patterns, we saw that the overall development prospects for the oils and fats market are in the main limited to those offered by the growth of population and the closing of the gap between the level of personal consumption in Italy and that in the other Member countries: end-uses other than for food are a shrinking market. Consequently, the A.A.S.M. will have to adapt themselves to the new conditions created by the Common Market Regulations in the context of a quantitative framework which is rigid.

More precise and quantitative data relating to the prospects for tropical products will emerge from the econometric study now in hand.

At this point, we will merely recall the conclusions reached in the course of the earlier chapters, for each product:

— *Groundnuts*

Groundnuts account for more than half the oilseeds sold in the Community by the A.A.S.M. Under the Common Market Regulations, this product will be subjected to stern competition on the French market from other, cheaper, soft oils whose penetration has hitherto been blocked by the preference system.

At the same time, the presence of a favourable consumer prejudice and, to some extent, the removal of the support price, should enable any fall in consumption to be maintained within limits. Moreover, it should be possible to make up for any losses incurred in the French market by opening up new outlets in the other E.E.C. countries, which up to now have purchased their oil supplies in third countries, provided that measures are taken to correct the distortions caused by the introduction, by some third countries, of price differentials for oil, oilseeds and oilcakes. In this connection, the markets in the B.L.E.U. (direct consumption) and in Germany (margarine manufacturing) will be of special interest.

There should be no disturbance of the market in A.A.S.M.-produced groundnut oilcakes, since these did not in any case benefit from the former protectionist regulations. The growth in demand will facilitate disposal of this item, especially in view of the fact that groundnut oilcakes have as high a protein value as their soya bean rivals and are a recommended feedingstuff for beef cattle, particularly for diet varying. It should not be forgotten, however, that this is a highly competitive market and, although prices have not shown any downward trend, there are reasons to suppose that only those producer countries which have convenient port facilities — such as Senegal — will in fact be able to take full advantage of the opportunities offered in Europe.

Where sales of oil are concerned, we have already noted that the A.A.S.M. oil-manufacturing industry will enjoy exactly the same advantages as those protecting its European counterpart. These tariff concessions, however, could be offset to some extent by the entry of Nigeria as an Associate Member. Furthermore, the oilmills in Africa and Madagascar do not have the same opportunities as their European equivalents for disposing of by-products, due to the absence of a local market of any size, and could only with difficulty switch their sources of supply if the conditions in the raw oilseeds market became such as to make this necessary. At the same time, nevertheless, the continued existence of certain commercial ties should facilitate the maintenance of current trading patterns. If the local markets were to expand, the competitive position of the oilmaking industry in the Associated Countries in Africa and Madagascar would be improved thereby.

The prospects for exporting oilseeds do not appear to be promising, due to the weight of competition from soya beans, which make richer oilcakes, and to the absence of any tariff preference.

On the whole, therefore, it is reasonable to predict that the volume of groundnut exports will be maintained — on normal competitive terms — but that the revenue earned by these exports will diminish as the result of a downward price adjustment to World level. The financial compensation system which is to accompany the introduction of the Common Market Regulations is thus a primary consideration in the case of groundnuts.

— *Copra and Palm kernels*

A.A.S.M. exports to the Community consist mainly of palm kernels (13% of all oilseeds exports), with copra being only a very small item (1). The end-uses of the two products are however similar, so that it is hard to dissociate them when discussing prospects. Our survey has shown that their use as margarine and soap components is declining, and that their relatively high price makes them vulnerable at times of sharp fluctuations. Palm kernels, however, with a lower absolute price than copra, seem to be rather less vulnerable than the latter. Expanded sales of high-quality margarines and soaps represent the best prospects for both products, but it is likely that their sales outlets will continue to shrink during the next few years.

The Common Market Regulations should have little effect on the competitive position of A.A.S.M. palm kernels exports. Nevertheless, the fact that the French price of the fluid oils is due to be reduced may restrict that country's purchases of palm kernels for the margarine industry.

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(1) Taking the Associated Overseas Countries and Territories as a whole, however, copra exports are more significant.

— *Palm oil*

In the E.E.C. countries, palm oil has lost its position in the soap industry and that in the margarine industry has been eroded by the competition from the lower-cost marine oils.

Nevertheless, considerable quantities continue to be employed, and the future trend for A.A.S.M. palm oil exports is a promising one: in the absence of any competitors in the European countries, the A.A.S.M. oil manufacturers will — until Nigeria, a large producer, becomes an Associated country — enjoy a monopoly of the new protective tariff of 9% in the context of the Common External Tariff; this should give them a decisive advantage over third-country producers.

We shall now consider what measures would be appropriate with a view to helping the A.A.S.M. to adapt themselves to the new terms of competition and to complete the unification of the oils and fats market.

The major lines of action to which attention was drawn in the course of our survey are as follows:

— the removal of obstacles to intra-Community trade: two points are of special prominence in this connection. Firstly, the harmonisation of indirect taxation in the Member countries, with particular reference to the abolition of those taxes which discriminate as between different oils and fats. Secondly, the standardisation of national regulations governing the composition and packing of margarine;

— promulgation of some as-yet-unknown elements of the Common Agricultural Policy: especially, establishment of target prices for rapeseed and milk at levels to discourage over-production; determination of the price ratio between olive oil and the other vegetable oils;

— action to regulate international trade as concerns the following two matters: a campaign against the practices which distort the terms of competition to the detriment of the tropical countries, and especially that of artificial price distortions between oilseeds, processed oils and oilcakes; the devising of appropriate measures to limit the extent of short- and medium-term fluctuations in world prices. It should be noted that a stabilisation policy for oilseeds and oils prices will be all the more difficult to implement in that there are very extensive openings for substitution between products, but the need for such a policy remains unquestionable;

— the adoption of a policy to promote the use of tropical oils and fats: in an increasingly competitive market, there is an obvious need to start a propaganda campaign in favour of tropical oil products and to devise the most appropriate means to that end. The promotional efforts made by the exporters of rival products underline the urgency of this kind of action. In the course of our survey, a number of promotional guide-lines were discovered, and should be placed in priority order. Briefly, these were as follows.

Promotional activities should be directed to supporting any favourable consumer attitudes to tropical products which exist. This kind of promotion may aim either at the final consumer or at the processing firms.

Promotion directed to the processing industries consists mainly of putting over the quality of the products exported by the A.A.S.M. The said quality depends on the efforts made in the producer countries, but it can already be said that the remarkable properties of a product such as Senegal groundnut — with special reference to its high oil-content — should ensure easy marketing in those countries which were hitherto unable to obtain supplies because of the priority system operated in favour of the Franc Area.

Livestock breeders should also be impressed with the qualities of groundnut oilcakes as feedingstuffs for dairy cows and for accelerated growth of fatstock.

Nevertheless, the most urgent, and possibly the most effective, line of promotion is that directed to the consumer public. In general terms, support must be afforded to the favourable prejudice enjoyed by vegetable products for their dietary advantages, and to the quality reputation of soap products which include tropical products in their formulations.

Our survey of the French market demonstrated that the housewife's prediliction for groundnut oil as a high-quality table oil is a capital asset which the producer countries have every interest in maintaining. This prediliction has been fostered not only by the intrinsic qualities of the product itself, but also by the large-scale publicity campaigns undertaken for groundnut oil by the French oilmakers. At a time when the cereals-based oils are being promoted for their dietetic properties, this favourable at-

titude is in danger of losing force unless the publicity effort continues to emphasise the quality image associated with groundnut oil. This image is all the more vulnerable in that current regulations entail no compulsory indication of composition on product labels. With due regard to the precarious nature of consumer convictions where food products are concerned, this would appear to be a priority promotion area. The same aims could also apply to promotion in the B.L.E.U.

Similarly, it would be a good thing to support the German public's taste for certain characteristics associated with high-quality margarines (quick-melting and smoothness), to the extent that these cannot thus far be obtained except by incorporating coconut or palm kernel oils.

The possibilities which exist for expanding certain limited outlets, such as the Italian margarine industry or the German market for direct-consumption groundnut oil, do not at present appear to be sufficiently extensive to justify priority action.

The provisions regarding support, preservation and compensation procedures directed to the oilseeds market under the Yaounde Convention should assist the Associated States in Africa and Madagascar to face up to international competition on favourable terms, in the same way as the measures suggested above. They should not, however, be allowed to conceal the fact that the African States must also be concerned to expand both their domestic markets and their exports to third countries. The most effective means of guaranteeing that tropical oil products will continue to find a market reside in an increased productivity performance at the production level and an improvement in the quality of the products offered on the international market.

CONVERTING RATES

The rates used for converting oilseed into raw oil in terms of weight are as follows :

groundnuts in shell	0,33
shelled groundnuts	0,47
copra	0,65
cottonseed	0,17
linseed	0,37
rapeseed	0,33
palm kernel	0,48
castor oil seed	0,45
sesame	0,48
soya beans	0,17
sunflower seed	0,40
olives	0,17
colza-seed	0,41
hempseed	0,33
butter	0,82

LIST OF ABBREVIATIONS

A.A.S.M. = Associated African States and Madagascar:
- Burundi
- Cameroon
- Central African Republic
- Chad
- Congo (Brazzaville)
- Congo (Kinshasa)
- Dahomey
- Gabon
- Ivory Coast
- Madagascar
- Mali
- Mauritania
- Niger
- Rwanda
- Senegal
- Somalia
- Togo
- Upper Volta

A.O.M. = A.A.S.M. + A.O.T. + D.O.M.

A.O.T. = Associated Overseas Territories
- New Caledonia
- Polynesia
- Comora Islands
- French Somali Coast
- Southern and Antarctic Territories
- Wallis and Futuna
- St. Pierre et Miquelon
- Dutch west Indies
- Surinam

B.L.E.U. = Belgium-Luxembourg Economic Union

C.B.S. = Centraal Bureau voor de Statistiek, The Hague

C.C.T. = Common Customs Tariff

C.E.C. = Commonwealth Economic Committee

C.E.T.E.M.A. = Centre d'études techniques et économiques des matières grasses alimentaires, Paris

D.O.M. = Département d'outre-mer (Associated French Overseas Departments)
- Guadeloupe
- Martinique
- Guiana
- Reunion

E.A.G.G.F. = European Agricultural Guidance and Garantee Fund

E.E.C. = European Economic Community

F.A.O. = Food and Agriculture Organization of the United Nations, Rome

F.O.R.M.A. = Fonds de régularisation des marchés agricoles (French Agricultural Markets Stabilization Board)

I.N.S. = Institut National de Statistique, Brussels

I.N.S.E.E. = Institut National de la Statistique et des Etudes Economiques, Paris

I.S.T.A.T. = Istituto Centrale di Statistica, Roma

M.V.O. = Produktschap voor Margarine, Vetten en Olien, The Hague

S.O.E.C. = Statistics Office of the European Communities

S.I.F.A. = Société interprofessionnelle des huiles fluides alimentaires, Paris

U.S.D.A. = U.S. Department of Agriculture, Washington

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