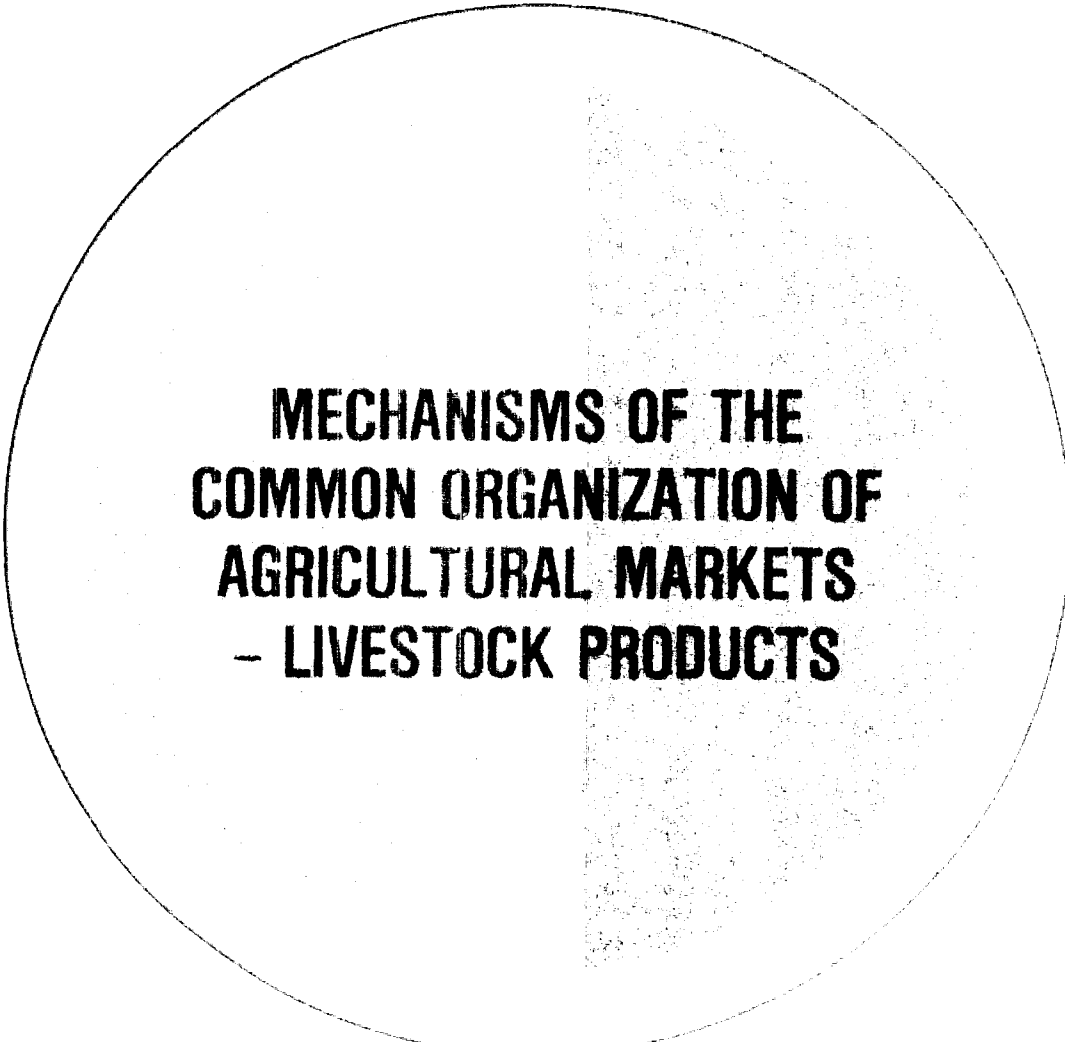


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# GREEN EUROPE

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NEWSLETTER ON THE COMMON AGRICULTURAL POLICY



## **MECHANISMS OF THE COMMON ORGANIZATION OF AGRICULTURAL MARKETS - LIVESTOCK PRODUCTS**

Original: FR



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The Documentation Bulletin consists of four series:

- Series A: Weekly analytical bulletin listing acts, communications and documents of the institutions as well as articles from periodicals. The texts which have been selected and analysed by the Central Documentation Service (SCAD-IX/C/1) concern the institutions' activities and all related fields.
- The documentation service of the European Parliament contributes to the selection of articles from periodicals.
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- L'édition A: Bulletin analytique hebdomadaire signalant des actes, des communications et des documents des institutions ainsi que des articles de périodiques. Les textes retenus et analysés par le Service Central de Documentation (SCAD-IX/C/1) concernent les activités des institutions et tous les domaines qui s'y rattachent.
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- Il Servizio di documentazione del Parlamento Europeo collabora alla selezione degli articoli di periodici.
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**MECHANISMS OF THE  
COMMON ORGANIZATION OF  
AGRICULTURAL MARKETS  
– LIVESTOCK PRODUCTS**

In response to many requests, Green Europe Newsletter is publishing - in two separate issues - short descriptions of the machinery of the common organizations marketing the leading agricultural products in the EEC.

The presentation is descriptive and no attempt is made to analyse in economic terms this machinery, which, it must be remembered, has been built up as a result of Community decisions many of which represent compromise arrangements between the differing approaches and interests of the Member States.

Luxembourg: Office for Official Publications  
of the European Communities, 1982

ISSN 0250-5886

Catalogue number: CB-AV-82-188-EN-C

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*Printed in Belgium*

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## INTRODUCTION

For marketing purposes, almost all the European Community's agricultural production comes under what are known as "common organizations."

Since the Community's arrangements for sheepmeat entered into force in October 1980, the only important products still not accounted for are potatoes and alcohol, and some years have already been spent on discussion of these two sectors.

Applied on a uniform basis throughout the Community for each product, the management rules have special features varying according to the characteristics of the various products. There are four main types of common organization, covering altogether more than 95 % of agricultural production.

- More than 70 % of the products are covered by arrangements providing guarantees, in one form or another, as regards disposal and prices. For the main cereals, sugar, milk products, beef/veal, and, since 1980, sheepmeat, an intervention system is operated : whenever market prices fail to match a given price, intervention agencies must buy in, at that price, all quantities offered by storers. The agencies sell them again when the market recovers or try to find another outlet, for example by export. For other products - pigmeat, certain fruits and vegetables, table wines - market support is based, in practice, on more flexible measures, like storage aid, withdrawals by producers' groups and distillation aids.
- About 25 % of production - other fruits and vegetables, flowers, wine other than table wine, eggs and poultry - is covered by arrangements based essentially on external protection. The arrangements are confined, in these cases, to protection of Community production from fluctuations on the world market by instruments such as customs duties, or levies, which are, as it were, variable duties. In some cases the duties or levies are charged only during certain periods of the year.
- Supplementary aids are granted to a number of products : durum wheat, olive oil, certain oilseeds, and tobacco. These aids, confined to products of which the Community consumes more than it produces, enable consumer prices to be kept relatively low while ensuring a minimum income to producers. They may be combined with certain forms of price or disposal guarantees.

- Flat-rate aids paid by the hectare or by quantity produced are paid for only a few products the scale of production of which is small : cotton-seed, flax, hemp, hops, silkworms, seeds, and dried fodder.

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But however diversified the mechanisms of the common organizations for the various products, the objectives, the fundamental principles and management are all based on a single approach.

The objectives are :

- improved productivity,
- equitable incomes for farmers, mainly achieved through the sale of their production,
- market stability and reliable supplies for the markets,
- reasonable consumer prices.

The following principles are those underlying the common organizations :

- a single market is set up, i.e. products may be moved unhindered within the Community. Customs duties, equivalent charges or subsidies distorting competition are not allowed. This also entails the introduction of common prices, the harmonization of administrative, health protection and veterinary regulations, common quality standards, and stable currency parities;
- the Community preference is an essential corollary of single markets. It means that the Member States give preference to Community production and protect themselves together, at the common external frontier, against sharp price fluctuations on the world markets and low-price imports;

- common financial responsibility is the practical expression of solidarity between the various regions of the Community and enables the common organizations to be operated as such. The key instrument for this is the European Agricultural Guidance and Guarantee Fund (EAGGF).

For certain agricultural products of which surpluses build up easily - mainly milk products and sugar - the principle of the financial "co-responsibility" of producers has been introduced in various forms.

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As the market organizations have been gradually introduced, the prices fixed for the agricultural products have become common prices. Each year, on the basis of proposals from the Commission, the Council of Ministers fixes common prices for the following season. The type of price is, of course, not the same for each product and also depends on the kind of guarantee it is desired to ensure.

Some prices are fixed with the main objective of controlling the Community's internal market (target prices, guide prices, intervention prices, etc.) while others have the main aim of ensuring Community protection and preference vis-à-vis external markets (threshold prices, sluic gated prices, etc.).

In the absence of a single European currency, the prices are denominated in ECUs, the common unit of account, which, if it is to be used properly, presupposes stable parities between the Member States' currencies. Because no such stability has been achieved in practice, price levels are in fact not the same in the various Member States.

Following the currency difficulties which have occurred since 1969, the authorities have had to introduce "monetary compensatory amounts" (MCAs) to offset, between the various Member States, the impact on the common prices of variations in currency exchange rates. By means of this device, the principle and system of common prices, and with them the principle of the single market, can be kept intact, so that as and when the relationships between the currencies become more stable, it will be possible to revert automatically to a more fully integrated market. The European Monetary System (EMS), set up in 1979, has enabled the MCAs then existing to be reduced quite sharply.



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Under the agricultural policy, a single system for trade across the common external frontiers has been introduced. This system has replaced all the schemes operated by the Member States, including quantitative restrictions. Its aims are :

- to protect Community agricultural prices against imports at lower prices, and
- to enable Community operators to participate in world trade, but of course international obligations are at the same time complied with.

The main instruments used for the implementation of the external trade arrangements are only three in number : import levies and/or customs duties, and export refunds.

The levies, related to the prices to be maintained within the Community, are designed to neutralize price fluctuations on the world market, and thus to stabilize the EEC markets. The levy is a variable charge and its role cannot be compared with that of the customs duty. If products from non-member countries are offered for import at the common frontier at prices falling short of those fixed by the Community, a levy bridges the gap.

If world supply prices exceed the threshold prices, the Community also has power to charge levies on its own exports in order to prevent European agricultural products being drained out on to the world markets and in order to ensure reasonable prices for Community consumers.

The export refunds are theoretically "refunds" of the import levies. They are designed to bridge the gap between the internal Community prices and world market prices, so that Community agricultural products can in fact be sold on world markets.

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The Commission manages the unified agricultural markets under the basic regulations and the implementing regulations adopted by the Council of Ministers. Management decisions taken by the Commission are referred beforehand to management committees. These committees, made up of representatives of the Member States but chaired by a Commission official, have been set up for the various groups of agricultural products covered by common

arrangements.

Advisory committees, bringing together representatives from the various interests concerned (producers, processors, dealers, paid workers, consumers), also assist the Commission in the management of the agricultural markets.

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## I. THE COMMON ORGANIZATION OF THE MARKETS IN MILK AND MILK PRODUCTS

### A. General picture of the milk products sector

Milk production is the most important branch of Community agriculture, accounting for 20 % of agricultural production. Cattle farming altogether, i.e. milk production plus beef/veal, represents more than 35 % of agricultural production. More than 1,8 million Community holdings, or more than one in three, produce milk.

Most milk is produced by small or medium-sized farms : 55 % of dairy farms have less than ten cows. Milk production reached about 105 million tonnes in 1980 and increases by about 2 % per year. A growing proportion of this milk (93 % in 1979) is processed by dairies, and the quantity of milk sent to dairies is increasing by 2 to 3 % per year.

However, the number of dairy cows is fairly stable (about 25 million), the increase in production being almost entirely due to improved yields.

The Community produces more milk and milk products than it consumes. Consumption per head of milk products, with the exception of cheeses and certain fresh products, has tended to mark time despite the decline in real prices and special consumption incentives, for example for butter. As the Community's population is increasing only very slowly, total consumption of milk and milk products shows only a very low annual percentage increase (0.5 %).

The subsidized sale of skimmed milk and skimmed-milk powder as animal feed is one of the main devices used to help balance the markets in this products. Heavy subsidies are also paid to assist consumption of butter within the Community. In recent years, more than 600.000 tonnes (40 % of total consumption) have been sold at specially reduced prices.

The prices of milk products cannot be supported unless butter and skimmed-milk powder are bought in. However, Community stocks of these two products have of late been scaled down to much more manageable proportions than in the past.

Community exports of milk products (including food aid) have increased substantially. Aids to exports of these products, despite higher prices on the world market, are still a very costly item, chargeable to the Guarantee Section of the EAGGF.

## B. Milk and milk products : the machinery of the common organization

Implementing the general principles of the common agricultural policy, the basic regulations have established a price system, an intervention system (designed to support the internal market) and arrangements for trade with non-member countries. Additional measures are designed to support and stabilize the milk sector.

### 1. Prices

The following prices are fixed for each season :

- target price for milk,
- intervention prices for
  - butter
  - skimmed-milk powder
  - Grana-Padano and Parmigiano-Reggiano cheeses
- threshold prices.

These prices normally enter into force on 1 April, i.e. at the beginning of the milk year, and lapse on 31 March the following year. They may be adapted during the year if circumstances so require; prices may also be fixed in two stages.

#### a) The target price for milk

To underpin farmgate prices, the Community fixes a target price for milk delivered to dairies. This is the price of milk which Community policy seeks to ensure, for all milk sold by farmers during the milk year, covering outlets on the Community market and external markets. Thus the target price is an objective but not a guarantee. It applies to milk with a fat content of 3.7 %. It is expressed in ECU, to be converted into national currencies at the agricultural conversion rates ("green rates").

#### b) Intervention prices

The intervention prices contribute to the achievement of the target price. The intervention agencies, operating in each Member State, must buy in all products offered to them at the intervention price.

These prices are normally the lower limit of market prices and thus guarantee a minimum income to farmers.

As the scheme works for butter and skimmed-milk powder it provides an outlet for the two components of milk. For Italy, where production of Grana-Padano and Parmigiano-Reggiano cheeses represents the basis of the dairy products sector, intervention prices for these cheeses are also fixed in order to provide comparable support in Italy to that provided by intervention measures for milk and skimmed-milk powder in the other Member States.

The intervention prices do not enable the dairies, in respect of the quantities they have sent to intervention, to pay farmers a price for their milk fully matching the target price. But the prices obtained for the other products (liquid milk, fresh products, cheeses) on the markets are such that in general the prices actually paid to the milk producers are close to the target price. They may even exceed this price where demand is heavy for a given product but more often they are a little below it. On a market burdened by permanent over-production, the intervention price eventually determines the market price and, consequently, the farmgate price, i.e. what the farmer actually gets.

The intervention prices for butter and skimmed-milk powder are designed to take account of a certain value relationship between fat content and protein content of milk. On the basis of a price for milk with fat content of 3.7%, the fat/protein ratio is now 55/45. When common prices were first fixed, i.e. for the 1968/69 milk season, the ratio was still 70/30.

### c) Threshold prices

Applied at the external frontier of the Community in respect of imports, the threshold prices are a protection mechanism enabling the prices on the internal market to be brought near to the target price whilst allowing of adequate supplies through imports should there be a shortage or danger of shortage (fuller details are given on this point at paragraph 3, concerning trade).

## 2. Measures designed to support the Community's internal market

In order to get as near as possible to the target price for milk for the farmer, the intervention arrangements cover products whose role, in the

pricing of milk for producers is particularly important. This can be achieved :

- either by supporting the main milk ingredients by intervention in favour of butterfat or milk proteins;
- or by supporting milk as a raw material by intervention for cheeses or drinking milk (milk for schools).

Thus there are no special arrangements for the protection of the market in drinking milk.

a) Intervention for butterfat

aa) Buying in, at the intervention price, for public storage and special disposal

Where no outlets are available for the butter on the normal market, it is bought in by intervention agencies provided it meets certain quality, age and packaging criteria.

This butter is disposed of at a later date according to the regulations, when the market situation allows of this, and in a way ensuring that normal trade flows are not disturbed. It is resold on the Community market under special low price schemes :

- to food processors for the manufacture of pastry products, biscuits, bakers' ware and ice cream;
- to welfare institutions;
- to armed forces and units ranking as such;
- for the manufacture of concentrated butter in small packages, for use for cooking (suspended on 1 October 1980);
- for direct consumption (special Christmas sales schemes - suspended at the end of 1980).

The Community's food aid to developing countries in the form of butter and butteroil comes from public stocks of butter or market butter. Supplies for the food aid programme are obtained by tendering procedures.

For sales to food processors, the Commission calls for tenders at regular intervals. Once these have been scrutinized, it fixes the sale price.

Other sales are generally made directly at fixed prices.

Since July 1981, the arrangements for sales of public stocks of butter have been replaced by a direct aid scheme for fresh market butter. This scheme was introduced after the disposal, in the first half of 1981, of almost all the butter in public storage. The new arrangements apply to the special schemes for sales to food processors (pastry goods, ice cream), armed forces and non-profit making bodies.

bb) Aid to private storage of butter and cream

In order to ensure normal supplies on the butter market in winter at prices similar to those being charged during the rest of the year, financial aid is granted to private storers of butter and cream. The period of storage - fixed by the Commission - normally begins on 1 April and ends on 15 September; the period of withdrawal from storage begins on 16 December and ends on 31 March of the following year. The minimum period of storage is four months.

cc) Consumer subsidies

The regulations stipulate that whenever butterfat surpluses build up or are liable to build up, other measures (other than those referred to under aa) and bb) may be taken to facilitate disposal. A direct consumer subsidy may help to increase disposal.

The following schemes are operated :

- General and permanent subsidy :

This aid, designed to reduce the consumer price of butter, is operated in the United Kingdom, Ireland, Denmark and Luxembourg.

The subsidy runs to about 15 to 25 % of the retail price of the butter.

In the United Kingdom, the whole of the subsidy is financed by the EEC.

In the other Member States not more than three-quarters of the subsidy is financed by the EEC.

- Temporary subsidy :

During limited periods, for example at the end of the year, the price of a certain quantity of market butter (such as the publicly-stored butter

referred to under aa) can be reduced to boost demand. This reduction was made for three consecutive years, but has not been conceded since 1980, either for publicly-stored butter or for privately-stored butter.

- Subsidy to welfare beneficiaires :

On certain conditions, welfare beneficiaires in the Community may buy butter at reduced prices .

b) Intervention for milk proteins

The market in skimmed-milk - liquid and powder - is supported by :

- a system of buying-in of milk powder;
- a system of aid for liquid skimmed milk and skimmed-milk powder.

aa) Buying in at the intervention price of skimmed-milk powder and measures for scaling down stocks

As for butter, only top quality skimmed-milk powder, meeting certain age and packaging requirements, is bought in.

Products thus held in public storage which cannot be disposed of in the normal way may be sold at specially reduced prices, in particular :

- for incorporation in compound feed for pigs and poultry. This scheme was operated in 1977, 1978 and 1979. Tendering procedures are used.

To prevent fresh skimmed-milk powder, a surplus product, being sent for public storage, a system of direct aid to the product designed for its incorporation in pig and poultry feed was operated for the same period;

- exporting, sometimes after denaturing, in order to ensure that the product is used only as animal feed;
- food aid is sometimes granted partly from public stocks. Other supplies are made directly with fresh powder into which in most cases vitamins have been incorporated.



bb) Aids for liquid milk and milk powder

These aids are granted in the first place to promote use in the sector of feed for young animals, which is the main use. These aids are fixed in the light of the intervention price for skimmed-milk powder, developments with regard to supplies of liquid skimmed milk and skimmed-milk powder, developments with regard to prices for calves, and developments with regard to prices on the market in competing proteins, etc.

The scheme applies to liquid skimmed milk sold back by the dairy to the farm, to liquid skimmed milk used directly on the farm on which it is produced and to skimmed-milk powder, provided the product is denatured or incorporated in milk replacer feeds.

As well as these aids for animal feed, an aid is granted for liquid skimmed milk processed into casein and caseinates, which are products used as a raw material for certain industrial and food products.

c) Intervention in respect of cheese

As already noted, Grana-Padano and Parmigiano-Reggiano cheeses are bought in by the agencies in Italy.

For these cheeses, and for Provolone cheese, a private storage aid scheme has been set up as for butter. If market conditions so require (price levels, stocks with producers or dealers), some other cheeses, such as Pecorino-Romano and Emmental-type cheeses (including Gruyère, Comté and Beaufort) may qualify for private storage aid.

d) Intervention for drinking milk

In order to encourage the consumption of milk, the Community contributes to schemes in the Member States for the provision at reduced prices of milk and certain milk products to schools.

3. Trade with non-member countries

a) Imports

- A variable levy is charged on imports, except for products in respect of which the Community has made special arrangements or agreements.

The Council of Ministers sets each year a threshold price for milk products; these are divided into groups and for each of these groups a pilot product is chosen for which a threshold price is fixed in the light of :

- the ratio of the fat content of the milk to the protein content;
- the target price of the milk;
- the need to ensure some degree of protection for the Community's processing industry ("the Community preference").

The threshold price represents the lowest price at which the product coming from non-member countries may enter the EEC market. It is fixed at the stage "free to wholesalers", i.e. at the marketing stage at which competition from imported products is brought to bear.

The threshold price is used for the calculation of the levy, which is defined as being the difference between this same threshold price and the free-at-frontier price for each product matching the most favourable opportunities for purchasing in international trade. The levy is fixed by the Commission on the first and the sixteenth of each month. If the need is felt, the Commission may, however, alter the levy at any time between these two dates.

For certain products in the same group but differing from the pilot product, a "derived" levy may be fixed.

- Under the GATT, or further to certain autonomous concessions, the Community has made special agreements with a view to facilitating exports of certain milk products from non-member countries to the EEC and vice-versa. These schemes include arrangements for cheeses such as Emmental, cheddar, processed cheese. These products are admitted to the Community on certain conditions - compliance with a specific free-at-frontier price, presentation of licences, fat content and age of the product.
- The Community, during the negotiations for the membership of the United Kingdom, agreed to import a given quantity of butter from New Zealand at a special levy rate.

## b) Exports

- The Commission can pay export "refunds" to bridge the gap between prices in the Community and prices obtaining in world trade in milk products. The refund is the same throughout the Community, but may be differentiated according to country of destination to cover any special features of the markets. It must be reviewed at least once every four weeks.

To facilitate the conclusion of major sales contracts the execution of which may cover periods of several months, the refund can be fixed in advance. However, for certain products and certain destinations, advance fixing of refunds is not allowed (for example, for cheeses, for which the minimum prices must be complied with on export, in accordance with commitments entered into).

- In order to build up trade in milk products, the Community has concluded special export agreements with certain non-member countries - Switzerland, Spain, Austria, United States, Canada and Australia.

In general, these schemes apply to certain categories of cheeses which must often carry a licence and comply with certain prices so as not to disturb the market of the country of destination.

## 4. Additional support and stabilization measures

The price, intervention and trade schemes described, designed to stabilize and support the milk and milk products market, have failed to prevent further aggravation of the surpluses. With a view to restoring equilibrium between supply and demand, other measures have proved indispensable.

### a) The co-responsibility levy

The co-responsibility levy is designed to encourage and broaden the disposal of milk products. The milk producer pays this compulsory levy in the form of a percentage of the milk target price. Applied since 16 September 1977, the levy has been fixed at the following levels :

- from 16 September 1977 to 30 April 1978 : 1.5% of the target price for milk
- from 1 May 1978 to 31 May 1980 : 0.5% " " " " "

- from 1 June 1980 : 2.0 % of the target price for milk
- from 6 April 1981 : 2.5 % " " " "

Dairy farmers in mountain regions, in the Mezzogiorno and in Greece are exempt. Dairy farmers in "less-favoured regions" enjoy partial exemption.

The yield from the co-responsibility levy, i.e. part of the income which the dairy farmer obtains for his milk, is assigned to promoting the disposal of milk products. Action designed to expand outlets includes the financing of promotion schemes, publicity and market research work, other research, technical assistance and promotion schemes, and measures designed to improve the quality of the milk.

b) Non-delivery and conversion premiums

Premiums are paid :

- to dairy farmers who have undertaken to cut milk deliveries,
  - . either by using their own milk to feed their own animals,
  - . or by slaughtering dairy cows;
- to farmers who convert their herds, i.e. from dairy to beef breeds.

These aids have varied in relation with the effect on production of milk.

The non-delivery premium was suspended in September 1980, and the dairy herd conversion premium was suspended at the beginning of the 1981/82 milk year.

c) A premium for the retention of the suckler cow herd

Since June 1980, owners of cows suckling calves with a view to the production of quality beef qualify for a premium (see also Chapter II : beef/veal).

## II. THE COMMON ORGANIZATION OF THE MARKETS IN BEEF/VEAL

### A. General picture of the beef/veal sector

In the Community, beef/veal accounts for about 16 % of final agricultural production and is produced on more than 2.5 million holdings, i.e. on one holding in every two. The production of beef/veal and milk are linked, since about 80 % of beef/veal comes from herds which produce both milk and meat. The number of head of cattle shows little change : about 78 million units, of which about 31 million are cows.

The gross domestic production of beef/veal in the enlarged Community reached 7 million tonnes in 1980, a figure matched fairly exactly by consumption, and consumption per inhabitant is about 26 kg.

In 1970, the degree of self-sufficiency in beef/veal represented, on average for the nine Member States, 90.5 %. The Community became completely self-sufficient only in 1974. In subsequent years, the rate has fluctuated but reached about 102 % in 1980 and 1981.

The Community has thus become a net exporter of beef/veal on the world market. This is essentially the result of an increase in production, while consumption has marked time. But another factor leaving surpluses for exports has been imports of beef/veal and live animals, which are mainly carried out under special schemes based on international commitments.

On the market in beef/veal, there has been an increase in recent years in quantities bought in, and this has had the effect of boosting EAGGF guarantee expenditure in this sector. For this reason, beef/veal market support measures have been adapted to fit the market situation more closely

### B. Beef/veal : the machinery of the common organization

The first measures for the creation of a common organization of markets in the beef/veal sector were adopted in November 1964. A three-and-a-half year transitional period had been agreed before Community regulations entered into force. The organization of the markets began full operation in all six original members of the Community on 29 July 1968.

These arrangements have since undergone a number of important changes. For example, there has been a permanent arrangement for intervention on the markets since 1972. In 1977, the import rules were also completely overhauled. These changes have become necessary because of exceptional fluctuations on the world market.

The common organization of the markets in this sector covers the following main products :

- live animals of the bovine species,
- meat of bovine species, fresh, chilled or frozen,
- meat of the bovine species, salted or in brine, dried or smoked,
- preparations and preserves containing meat or offals of the bovine species,
- fats of the bovine species.

### 1. Prices

Like most of the common organizations, the organization for beef/veal includes arrangements for guidance through prices.

The market organization hinges on the guide price.

It is the price applying to all categories of adult cattle marketed on representative markets of the Community and it is the price which is aimed at in normal market conditions. It is fixed by the Council.

The Council also fixes an intervention price, calculated per 100 kg live-weight. This price has for some years now been 90 % of the guide price. The intervention price is a determining factor for the calculation of the buying-in price where quantities of beef/veal are bought in on the market.

The market price is made up of a weighted average of quotations on the representative markets of the ten Member States. These quotations are recorded at national level for all bovine categories (but not for a standard category as for pigs). They are weighted among themselves on the basis of the relative share of each category in all the bovine production of each Member State, to calculate the average market price. Thus, for example, cows account for 60 % of the Dutch market price but represent only 23 % for the purposes of the calculation of the British market price.

A Community beef carcass classification was adopted in 1981. The classification has still to be supplemented by implementing regulations before the

process of fixing weight/carcase prices can be carried out on the basis of a uniform Community method.

The weighted average of prices recorded on the markets of the Member States forms a Community market price. This price is calculated weekly.

In the Community, in the last three years, the market prices for adult cattle, expressed in ECU, have consistently fallen short of the intervention prices.

## 2. Measures to support the Community's internal market

- Support measures include an intervention system. The intervention agencies must, on certain conditions, buy in at a given price specified categories of beef/veal.

Certain categories of steers, heifers and bulls are eligible. Normally, meat of cows is not bought in. In 1981, only meat of steers and bulls was bought in.

"High" and "low" buying-in prices are fixed for each of the categories supported. The "high" buying-in price, expressed in ECU, is directly linked to the intervention price by specific coefficients and slaughter yield percentages.

The intervention agencies buy in at a price somewhere between the high and low buying-in prices depending on the quality of the product offered to them.

- Private storage aids may be paid, covering various products (carcasses and quarters).
- Variable premiums can be paid for the slaughter of "clean cattle". Only the United Kingdom uses this facility.
- A calf premium is paid in Italy to keep up herd numbers.
- A suckler cow retention premium has been paid from the beginning of the 1980/81 marketing year; it is an income supplement for producers and is paid to farms which do not deliver milk and keep only cows producing calves for fattening.

- Certain measures have been introduced to stimulate consumption : sale of frozen meat from intervention stocks to any taker (wholesalers, processors, exporters); supply to processors of a quantity of frozen meat from intervention stocks for processing within the Community and sale of intervention meat at reduced prices to welfare institutions.

### 3. Trade with non-member countries

#### a) Imports

All categories of cattle, beef/veal and preparations covered by the common organization of the markets in the beef/veal sector are normally subject to customs duties when imported into the Community from non-member countries. Thoroughbred breeding cattle are an exception and escape duty.

In addition to import duties there are also variable levies on imports of the main products. The levy is calculated by stages :

- the basic levy is the difference between the guide price and the import price, or, for certain non-member countries, the market price. Customs duties are added.
- The levy actually applied is calculated by multiplying the basic levy by a coefficient which is derived on a weekly basis from the ratio of the market price to the guide price.
  - When the ratio exceeds 106 no levy is applied (coefficient = 0) and imports attract only customs duties.
  - From a ratio of 98 up to 100 inclusive, the coefficient is 100 and the actual levy is the same as the basic levy.
  - When the ratio between the market price and the guide price falls below 90, the basic levy is multiplied by the highest coefficient, which is 114. In this case, the market price falls below the intervention price and meat is bought in.
  - In the 100 to 106 range, the levy applied is gradually scaled down in relation to the basic levy; on the other hand, in the 98 to 90 range, it is gradually increased.
- The levies for live cattle are used to calculate the levies for meat, on the basis of coefficients.

The following example illustrates the first two phases of this calculation :





The import levies may be applied differently, depending on the type of meat, or the country of origin, on the basis of bilateral or multilateral arrangements. The countries concerned include certain ACP countries, Yugoslavia, the United States and Canada, Australia, Argentina and Uruguay.

Because sea transport takes so long, the Community operates a scheme for the advance fixing of levies in respect of certain origins.

For all imports into the Community, a 90-day licence is compulsory.

b) Exports

To enable exporters to compete on the world market, export refunds are paid on exports of bovine animals, beef or veal. The refunds are not fixed automatically, but take account of the following factors :

- the present and future situation on the world market,
- the state of the market in the Community and expected developments,
- the competitive position on the markets of non-member countries,
- trade policy factors.

Generally, the refunds are fixed on a quarterly basis, although they can be adapted between quarterly dates to allow for changes affecting market conditions.

Refunds may be varied according to the destination of the products.

Most of the refunds can be fixed in advance.

All exports must be covered by a 90-day export licence.

### III. THE COMMON ORGANIZATION OF THE MARKETS IN SHEEP- AND GOATMEAT

#### A. Overall view of the sheep- and goatmeat sector

About 10 % of the holdings in the EEC have sheep and goats.

There are about 58 million animals and the production of sheep- and goatmeat is about 75.000 tonnes in the present Community and is expanding. It accounts for only about 1.5 % of final agricultural production for the EEC as a whole, but almost 4 % in the United Kingdom, 3.5 % in Ireland, 2 % in France and more than 6 % in Greece.

More than half the stock is concentrated in less-favoured agricultural regions of the Member States and in Italy.

The Community imports large quantities of sheep- and goatmeat - about 240.000 tonnes per year - or nearly a quarter of its consumption, which falls just short of a million tonnes and is rising slowly.

#### B. Sheep- and goatmeat : the machinery of the common organization (1)

The common organization of the sheepmeat market is the youngest in the Community : the decision was taken long after the other common organizations had begun to operate. Adopted at the end of May 1980, the regulations for the sheepmeat market entered into force for the first time for the 1980/81 marketing year. This scheme, unlike the others, is therefore still being "run in". It will be reviewed before 1 April 1984.

This new organization has the following main features designed to allow free movement of sheepmeat in the Community whilst ensuring the maintenance of farmers' incomes and access to the EEC for countries which are traditional suppliers.

The features are :

- a price, premiums and intervention scheme,
- a system for trade with non-member countries.

(1) See also "Green Europe, Newsletter", N° 12.

## 1. The price, premiums and intervention scheme

### a) The basic price

For each marketing year, the Council fixes a basic price for fresh sheep carcasses, having due regard, in particular, to the situation on the market, to the development outlook and to production costs for sheepmeat in the Community. This price is seasonally adjusted week by week in relation with the normal seasonal variations of the market.

### b) Reference prices

For each marketing year, the Council fixes regional reference prices. The list of regions has been agreed as follows for the first two years of operation :

- Region 1 : Italy
- Region 2 : France
- Region 3 : Federal Republic of Germany, Denmark, Benelux
- Region 4 : Ireland
- Region 5 : United Kingdom
- Region 6 : Greece

For 1980/81 season, the reference prices were fixed on the basis of market prices recorded on the representative market or markets of each region concerned in 1979, or, in the regions where special conditions prevailed in 1979, on the basis of the market prices foreseen for 1980.

For the following years, one of the factors borne in mind when the reference prices are fixed is that they are to be brought steadily closer together by equal annual stages over four years so as to achieve a single Community reference price.

### c) Premiums for producers

In order to maintain producers' incomes, any discrepancy between the reference price and the foreseeable market price for the relevant year is estimated annually at the beginning of the marketing season. This discrepancy is multiplied by the tonnage of sheepmeat produced in each region concerned during the previous year. The total is divided, for each region, by the number of ewes counted. The result obtained gives the estimated amount of the premium payable per ewe and per region.

A payment on account of 50 % of the estimated amount of the premium payable per ewe is paid to producers at the beginning of the year, the rest after it has ended. The balancing amount is calculated so as to ensure that the premium paid corresponds to the effective loss of income resulting from real changes in market prices.

Where sheepmeat is bought in, the maximum premium for producers is the difference between the reference price and the seasonally-adjusted intervention price in the region during the relevant period.

d) Intervention measures

- When the price on the Community market is below 90 % of the basic price and is likely to remain below this level, private storage aids may be granted.
- A seasonally-adjusted intervention price is fixed. It is 85 % of the seasonally-adjusted basic price.

When, during the period from 15 July to 15 December each year, the price on the Community market is equal to or below this intervention price and at the same time the price recorded on the representative markets of the given region is equal to or below the seasonally-adjusted intervention price, the intervention agencies in the Member States may be authorized to buy in sheepmeat if they wish to do so.

- In the event of a serious disturbance of the markets, the Council may approve intervention buying in for other periods.

e) Variable slaughtering premium

In regions where sheepmeat is not bought in, the Member State or States concerned may grant a variable slaughtering premium for sheep whenever the price recorded on the representative market or markets of the Member State or States concerned is below a "guide level" corresponding to 85 % of the basic price. This guide level is seasonally adjusted in the same way as the basic price.

This premium is equal to the difference between the seasonally-adjusted guide level and the market price recorded in the Member State or States in question.

The total amount paid in the form of this premium is deducted from the total amount to be granted in the region concerned in premiums for producers (see c) above).

Whenever live sheep or sheepmeat which have been supported by the variable slaughtering premium leave the Member States operating the premium for another Member State, action is taken to recover an amount matching this premium ("clawback") so as to avoid disturbing the smooth operation of market machinery in the region of destination.

f) There are no monetary compensatory amounts (MCAs) for sheep- and goatmeat.

## 2. Trade with non-member countries

The machinery for trade with non-member countries is as follows :

- there is an import levy on live animals other than pure-bred breeding animals and on meat which is chilled or frozen, salted, in brine, dried or smoked. For fresh and chilled meat, the levy matches the difference between the seasonally-adjusted basic price and the free-at-frontier offer price of the Community. For the other products, it is fixed in the same way mutatis mutandis.
- For the main products (live animals, fresh, chilled or frozen meat), the amount of levy actually charged is, however, limited to the sum (10 % ad valorem) resulting from the voluntary restraint agreements concluded with supplier non-member countries under which these countries have agreed to keep their exports to the EEC within certain limits.
- The principle of granting export refunds, uniform throughout the Community but variable according to destination. The refunds scheme has, however, not yet started.

#### IV. THE COMMON ORGANIZATION OF THE MARKETS IN PIGMEAT

##### A. General picture of the pigmeat sector

Pigmeat accounts for about 12 to 13 % of the value of final agricultural production, coming third after milk and beef/veal, but ahead of cereals. However, it accounts for 47 % by volume of the total production of meat (not including edible offals), the largest share.

The European Community produces about 10 million tonnes of pigmeat a year, the second largest producer in the world after the People's Republic of China.

About 2.1 million holdings, with 75 million pigs, produce pigmeat in the Community, but only 38.000 holdings (1.8 %) have more than 400 animals, and this small group of large farms accounts for 42 % of the total.

Pigmeat consumption is also near to 10 million tonnes, i.e. about 38 kg per person.

The European Community is thus self-sufficient; it is true that some 200-300.000 tonnes are imported per year, but almost exactly the same quantity, in the form of processed products, is exported.

As production is not directly related to land area, there are virtually no barriers to its expansion.

##### B. Pigmeat : the machinery of the common organization

A common organization of the pigmeat markets was set up in 1962. It was adapted, with additional arrangements, when a single market was established in 1967.

In view of the ease with which production can be expanded, the common organization of the markets in the pigmeat sector, in contrast with a number of other market organizations, involves market support measures but no fixed price guarantees.

These measures consist essentially in internal market support and machinery governing external trade which influences supply trends.

## 1. Measures to support the Community's internal market

The essential factor in the arrangements for the internal market is the basic price, which corresponds to average production costs (including slaughtering) of slaughtered pigs of the commercial class II of the Community carcass classification (standard quality).

If the price of the slaughtered pig on the Community market falls to a level below 103 % of the basic price, intervention measures may be adopted. They consist either in buying in or in private storage aid. The two measures are optional.

Movements on the pig market are governed by the "pig cycle". What this means is that prices rise and fall in fairly regular cycles.

When, during a low price period, it is decided to buy in pigmeat, the buying in price is fixed somewhere between 92 and 78 % of the basic price. The intervention agency buys in at this price all the pigmeat offered with the proper presentation. This form of public intervention has in fact seldom been used.

Aids to private storage, on the other hand, have proved a flexible instrument well fitted to needs and have been used whenever a cyclical fall in prices has occurred.

## 2. Trade with non-member countries

Arrangements for trade with non-member countries are of the greatest importance : their continuous application allows of appropriate stabilization of prices within the Community.

- Levies are charged on imports from non-member countries. They are fixed quarterly and match the difference between cereals prices on the world market and the cereals price in the Community, related to the consumption of cereals and protein concentrates necessary for the production of pigmeat. The priority given to internal production as "Community preference" is included in the calculation of this levy in the form of a component representing 7 % of the sluiceway price.

The sluiceway price is the normal "farmgate" price - reviewed every quarter - in non-member countries operating in world market conditions and at world market costs, in particular with regard to cereals prices.



An additional amount is added to the levy matching the difference between the offer price and the sluicagate price of the product concerned. The offer price is established by the Commission on the basis of various representative components observed in international trade. The supplementary amounts may be fixed for non-member countries individually or for all countries. Where non-member countries have undertaken to comply with the sluicagate prices applicable to the products concerned, no additional amount is fixed.

For processed pigmeat products, the Community preference is accounted for by the introduction into the calculation of the levy of an additional amount of 7 to 10 % of the free-at-frontier offer price during a previous reference period.

- Exporters of pigmeat to non-member countries may claim a refund. It is normally at most the same as the levy. In practice, however, it is applied, especially for live pigs and fresh meat, much more flexibly so that Community pigmeat producers are not excessively dependent on export markets.

The refund may be differentiated according to the destination of the products to be exported.

### 3. Other arrangements

The common arrangements include a Community pig carcase classification. The main purpose of the classification is to allow of comparable market price quotations in all the Member States and thus to provide the right context for the uniform utilization of market organization instruments.

At the same time, the classification facilitates intra-Community trade in pigmeat and is a factor in improving quality.

## V. THE COMMON ORGANIZATION OF THE MARKETS IN EGGS AND POULTRY

### A. Overall picture of the eggs and poultry sector

In the Community, the production of eggs in shell and of meat of farmyard poultry (hens, ducks, geese, turkeys and guinea-fowl) totals about 4 million tonnes; the share of this in final agricultural production is 3.5 % for eggs and 4 % for poultrymeat.

The annual consumption of eggs is about 14 kg per person, and the figure for poultrymeat is about the same. The increase in recent years has been relatively sharp, particularly in respect of poultrymeat. The Community is practically self-sufficient for eggs but exports of poultrymeat are tending to increase, especially to countries in the near and middle east with high purchasing power (the OPEC countries). In 1980, figures for exports were 320.000 tonnes, and the rate of self-sufficiency was 107 %.

Like production of pigmeat, production of eggs and poultrymeat are in fact essentially grain processing operations. Consumers in the Community have always been able to buy both products at very good prices : there are few other production and marketing sectors in which technical and organizational progress has been as rapid as in respect of eggs and poultrymeat.

### B. Eggs and poultrymeat : the machinery of the common organization

#### 1. Prices and trade

Since 1962, there have been common organizations of the markets for eggs and poultry allowing of free movement of some 50 products between the Member States of the Community. Preference is given to products of Community origin over those produced in non-member countries.

In contrast with the market organizations for many other agricultural products, there is no system guaranteeing farmgate prices. Prices are formed on the market on the basis of supply and demand; the producers are therefore themselves mainly responsible for the maintenance of market equilibrium through guidance and adaptation of supply and for the establishment of prices covering production costs. The market organization supports these efforts only through a Community system of external trade.

In the absence of an autonomous price system, the instruments of trade policy, including additional amounts and refunds, are used as fully as possible, especially as dumping is a fairly constant occurrence on the world market.

The system is based on the main factor in poultry production : cereals. It comprises the following four instruments :

a) The sluicgate price

This is the price at which non-member countries should normally be offering their products at the Community frontier; it is made up of the cost of feed grain at world market prices plus an amount comprising other animal feed costs, production overheads and marketing costs.

b) The levy

This is an amount charged on imports; it is calculated mainly on the basis of the difference between Community prices and world prices for the quantity of feed grain needed for the production, in the Community, of 1 kg of the relevant product.

c) The additional amount

The additional amount is added to the levy when a non-member country offers a product below the sluicgate price; it is calculated on the basis of the difference between the latter price and the offer price. The offer price is established by the Commission on the basis of various representative components recorded in international trade in eggs and poultry.

d) Refunds

To ensure that Community operators can take part in world trade in eggs and poultry, a refund can be paid on exports which normally offsets the difference in prices between the Community and the world market

2. Other arrangements

- a) Among the many arrangements made under the common organization of the markets, an important regulation is that on egg marketing standards. These trade standards give specific rules concerning quality and weight grading, packaging, storage, transport and labelling and presentation (including dating). They have allowed of free and unhindered trade

between the Member States and have, in particular, improved the quality of eggs to the benefit of farmers, traders and consumers.

- b) All the provisions of a Council regulation fixing common standards for the water content of chilled and frozen hens and chickens should have entered into force on 1 April 1981. All the necessary legal instruments have been adopted at Community level. So far, however, not all the Member States have made the necessary administrative arrangements for this regulation and this is delaying the implementation of the standards.
- c) For ovoalbumin and for lactoalbumin, two very similar products not listed in Annex II of the Treaty setting up the European Economic Community, special trade arrangements have been made because of the close economic link between these products and other egg products.

They are much the same as those for eggs. However, instead of a levy, there is an amount chargeable on imports derived from the levy on eggs in shell.

MAIN FEATURES OF THE COMMON ORGANIZATIONS OF THE MARKETS

- Livestock products -

MILK AND MILK PRODUCTS

Prices	Intervention	Marketing	Aids
<ul style="list-style-type: none"> <li>- Target price for milk delivered to dairy</li> <li>- Intervention price for butter and skimmed-milk powder and two Italian cheeses (Parmigiano and Grana)</li> <li>- Threshold price governing imports of milk products</li> <li>- Co-responsibility scheme</li> </ul>	<ul style="list-style-type: none"> <li>- Compulsory buying in by intervention agencies</li> <li>- Temporary private storage aid               <ul style="list-style-type: none"> <li>• for butter and cream</li> <li>• for certain types of cheese</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A. <u>Internal arrangements</u></li> <li>Free movement of products</li> <li>B. <u>Trade arrangements</u></li> <li>a) <u>Imports: unrestricted</u> <ul style="list-style-type: none"> <li>- threshold price</li> <li>- levy (difference between threshold price and free-at-frontier price)</li> <li>- preferential arrangement for New Zealand</li> <li>- licences</li> </ul> </li> <li>b) <u>Exports :</u> <ul style="list-style-type: none"> <li>- refunds</li> <li>- licences</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Aids to liquid skimmed milk consumed on the farm</li> <li>- Aids to skimmed-milk powder for animal feed</li> <li>- Aids to liquid skimmed milk for the manufacture of casein</li> <li>- Aids to butter for processors (pastry and ice-cream)</li> <li>- Aids to butter used by armed forces and welfare institutions</li> <li>- Aid for direct consumption of butter</li> <li>- Aid for school milk</li> </ul>

BEEF/VEAL

Prices	Intervention	Marketing	Aids
<ul style="list-style-type: none"> <li>- Guide price for adult cattle, liveweight</li> <li>- Intervention price</li> <li>- Quotation for live adult cattle - average market prices - by Member States</li> </ul>	<ul style="list-style-type: none"> <li>- Intervention               <ul style="list-style-type: none"> <li>• private storage aids</li> <li>• buying in by intervention agencies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A. <u>Internal arrangements</u> : unrestricted</li> <li>Beef carcase classification</li> <li>B. <u>Trade arrangements</u> :               <ul style="list-style-type: none"> <li>a) Imports: unrestricted</li> </ul> </li> <li>- <u>normal arrangements</u> :               <ul style="list-style-type: none"> <li>• free-at-frontier offer price</li> <li>• ad valorem customs duties</li> <li>• levy</li> <li>• licences</li> </ul> </li> <li>- <u>special arrangements</u> <ul style="list-style-type: none"> <li>1. <u>Special schemes</u> <ul style="list-style-type: none"> <li>• Specific levy</li> <li>• Estimated supply balance of young cattle for fattening</li> <li>• Estimated supply balance of frozen meat for processing</li> <li>• ACP countries</li> <li>• Yugoslavia</li> </ul> </li> <li>2. <u>GATT agreements</u> <ul style="list-style-type: none"> <li>• Annual tariff quotas</li> <li>• Binding of certain customs duties</li> </ul> </li> </ul> </li> <li>b) Exports :               <ul style="list-style-type: none"> <li>- Refund</li> <li>- Licences</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Variable premium in the United Kingdom</li> <li>- Calf premium in Italy</li> <li>- Suckler cow premium</li> </ul>

SHEEP-, GOATMEAT

Prices	Intervention	Marketing	Aids
<ul style="list-style-type: none"> <li>- Seasonally-adjusted basic price (in fact, weekly)</li> <li>- Reference price by region (used to calculate the premium for producers)</li> <li>- Intervention price (85 % of the seasonally-adjusted basic price)</li> </ul>	<p>Possible intervention</p> <ul style="list-style-type: none"> <li>- when the market price is below 90 % of the seasonally-adjusted basic price               <ul style="list-style-type: none"> <li>• private storage aids</li> </ul> </li> <li>- when the market price is below 85 % :               <ul style="list-style-type: none"> <li>• buying in by the intervention agencies for fresh sheepmeat (only in the regions in which the variable slaughter premium is not paid)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A. <u>Internal arrangements</u> :               <ul style="list-style-type: none"> <li>unrestricted</li> </ul> </li> <li>B. <u>Trade arrangements</u> :               <ul style="list-style-type: none"> <li>a) Imports                   <ul style="list-style-type: none"> <li>- voluntary restraint agreements</li> <li>- levy (equal to the difference between the basic price and the free-at-frontier offer price) limited, where appropriate, to the amount resulting from voluntary restraint agreements</li> <li>- licences</li> </ul> </li> <li>b) Exports :                   <ul style="list-style-type: none"> <li>- refunds in principle are possible</li> <li>- licences</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- <u>Premiums</u> <ul style="list-style-type: none"> <li>a) premium for producers payable by ewe</li> <li>b) variable slaughter premium</li> </ul> </li> </ul>



PIGMEAT

Prices	Intervention	Marketing	Aids
<p>- Basic price of slaughtered animal (taking account of :</p> <ul style="list-style-type: none"> <li>• sluicagate price and levy</li> <li>• need to stabilize prices)</li> </ul> <p>used to activate intervention</p> <p>- Purchase price of slaughtered animal in case of intervention, between 92 and 78 % of basic price</p>	<p>- Possible intervention when market price is less than 103% of basic price</p> <ul style="list-style-type: none"> <li>• private storage aids</li> <li>• intervention agency buying in</li> </ul>	<p>A. <u>Internal arrangements</u> : unrestricted</p> <p>Community carcase classification</p> <p>B. <u>Trade</u> :</p> <p>a) Imports : unrestricted</p> <ul style="list-style-type: none"> <li>• <u>sluicagate price</u> (calculated from world prices for feed grain)</li> <li>• <u>levy</u> (calculated on the basis of the difference between world market prices and Community prices for feed grain)</li> <li>• as appropriate, <u>additional amount</u> matching difference between sluicagate price and offer price</li> </ul> <p>b) Exports :</p> <ul style="list-style-type: none"> <li>• refunds for certain products</li> </ul>	

EGGS AND POULTRY

Prices	Intervention	Marketing	Aids
		<p>A. <u>Internal arrangements</u> :</p> <p>unrestricted</p> <ul style="list-style-type: none"> <li>- EEC quality standards for eggs</li> <li>- Common standards for water content of frozen and deep-frozen cocks, hens and chickens</li> </ul> <p>B. <u>Trade</u></p> <p>a) Imports : unrestricted</p> <ul style="list-style-type: none"> <li>- <u>sluicgate price</u> (calculated from world prices for feed grain)</li> <li>- <u>levy</u> (calculated on the basis of the difference between world market prices and Community prices for feed grain)</li> <li>- as appropriate, <u>additional amount</u> matching difference between sluicgate price and offer price</li> </ul> <p>b) Exports :</p> <ul style="list-style-type: none"> <li>- refunds for certain products</li> </ul>	

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<u>No.</u>		<u>Language :</u>
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166	Milk : problem child of european agriculture	DA, DE, EN, FR, IT, NL
167	EEC agriculture : the world dimension	DA, DE, EN, FR, IT, NL
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169	European agriculture into the nineteen-eighties	DA, DE, EN, FR, IT, NL
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ISSN 0250-5886