

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

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THE SITUATION IN THE BEEF AND
VEAL SECTOR

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SITUATION IN THE BEEF AND VEAL SECTOR

I. INTRODUCTION

During the last months of 1973 and throughout the first half of 1974 numerous difficulties arose on the beef and veal market.

The scarcity and high prices of the previous marketing years during which the Community guide price was exceeded by about 20%, have been followed by a period of abundance and prices averaging about 12% lower than the guide price.

These difficulties were felt all the more keenly by producers since they occurred during the period in which the Council of Ministers, by its Decisions of 1 May 1973 and 23 March 1974 raising by 10.5% and then 12% of the level of the guide price for adult bovine animals, had clearly stated its desire to grant for this product much greater price increases than those allowed for other foodstuffs.

This state of affairs is mainly the result of a sudden reversal of the market situation in which a substantial increase in production confronted a stagnant, or indeed slightly decreasing, Community demand.

To counteract these difficulties the Community authorities have taken a whole series of measures which should bring about a steady improvement in the situation.

II. THE SITUATION ON THE EUROPEAN BEEF AND VEAL MARKET

The following tables and particularly Table No 1 summarize developments on the Community market.

The chief feature is the very low level of self-sufficiency (87%) shown for 1972 and 1973. This large deficit was felt at the time of the enlargement of the Community and resulted in a considerable increase in the market price, accentuated by the fact that the world market was in a similar situation at the same time. In an endeavour to curb the increase in price and to ensure Community supplies the Council of Ministers decided in December 1972 to abolish the system of import duties and compensatory amounts applied in the beef and veal sector (scarcity clause).

Table No 1: EVOLUTION OF PRODUCTION AND CONSUMPTION IN THE COMMUNITY OF "SIX" FROM 1960 TO 1970 AND THE COMMUNITY OF "NINE" FROM 1970 TO 1974

Year	Headage (000)	production	consumption	degree of self- sufficiency (%)
1960 *	48 126	3 326	3 548	93
1965 *	49 944	3 553	4 166	85
1966 *	51 027	3 904	4 483	87
1967 *	51 711	3 984	4 506	88
1968 *	52 251	4 169	4 622	90
1969 *	52 400	4 133	4 734	87
1970 **	72 692	5 784	6 265	92
1971 **	72 338	5 842	6 211	94
1972 **	74 360	5 349	6 093	87
1973 ** (estimate)	79 209	5 383	6 149	87
1974 ** (estimate)	-	6 150	6 200	99

* Community of "Six".

** Community of "Nine".

This measure, which was extended on 1 May 1973, was suspended on 3 September 1973 following the recovery of production.

Since then the situation has changed basically: the considerable increase in production (about 14%) and the standstill in consumption support the assumption that for the first time the European Community will be practically self-sufficient in beef and veal in 1974. The reversal of the market situation led the Community authorities to curb imports by applying various measures from the beginning of 1974:

introduction of a system of import licences for all types of meat

decrease in the period of validity of licences

suspension of special import arrangements

temporary suspension of the issue of import licences.

Lastly it was decided that the issue of licences should be totally suspended from 16 July to 31 December 1974 except for GATT quotas.

Table No 2 shows Community imports and exports, while Table No 3 shows import licences issued for 1974.

Table No 2: EEC EXTERNAL TRADE BALANCE IN BEEF AND VEAL

Thousands of tons including Fat			
Year	Imports	Exports	Balance
Community of "Six"			
1965	620	17	603
1966	568	12	556
1967	595	15	580
1968	499	35	464
1969	613	40	573
Community of "Nine"			
1970	595	67	528
1971	582	68	514
1972	943	58	825
1973 (estimate)	936	50	886

TABLE NO 3: LICENCES ISSUED

	BELGIUM	DENMARK	GERMANY	FRANCE	IRELAND	ITALY	LUXEMBOURG	NETHERLANDS	UNITED KINGDOM	EEC
A. For frozen meat										
January-March	3.447.6	31.2	9 154.4	4 761.7	-	23 748.4	-	4 077.8	18 207.3	63 428.4
April	1 222.6	2.0	12 293.3	2 258.9	-	2 485.8	-	2 198.9	4 182.2	24 643.7
May	543.0	-	2 084.1	1 539.2	-	288.9	-	1 107.4	11 730.3	17 342.9
June	308.6	6.5	1 560.1	1 240.0	-	-	-	458.4	2 713.4	6 286.7
Total	5 521.8	39.7	25 091.9	9 799.8	-	26 523.1	-	7 842.5	36 882.9	111 701.7
B. For live animals and fresh, chilled, dried or smoked meat										
February-March ¹	148.3	-	7 414.1	8.2	-	29 041.5	-	65.9	7 976.2	44 654.2
April	21.8	-	771.9	84.5	-	15 682.8	-	-	4 551.8	21 112.8
May	99.3	-	1 493.7	510.1	-	11 196.6	30.0	264.1	4 288.3	17 882.6 ²
June	369.7	1.3	2 041.8	728.1	-	18 018.0	-	220.4	5 623.4	27 002.7
Total	639.1	1.3	11 721.5	1 330.9	-	73 938.9	-	550.4	22 440.2	110 652.3

¹Licences were introduced from 22 February 1974

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III. INTERVENTION MEASURES

In the face of the steady fall in prices resulting from the market situation, the aid measures provided for by Community Regulations have been progressively applied.

It should, however, be noted that the introduction on 20 December 1972 of a standing intervention system, enabling farmers to receive at any time, for qualities of meat eligible for intervention, a price corresponding to 93% of the intervention price, appears to have had only a limited effect, since Member States have encountered numerous technical difficulties with regard to intervention on the meat market. However, since December 1973 the drop in quotations for beef and veal have led to intervention buying in Germany.

This buying-in gradually spread to the whole of the EEC, but because of the difficulties encountered: the insufficiency of deep-freeze tunnels and processing premises and the inadequacy of facilities in certain production regions, and despite supplementary decisions designed to facilitate intervention, such as payment of transport and associated costs for meat which cannot be stored in the production region, the buying in or meat by public bodies has not succeeded in maintaining market prices at the intervention price. It should also be noted that in order to ease storage difficulties it is now possible for meat taken over by the intervention agencies to be processed¹.

Table No 4: BUYING-IN OF BEEF AND VEAL BY PUBLIC BODIES

Country	Figures available up to	Bought	Sold
Belgium	15/6	1 316	-
Denmark	5/8	8 487	(63)
Germany	30/6	45 448	9 386
France	31/7	69 597	23 754
Ireland	15/7	22 548	508
Italy	-	(2 000)	-
Luxembourg	-	-	-
Netherlands	2/8	4 604	-
United Kingdom	-	175	175
Total		154 175	

¹ Commission Regulation No 1295/74 extended by Commission Regulation 2059/74 of 2 August 1974.

IV. MEASURES TO RELIEVE THE MARKET AND ENABLE STOCKS TO BE RUN DOWN

Excessive stocks thus now exist at Community level and this situation is likely to persist since intervention buying is continuing and a difficult period is to be feared when animals come off grass.

The market can only be relieved by:

- sales outside the Community
- an upswing in internal consumption.

Unlike previous marketing years when the deficit situation in the Community required exports to be kept at a low level and called for only very limited refunds, sales outside the Community have had to be stimulated and for this purpose the amount of the refunds was considerably increased to correspond with the difference between world markets and Community prices.

This should result in increased opportunities for export which, combined with the gifts that the Common Market can make through the world food aid programme, would take off about 50 000 tons or even more.

At the same time, the Council, in its Decisions of July 1974, allowed Member States to grant national aid to certain categories of consumers to reduce the purchase price of beef and veal; 50% of the cost of this operation will be financed from the Community budget¹.

Social service institutions may also be allowed to obtain meat held by the intervention agencies at special prices².

Intervention stocks have also been on sale at pre-set prices since April.

In addition, the Council of Ministers at its meeting on 16 July decided on a Community aid measure of 3 000 000 u.a. for national advertising and publicity campaigns for meat consumption. This aid will be granted in the light of national programmes and up to a total of 50% of their cost. It will be shared between Member States on a population basis³.

¹Council Regulation No 1856/74 of 16 July 1974.

²Regulation No 2035/74/EEC of 31 July 1974 and Regulation No 2036/74.

³Council Regulation No 1857/74 of 16 July 1974.

Lastly, still with the aim of relieving the market but also bearing in mind farmers' incomes, the Council adopted a Regulation for the orderly marketing of adult bovine animals¹.

This takes the form of a premium which Member States may grant for the slaughtering of adult bovine animals, other than cows, the amount of which will increase gradually from August 1974 to February 1975.

Member States have a certain latitude in reserving this premium for various categories of adult bovine animals, but they can only do so where they are satisfied that the meat thus produced cannot be bought in by intervention agencies.

The gradual increase in the amount of the premium should encourage farmers to phase their market offerings over the winter of 1974/75. Of course, the phasing can only be partial. However, the measure should help to get over the difficult period when animals come off grass.

The effect of the premium on farm income should not be overlooked. It is expressly stated that the benefit of this aid measure should go directly to the farmer and that it should offer an alternative to an intervention system which is not always implemented by national bodies.

V. CONCLUSIONS

Is it possible to foresee for the immediate future an improvement in this situation and what are the prospects for the market in beef and veal?

It is probable that the measures taken to relieve the market (import freeze, exports, special sales) and to support prices (interventions and premiums) will gradually bring about a slight increase in market prices and an improvement in the production situation.

However, taking into account the forecast for 1974, this improvement in the situation can only be very gradual and it will no doubt be necessary to look to the second half of 1975 for a recovery in the market price.

¹Council Regulation No 1967/74 of 23 July 1974.

At the same time, it will probably be very difficult for the European Community to continue the protective clause much longer. The effects of this will be heavily felt in the agricultural economy of countries which traditionally export meat and the EEC, as the premier world trading power, must bear this in mind.

It will also be necessary, between now and the end of the year, for the Council of Ministers to deal again with the question of marketing premiums and the ways in which production can be steered so as to meet Community requirements, since the 1974 crisis is liable to have serious repercussions on the future of stock breeding.
