



*European Communities
Commission
Background Note*

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DECISIONS OF THE AGRICULTURAL MINISTERS FOR 1976/77

The general increase in agricultural prices agreed at the ministers' meeting of March 2-6 averages about 7½ per cent, but varies between the member countries because of changes in the exchange rates used in agriculture and the effect of the fourth of the six transitional steps to be taken by the United Kingdom and Ireland. The increase in support prices thus amounts to about 10 per cent in Ireland and 15 per cent in Britain - an estimated 2 per cent on the British cost of living.

Butter and cheese are the commodities for which the consumer is likely to feel most effect of the new c.a.p. price levels. The increase in prices agreed by the Council is expected to amount to 7-8p a lb on butter and about 4p a lb on cheese at wholesale level. Actual retail prices will be affected by the level of consumer subsidies which are currently 10½p a lb on butter and 7p a lb on cheese. About 2p of the butter subsidy is paid from the Community budget. New arrangements take effect from May 1 (see below). Retail milk prices are not affected by EEC decisions.

There are still ample beef supplies in the Community, but prices are now recovering from the depressed levels of 1974 and 1975. Although some beef is now being sold into intervention agencies in the UK, prices are expected to become firmer as the year progresses. Direct premiums will continue to be paid to beef producers, minimising the impact of support buying on British beef prices.

Retail sugar prices should not be affected by the Council decisions. The floor prices for grain will rise, largely because of the transitional step to be taken by Britain at the beginning of August.

Milk products

The Council of Ministers fixed support prices for milk products at a higher level than the Commission had proposed, with an increase of 4.5 per cent in the target price for milk as from March 15 1976 and a further increase of 3 per cent as from September 16. This increase in the target price raises the level of protection against imports and also the level of intervention prices for butter and skimmed milk powder. Although the skim powder intervention price will rise only 3 per cent during the year compared with 6 per cent for butter. The UK dairy farmer's guaranteed price will average 43p per gallon.

Skim powder: The Community's surplus of skim powder, now amounting to about 1.2m tonnes, is to be tackled:

- by incorporation of skim powder in animal feed 'as an exceptional measure'. This obliges feedingstuffs compounders to lodge a deposit on imported or home-produced proteins which they use, the deposits to be refunded when an equivalent quantity of skim powder has been bought from intervention. This scheme, which will operate on a Community basis from April 1, is to use 400 000 tonnes of powder. To avoid too much disruption to trade, a storage subsidy will be payable on 250 000 tonnes of protein. Commission member P.J. Lardinois has emphasised that this scheme is a once-for-all measure which cannot be repeated.
- by increasing the food aid commitment for skim powder from the current level of 55 000 tonnes to 200 000 tonnes.
- the Commission intends to increase the subsidy on liquid skim for feeding to animals and powder for livestock feeding, with a 60-65 per cent minimum incorporation rate in feed for calves.

Butter: The present subsidy arrangements run until April 30 1976. As from May 1 the maximum subsidy payable will be 50ua/100kg (£285 per tonne or 13p per lb). If the full rate is paid by a member government, the EEC budget will refund about one-third of the cost, but for lower subsidy rates the FEOGA contribution rapidly drops. Any subsidy below 35ua/100kg would only attract 5ua Community aid. Only butter originating in the Community will be eligible for aid.

Sales of cut-price 'social butter' to certain groups of consumers are to be looked at again by the Commission.

Milk: The Council has agreed that member countries can opt for either 'standardised milk' of 3.5 per cent butterfat - which involves adding or removing fat - or 'non-standardised milk' which is offered to the consumer at the same quality as it left the cow. Milk in Britain is not standardised, although subject to a 3 per cent minimum fat content, so the Council decision implies no changes for the British consumer (milk in Britain averages about 3.7 per cent).

As for trade in milk between member states, the Council agreed 'without prejudice to requirements for the protection of public health' that a country opting for non-standardised rules should permit production at home of standardised milk for export and should allow imports of standardised milk from other member states provided the milk meets a minimum fat standard laid down by the Council.

This agreement on milk was on the understanding that there will be Community rules on quality and health standards for drinking milk by April 1 1977.

School milk: There is to be a scheme for providing EEC help for school milk programmes.

Reform measures: Although the Council was unable to agree any immediate steps for tackling the long-term production problems of the milk sector, it did undertake to introduce measures applicable from next year:

- it will take a decision before July 31 on implementing a non-marketing premium which would encourage farmers to shift from milk to beef production
- it asked the Commission to submit proposals on 'co-responsibility', whereby producers would make some contribution in times of milk surplus. The Council will decide on these measures by September 1 1976 for application in the 1977/78 marketing year. The Commission plans to submit proposals by the summer

Beef and veal

Prices: The guide prices for beef and veal rise by 8 per cent, with more in Britain and Ireland because of the transitional step. Intervention prices are pitched at 90 per cent of the guide price (instead of 93 per cent as they were before). Changes are also made in the intervention arrangements, so that if the market price in a member state or region of a member state is 95 per cent or more of the guide price for a certain period (say two weeks) then intervention buying in that region or country may be partially or totally suspended. This should discourage producers from relying too much on the intervention system.

Direct premiums: A direct premium payable on the slaughter of beef cattle was agreed for application by any member country. As from September 1 1976, 25 per cent of the cost of this premium will be met by the Community budget. This replaces the mixed system of fixed and variable premiums which has applied since 1974.

Maximum rate for the new premium is 45ua per head (£25.63). Premium plus average market price should not exceed 85 per cent of guide price on average or 88 per cent at any one time. The intervention price is reduced by the premium payable and carcasses which would be certifiable for premium will not necessarily meet intervention standards. A calf premium of 28ua will be payable in Italy for a further year.

The Commission is to submit a report before November 1 1976 on the respective merits of the intervention and slaughter premium arrangements, including possible proposals for the future.

The UK government is taking advantage of the slaughter premium arrangements. Subject to the limits agreed in the Council, it will seek to maintain beef target prices at an average of £26.60 per live cwt over the year. MAFF has now published monthly target prices, ranging from £25 per live cwt in the autumn to £28 by mid-February next year. In order to calculate the intervention prices which will underpin market prices, the weekly premium has to be subtracted from the target price for the week.

Cereals

The main elements of the Council decision were:

- a generally higher increase in the level of protection against non-member countries than in the level of internal support buying

- a further simplification of the wheat support system
- a step to removing the preferential level of support which feed wheat has enjoyed over coarse grains like barley and maize

Prices: The Council agreed increases in the target prices for wheat and maize (up 9 per cent) and barley (up $8\frac{1}{2}$ per cent) which will accordingly raise threshold prices against imports. For wheat the new single intervention price for wheat (of 131ua per tonne) represents an increase of about $7\frac{1}{2}$ per cent in the main French production areas. For wheat which is not of good enough quality for bread-making, the intervention agencies will deduct 15ua (£8.54 per tonne), bringing the price down to 116ua. This is the new barley intervention price (up by $4\frac{1}{2}$ per cent) and compares with the new 112.20ua intervention price for maize (up $8\frac{1}{2}$ per cent).

Support system: The system of derived intervention prices, whereby regional support prices were calculated on the basis of a Duisburg price less transport costs, will no longer apply to cereals. Each type of grain will have a single intervention price (subject to transitional arrangements) throughout the Community and the market itself will determine regional differences in market prices. Wheat was the last cereal subject to regionalised prices.

Wheat: Introduction of a so-called 'drawback' or price reduction on poorer quality wheats is the first step towards putting feed wheat on an equivalent price basis to other grains. As from August 1 1977, the Community will adopt the Commission proposals whereby all wheat is subject to an intervention price related to that of barley, with special arrangements to provide a premium for high quality wheat.

This change is needed because high-yielding, lower quality wheats are becoming popular with cereal growers throughout the Community and have to be used largely for animal feed - as wheat traditionally has been in Britain. Providing price support at a higher level than other grains has in the past necessitated measures such as the denaturing subsidy to make feed wheat competitive with other feedingstuffs.

Work is now under way to establish the most effective and least costly test to distinguish wheat of bread-making quality from poorer wheats.

Sugar

All support prices for home-produced sugar beet and sugar are to be increased by 8 per cent, but the Council has decided to reintroduce a levy on sugar processors for sugar which they produce over and above their basic 'A' quotas. This so-called 'B' quota sugar will in effect be supported at only 70 per cent of the full EEC price (for 1975/76 no levy was imposed). The 'B' quota amounts to 35 per cent of the 'A' quota. Any sugar production exceeding these quotas has to be sold outside the Community without the benefit of Community price support.

For UK producers the basic quota is 1 040 000 tonnes of white sugar and the 'B' quota 364 000 tonnes.

Pigmeat

The basic price for pig carcasses is increased by 8 per cent from March 15 1976, so the season is brought forward by about seven months.

Wine

Immediate action: The French tax on Italian wine imports is to be abolished by April 1 1976. The market is to be cleared of current surpluses by a special distillation operation.

Medium term: Various measures are to be introduced to improve wine quality and to adopt wine-growing potential more to market requirements:

- adoption of temporary and selective regulations to limit wine-growing potential
- agreement that there should be a conversion premium
- changes in the intervention arrangements
- increasing minimum alcohol content of certain wines

The Council agreed that for British and Irish wines the reference price system for must and grape juice should not be applied before January 1 1978, although the new member states should align with the Community tariff before July 1 1976. The Commission is to put forward proposals before 1978, 'bearing in mind that the industry concerned must be safeguarded'.

France is authorised to grant national aid for up to three years to certain full-time growers for wines meeting certain yield and variety criteria.

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COMMODITY	PRICES FOR 1976/77 (a)		
	ua per tonne	£ per tonne	£ per ton
<u>CEREALS</u>			
<u>COMMON WHEAT</u>			
Target	152.00	86.58	87.97
Intervention for breadmaking wheat (b)	131.00	74.62	75.82
<u>BARLEY</u>			
Target	137.80	78.49	79.75
Single intervention	116.00	66.07	67.13
<u>RYE</u>			
Target	149.15	84.96	86.32
Single intervention	124.00	70.63	71.76
<u>MAIZE</u>			
Target	137.80	78.49	79.75
Single intervention	112.20	63.91	64.94
<u>DURUM WHEAT</u>			
Target	218.80	124.63	126.63
Single intervention	202.00	115.06	116.91
<u>SUGAR (c)(July 1 '76 - June 30 '77)</u>			
Minimum for quota A beet	24.57	14.00	14.22
Minimum for quota B beet	17.20	9.80	9.95
Target for white sugar	348.70	198.62	201.81
Intervention for white sugar	331.40	188.77	191.80
<u>OILSEEDS</u>			
Target: Colza and Rape	275.70	157.04	159.56
Soya beans	284.56	162.09	164.69
Intervention: Colza and Rape	267.70	152.48	154.93
<u>DEHYDRATED FODDER</u>			
Standard aid	9.00	5.13	5.21
<u>LINSEED</u>			
Guide	290.0	165.19	167.84
<u>MILK</u>			
Target price from 15.3.76	162.9	9.56p/litre	43.44p/gall
from 16.9.76	167.6	9.83p/litre	44.69p/gall
Intervention for:			
(d) butter from 15.3.76	2180.8	1242.20	1262.13
(d) butter from 16.9.76	2238.0	1274.78	1295.23
skim powder from 15.3.76	901.6	513.56	521.80
skim powder from 16.9.76	913.7	520.45	528.80
<u>BEEF AND VEAL (15.3.76-3.4.77)</u>			
Guide adult cattle (e)	1187.40	67.63	34.36
Guide calves (e)	1390.40	79.20	40.23
<u>PIGMEAT (15.3.76-31.10.77)</u>			
Basic	1144.80	100/kg 65.21	score 5.92

(a) Calculated at the representative rate of £1 - 1.7556ua.

(b) For feed wheat in 1976/77 there is to be a drawback of 15ua/tonne (£8.68/ton).

(c) The UK intervention price for white sugar is 341.4ua/tonne (£197.58/ton) and the UK minimum price for quota A beet is 25.87ua/tonne (£14.97/ton).

(d) UK intervention price for butter from 15.3.76 is 1723.6ua/tonne (£997.53/ton) and from 16.9.76 1766.2ua/tonne (£1022.18/ton).

(e) The UK guide price has been set at 1098.10ua/tonne (£31.78/live cwt.) for adult cattle and 1285.70ua/tonne (£37.20/live cwt.) for calves.