European Communities Commission Press Release

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NEW PLANS FOR THE BEEF MARKET

Direct Payments to Producers in New Commission Proposals

The European Commission has today proposed a new system of support in the beef sector, which should allow consumers in all Member States to enjoy lower retail prices when there is an abundance of beef, so boosting consumption and reducing the amount of support buying and the accumulation of big beef stocks throughout the Community.

The proposed changes to the market organisation would combine support buying with direct premiums to producers, on similar lines to the system temporarily operating in the United Kingdom.

Intervention buying, pitched at a relatively low level, would put a floor in the market, while producer income would be maintained by direct payments if the market price fell below a certain level.

The Commission's proposals are based on a report which it has just sent to the Council of Ministers on the workings of the beef market organisation. This report has examined the operation of direct premiums in comparison with reliance simply on intervention buying as the basis of market support.

The report shows that the situation on the beef market has improved substantially in the last two years. The cost of market support has fallen from 1,300m units of account in 1975 to 520m this year and the level of output has dropped from 6.6m tonnes in 1975 to an expected 6.15m in 1977. The new proposals would further improve matters, in the Commission's view.

Outline of the proposals

When there are surpluses, the changes suggested by the Commission would help to avoid the accumulation of over-large stocks while offering consumers lower prices which would help to boost consumption. Stable producer returns would be guaranteed by various measures - import levies, aid for private stocks, variable premiums paid direct to producers and intervention buying.

When beef is short, the import levies and customs duties would progressively diminish. Slaughter premiums would be used to increase marketings and reduce prices to the benefit of consumers. The various measures would be implemented according to the state of market prices relative to the target price, which is fixed each year by the Council of Ministers.

Permanent intervention

The Commission believes that permanent intervention is an adequate and effective system for stabilising market prices for beef because it includes measures for building up stocks in times of surplus and marketing them again when supplies run short. It is the only system which can prevent a collapse of prices and can thus protect producer returns, on a permanent basis, avoiding a loss of confidence among producers which would lead to a cut in beef production and a switch into milk.

Intervention does pose problems, however, such as the limitation on storage space for beef, the reduction in quality of intervention beef and the fact that consumption is not stimulated when there is a surplus. The Commission therefore believes that the intervention system can be made more flexible without damaging its positive aspects. It proposes that it should be fixed at a level below the current 90 per cent of the target price, with producer returns guaranteed by direct premiums.

Premiums

Direct premiums to producers have applied in different ways in various Member States since 1973. They have the advantage of assuring reasonable returns to producers, of ironing out price fluctuations, of encouraging producers to go into beef rather than milk production and of stimulating consumption in times of surplus.

Under the Commission's proposals, a variable premium would be payable when the Community's market price fell below 90 per cent of the target price. It would cover the difference between the trigger price and the Community market price, but would not be more than 10 per cent of the target price.

The variable premium would only work in times of surplus and the Commission envisages the use of slaughter premiums when the producation cycle leads to a shortage and market prices rising above the target price. These premiums would increase supplies coming to the market and would stabilise or boost consumption.

Private storage aid

The Commission proposes greater use of this instrument when market prices fall to 93 per cent of the target price. Private storage aid helps to steady the market while keeping intervention at a minimum.

Levies and customs duties

Import levies already vary according to the state of the Community's beef market. Under the new proposals, customs duties could be reduced when market prices are more than 106 per cent of the target price.

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