european community
BACKGROUND INFORMATION
EUROPEAN COMMUNITY INFORMATION SERVICE
2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350
New York Office: 277 Park Avenue, New York NY 10017 Telephone (212) 371-3804

March 12, 1976

AGRICULTURAL BACKGROUND NOTE

No. 3/1976

EUROPEAN COMMUNITY NEEDS VEGETABLE PROTEIN STOCKPILE, LARDINOIS TELLS EUROPEAN PARLIAMENT

The European Community needs a three-to-four week vegetable protein stockpile for commercial reasons. "It's no luxury," EC Commissioner for agriculture Petrus J. Lardinois told the European Parliament yesterday.

He was in Strasbourg, France, explaining to the Parliament farm policy decisions reached by the EC Council of Ministers during a four-day meeting in Brussels. The Council meeting ended at three on Saturday morning on March 6.

As a result of the Council's decisions, EC animal feed producers will incorporate 400,000 tons of surplus powdered skim milk in their feeds.

To insure compliance, import deposits on imported vegetable proteins will be collected starting March 16 and on Community-produced vegetable proteins starting April 1. These deposits, to be collected until October 30, will be refunded when the importer shows that he has incorporated powdered skim milk in his feedstuffs. The size of the deposit has not yet been decided upon. This arrangement is strictly temporary to reduce the Community's large powdered skim milk surplus.

The Community chose this solution to its milk surplus as being the least of possible evils. It had to get rid of its 400,000 ton powdered skim milk surplus but could not sell it on the world market without damaging traditional dairy exporters such as New Zealand, Australia, and Canada.

Concomitantly, a private stockpile will be built of 250,000 tons of both domestic and imported vegetable proteins, mainly soybeans. A subsidy will be paid for the storage of vegetable proteins starting May 1.

The vegetable protein stockpile, as Lardinois stressed to the Parliament, is in the interest of Community users as well as of vegetable protein exporters. The stockpile decision is an administrative measure which does not affect the duty level (zero tariff), which imposes no quantitative restrictions, and which should let imports continue to grow.

Price Changes for Major Commodities

Price changes for the major commodities were as follows:

• *Beef*. The target price* was raised by 8 per cent to UA** 1,187.40 per head on the hoof

• *Veal*. The target price was raised by 8 per cent to UA 1,390.40 per head on the hoof.

• *Milk*. The target price was raised 4.5 per cent to UA 162.90 per ton, starting March 15. On September 16, the price will increase by an additional 3 per cent to UA 162.90 per ton.

No target price has been set for powdered milk. The intervention price will calculated in relation to the new liquid milk prices, less 2 per cent for the period between March 15 and September 16 and will be reduced by an additional 1 per cent for the rest of the year. In other words, price increases for powdered skim milk are below those for liquid milk. In addition, the Commission has been asked for proposals whereby producers would pick up part of the tab for financing any new surpluses.

• *Wheat*. The target price of common wheat was set at UA 152 per ton and the intervention price*** at UA 131 per ton. The target price of durum wheat was set at UA 218.80 per ton and the intervention price at UA 202 per ton, increases of 5.5 per cent and 6 per cent, respectively. This is the first time wheat prices have been differentiated according to quality.

• *Corn*. The target price will rise 9 per cent to UA 137.8 per ton and the intervention price by 8.5 per cent to UA 112.20 per ton.

Overall agricultural price changes will amount to an average increase of 7.5 per cent. Average price increases vary with the country because of monetary fluctuations because of the relative importance of each agricultural commodity in each country. The accompanying monetary action consists of adjustment of "compensatory amounts" collected to keep prices relative despite variations in the foreign exchange values of members' currencies. For the same reason, the German mark and the Benelux currencies were revalued in relation to the unit of account, and the Italian lire devalued.

End to French-Italian Wine War?

France agreed to end by April 1 a 12 per cent tax it had put on cheap Italian table wines which were flooding the French market, leading to riots in the South of France. In exchange, France received permission to give national aid to its wine industry: 1 franc per degree of alcohol and per hectoliter for three years. In addition, four million hectoliters of wine will be distilled to reduce the Italian wine surplus. The wine for distillation will be sold at UA 1.40 per degree of alcohol and per hectoliter. In addition, several measures were decided upon to improve the quality of European viticulture.

---

* normal price
** One unit of account (UA) equals $1.20635.
*** price at which the authorities will buy in to raise prices