

Newsletter on the Common Agricultural Policy

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Slaughter cattle and beef in EEC trade

At its session in the first week of February, the EEC Council of Ministers again turned to the future organization of the markets in beef and veal and in dairy products.

This issue of the Newsletter shows the order of magnitude of these two groups of products in the EEC's trade and what proportion of world trade the EEC accounts for.

There are fundamental differences between trade in live cattle and trade in beef. It is therefore best to deal with each individually, and it must be remembered that the new market organization covers slaughter cattle but not cattle for breeding and other purposes. Special points also arise in relation to offals and prepared or preserved meat.

A. Cattle for slaughter

1. The EEC in world trade

	<u>Live cattle</u> (millions of \$)				
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
(a) World exports	465	432	457	506	-
(b) EEC imports from non-member countries, including associated overseas countries	112	123	136	128	124
(c) EEC exports to non-member countries, including associated overseas countries	<u>7.5</u>	<u>8.9</u>	<u>14</u>	<u>13.5</u>	<u>9.2</u>
(d) Net EEC imports	104.5	114.1	122	114.5	114.8
(e) Net EEC imports as a percentage of world exports	22.4%	26.4%	26.6%	22.6%	-

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The EEC takes about a quarter of world exports. It thus occupies an important position as a net importer of live cattle.

2. Regional breakdown

(a) Value (in thousands of \$) of EEC imports from major suppliers

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Total imports	112 303	123 433	136 096	128 240	124 441
Western Europe:	89 694	95 353	96 541	100 877	90 722
Austria	18 858	19 453	20 591	20 490	23 209
UK	7 380	3 040	2 518	5 055	3 732
Denmark	54 977	62 952	63 507	65 302	57 051
Ireland	5 970	5 621	5 451	7 082	3 754
State-trading countries:	22 213	27 928	39 469	27 335	33 537
Hungary	15 971	18 376	22 907	15 114	17 057
Poland	-	200	3 603	2 297	4 958
Yugoslavia	6 157	9 316	10 878	9 231	11 243
Other countries	400	148	107	17	94

(b) Imports from major suppliers as a percentage of total imports

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Western Europe:	79.9%	77.3%	70.9%	78.7%	72.9%
Denmark	48.9%	51%	46.3%	50.9%	45.8%
Austria	16.7%	15.7%	15.1%	15.9%	18.6%
State-trading countries:	19.8%	22.5%	29%	21.3%	26.9%
Hungary	14.1%	14.8%	16.8%	11.7%	13.7%

The EEC imports live cattle almost exclusively from European countries. Most of them come from Western Europe; the State-trading countries account for a relatively small proportion.

3. The instruments of the common organization of the market

Under the common organization, the application of quantitative restrictions on imports is prohibited. A levy on imports is provided for - the common external tariff of 16%, which the Member States have to introduce gradually by 31 December 1969. In principle, a supplementary levy will be imposed where the supply price free at

frontier, including customs duty, is below the guide price. The amount of levy depends on the difference between these two prices. However, the levy will not be charged when the actual market price of the importing Member State is more than 5% above the guide price. If it is only 5% above the guide price, half the levy will be charged. -3-

#### 4. Fulfilment of international obligations

The ban on quantitative restrictions on imports of live cattle takes GATT provisions into account. The levy on imports of live cattle for slaughter will not be bound under the GATT. The supplementary levy referred to above is thus in conformity with GATT rules.

Special arrangements have been made to accommodate the obligations of the German Federal Republic under its trade agreement with Denmark. If the implementation of the beef regulation results in a reduction of German imports of cattle from Denmark between 1 September and 30 November (when the cattle are brought in from pasture), the Federal Republic is authorized in 1964 and 1965 to take appropriate measures to guarantee imports of 16 000 head of cattle. But these measures must not be such that the price of the imported cattle is below the guide price.

Refunds on exports are provided for, so that exporters will be able to sell cattle at the world market price. This arrangement is in accordance with the GATT as long as the Community's exports do not exceed a fair share of world trade.

#### 5. Economic effects of the market organization on the Community's trading partners

The Community covers only 90% of its current live-cattle requirements from domestic production. According to scientific estimates, the Community's import requirements are likely to remain at least as high if the economy as a whole develops satisfactorily.

This has enabled the EEC to make liberal arrangements for cattle imports.

#### B. Beef (fresh, chilled or frozen)

##### 1. The EEC in world trade

	(millions of \$)				
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
(a) World exports	479	564	557	547	-
(b) EEC imports from non-member countries, including associated overseas countries	85.8	33.6	97.5	52.4	79.9
(c) EEC exports to non-member countries, including associated overseas countries	<u>15.1</u>	<u>18.5</u>	<u>23.9</u>	<u>34.3</u>	<u>52.2</u>
(d) Net EEC imports	70.7	65.1	73.6	18.1	27.7
(e) Net EEC imports as a percentage of world exports	14.7%	11.5%	13.2%	3.3%	-

The Community's gross imports are relatively constant. This is probably because the Community requires a steady flow of meat for processing, which is preferably covered by imports of cheap goods.

EEC exports have more than trebled in the last five years.

2. Regional breakdown

(a) Value (in thousands of \$) of EEC imports from major suppliers

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Total imports	85 891	83 672	97 576	52 415	79 998
Latin America:	38 725	43 293	35 954	38 407	44 316
Argentina	27 996	31 395	26 947	31 920	38 371
Uruguay	1 903	4 385	7 241	4 820	3 830
Western Europe:	41 917	35 158	52 417	9 962	31 813
Denmark	34 799	31 421	40 479	5 598	22 385
State-trading countries:	2 495	1 446	7 371	2 151	7 165
Yugoslavia	915	1 386	3 442	822	2 722
Australia and New Zealand	2 548	664	2 558	418	336

(b) Imports from major suppliers as a percentage of total imports

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Latin America:	45%	51.7%	36.8%	73.2%	55.3%
Argentina	32.5%	37.5%	27.6%	60.8%	47.9%
Western Europe:	48.8%	42%	53.7%	19%	39.7%
Denmark	40.5%	37.5%	41.4%	10.6%	27.9%
State-trading countries	1%	1.6%	3.5%	1.5%	3.4%

As these figures show, more than 55% of EEC imports currently come from Latin America. Almost 40% are from Western Europe. The position is thus similar to that noted for live cattle. These suppliers can assume that their beef exporting problems will be dealt with as part of the general regulation of economic relations.

Although Latin America's share of the Community's total imports is considerable, its exports to the EEC are less important in relation to its total exports. What remains important is the fact that the Community's Latin American suppliers are developing countries and the foreign exchange earnings of these exports are in any case of considerable economic significance.

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Trade statistics, it is true, do not distinguish between fresh or chilled beef and frozen meat. But a distinction must be made if the problems of international trade in beef are to be mastered. Imports from European countries are nearly always fresh and chilled meat, whereas those from South America are almost exclusively frozen meat.

3. The instruments of the common organization of the market

In the case of beef, too, quantitative restrictions are henceforth prohibited. The common external tariff, on which Member States must align during the transitional period, is 20%. As in the case of live cattle, provision is also made for a supplementary levy tied to the guide price for live cattle. However, this will not apply to a quota of 22 000 tons, bound under the GATT nor to other customs quotas for which the Council is entitled to fix of its own accord the amount and rate of duty by qualified majority decision.

4. Fulfilment of international obligations

Under the GATT the Community is obliged to import from GATT countries without quantitative restrictions and to apply a uniform levy on imports, with due regard to any bindings. The first of these obligations is met by the ban on quantitative restrictions on beef imports; the only binding in force is that of the above-mentioned customs quota of 22 000 tons of frozen meat.

5. Economic effects of the market organization on the Community's trading partners

As far as the Western European countries trading with the Community are concerned, it has already been pointed out that the Community's import requirements will remain steady.

As for the Community's Latin American suppliers, they too have an undeniable interest in continuing beef exports to the Community. However, it is no less evident that the new market organization takes considerable account of this interest by respecting the 22 000-ton frozen meat quota and by providing for further quotas as dictated by the requirements of the Community, which is in any case significant for these countries' export outlets. Furthermore, as in the case of live cattle, it may be hoped that conditions will be propitious for exports from Latin America if the current favourable economic climate continues.

C. Prepared and preserved meat, offals

(aa) Prepared and preserved meat

1. The EEC in world trade

	(thousands of \$)				
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
(a) World exports	447	458	428	440	-
(b) EEC imports from non-member countries, including associated overseas countries	30.1	33.6	29.8	31.6	31.1

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
(c) EEC exports to non-member countries, including associated overseas countries	<u>112.2</u>	<u>92.2</u>	<u>85.5</u>	<u>87.1</u>	<u>101.6</u>
(d) Net EEC exports	82.1	58.6	55.7	55.5	70.5
(e) Net EEC exports as a percentage of world exports	18.3%	12.7%	13%	12.6%	-

The EEC occupies an important position as a net exporter of these products on the world market.

2. Regional breakdown

(a) Value (in thousands of \$) of EEC imports from major suppliers

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Total imports	30 133	33 681	29 801	31 636	31 192
Latin America:	14 107	15 949	11 506	13 984	13 007
Argentina	12 772	9 815	8 099	10 302	9 919
USA	590	1 956	1 773	1 981	1 431
State-trading countries:	4 914	6 619	6 765	5 984	6 761
Poland	4 396	6 026	5 910	4 815	4 939
Western Europe:	6 648	5 510	3 919	5 250	4 965
Norway	690	1 118	1 281	1 401	1 602

(b) Imports from major suppliers as a percentage of total imports

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Latin America:	46.2%	47.3%	38.6%	44.2%	41.6%
Argentina	42.3%	29.1%	27.1%	32.5%	31.7%
USA	1.9%	5.8%	5.9%	6.2%	4.5%
Poland	14.5%	17.8%	19.8%	15.2%	15.8%
Western Europe	22.6%	16.3%	13.1%	16.5%	15.9%

Latin America is the Community's biggest supplier. Most of the imports from Latin America of this group of products are meat extracts and juices. In 1962, for instance, the \$13 million worth of imports of prepared and preserved meats included more than \$10 million worth of meat extracts and juices. The market organization for beef does not cover extracts and juices.

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(bb) Offals

1. The EEC in world trade

	(thousands of \$)				
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
(a) World exports	95	106	119	116	-
(b) EEC imports from non-member countries, including associated overseas countries	23.9	25.2	24.7	27.1	31
(c) EEC exports to non-member countries, including associated overseas countries	<u>0.7</u>	<u>0.6</u>	<u>1.7</u>	<u>1.8</u>	<u>2</u>
(d) Net EEC imports	23.2	24.6	23.0	25.3	29
(e) Net EEC imports as a percentage of world exports	24.4%	23.2%	19.3%	21.8%	-

The EEC is an important outlet for these products on the world market.

2. Regional breakdown

(a) Value (in thousands of \$) of EEC imports from major suppliers

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Total imports	23 908	25 250	24 731	27 167	31 008
USA	12 977	14 768	15 202	16 837	16 395
Latin America:	3 465	2 851	2 010	2 071	3 210
Argentina	3 095	2 588	1 500	1 742	2 974
Western Europe:	6 639	6 200	6 550	7 007	9 310
Denmark	6 243	5 648	6 158	6 664	8 704
State-trading countries	279	363	577	756	1 067

(b) Imports from major suppliers as a percentage of total imports

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
USA	54.2%	58.4%	61.4%	61.9%	52.8%
Denmark	12.9%	10.2%	6.6%	6.4%	9.5%
Argentina	26.1%	22.3%	24.8%	24.5%	28%
State-trading countries	1.1%	1.4%	2.3%	2.7%	3.4%

The imports of the EEC are particularly important for the USA as an exporting country. The USA provides more than half of the Community's total imports; Denmark supplies about a quarter.

The following comments apply both to offals and to prepared and preserved meat.

3. The instruments of the common organization of the market

Imports are controlled exclusively by customs duties. There is no provision for quantitative restrictions or supplementary levies on imports. The tariff rates of the Member States, which are to be aligned on the common tariff during the transitional period, are between 6 and 24% for offals (20 and 24% in the common external tariff) and between 6.8 and 39.3% for prepared and preserved meat (between 21 and 26% in the common external tariff).

4. Fulfilment of international obligations

The following products are bound under the GATT:

- Cattle offals (20%)
- Liver sausages and the like (24%)
- Sausages and the like, other (21%)
- Other prepared or preserved meat or meat offal, of liver (25%)
- Other prepared or preserved meat or meat offal, other than of liver (26%)
- Guts, bladders and stomachs, whole and pieces thereof (duty free)
- Unrendered fats, and tallow produced from those fats (10%).

These bindings and the ban on quantitative restrictions under the GATT are respected under the market organization.

Provision is made for export refunds at world market prices; this is in accordance with the GATT provided the exports do not exceed a suitable proportion of the Community's share of world trade.

5. Economic effects of the market organization on the Community's trading partners

The market organization is restricted to applying the duties in the common external tariff, which in principle are the arithmetic mean of the import duties hitherto applied by the Member States. There are no other import controls, so the market organization may be said to be especially liberal. The prohibition of quantitative restrictions of imports, which still existed in some of the Member States, is a further improvement for exporting countries. The numerous bindings of tariff rates, moreover, provide those countries with a guarantee that the Community will not increase protection against imports in the future.

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Dairy Products

1. The EEC in world trade

( thousands of \$ )

(Canned milk, powdered milk, cheese and butter)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
(a) World exports	1 003 000	1 254 000	1 177 000	1 202 000	-
(b) EEC imports from non-member countries, including associated overseas countries	74 889	116 357	110 438	92 393	114 789
(c) EEC exports to non-member countries, including associated overseas countries	<u>189 430</u>	<u>209 110</u>	<u>224 784</u>	<u>245 778</u>	<u>239 941</u>
(d) Net EEC exports	114 541	92 763	114 346	153 385	125 152
(e) Net EEC exports as percentage of world exports	11.4%	7.4%	9.7%	12.7%	-

Even as a net exporter, that is to say after deduction of its imports, the EEC plays a considerable role in world trade. Its net exports account for about 12% of world exports.

2. Regional breakdown

(a) Value (in thousands of \$) of EEC imports from major suppliers

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Total imports	74 889	116 357	110 438	92 393	114 789
Western Europe	67 113	92 320	76 314	86 289	98 612
State-trading countries	813	5 238	4 304	3 451	6 842
Australia and New Zealand	4 748	7 173	19 143	286	5 230
USA	1 471	6 183	3 706	505	1 664
Canada	369	2 622	995	1 167	478
Other non-European countries	332	2 426	5 812	510	1 778

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(b) Imports from major suppliers as a percentage of total imports

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Western Europe:	89.6%	79.3%	69.6%	94.4%	85.9%
Denmark	39.9%	45.1%	37.7%	37.7%	37.5%
Switzerland	34.1%	26.1%	34.4%	33.1%	29%
Austria	11%	10.4%	10.3%	10.1%	10.4%
Sweden	5%	7.1%	4%	7.1%	9.1%

The above figures show that the EEC obtains almost 90% of its imports of dairy products from Western European countries.

As regards EEC exports to non-member countries, the main outlets are overseas. In 1962 the total value of exports was \$239 million, of which only about \$56 million went to Europe. The main overseas outlets are in Africa and in South East Asia. While exports to European countries concern mostly butter and cheese, canned milk holds the most important place in exports to overseas countries. Total exports of dairy products can be broken down as follows:

Canned milk	42.5%
Cheese	27.7%
Powdered milk	16.2%
Butter	13.6%

3. The instruments of the common organization of the market

In the case of dairy products too, quantitative import restrictions have been dispensed with and no customs duties are applied. The import charge takes the form of levies, representing (as in the cereals market organization) the difference between the most favourable world market price and the domestic price, less marketing costs (threshold price).

Various qualities of butter are offered in the international markets. In particular, a distinction must be made between sweet-cream butter, produced mainly by European farmers, and sour-cream butter, which comes mainly from Australia and New Zealand. In the import levy, account is taken of these differences in quality, which are also reflected in the price.

At first, intra-Community trade will also be regulated by levies, but these will gradually be abolished by alignment on the common milk price which is at the basis of the common market system. During the transitional period, preference will be assured by means of a "fixed amount" incorporated in the levy. This amount, however, may not be such as to cause an abrupt drop in imports. Rather must it be directed towards the "gradual" promotion of trade between the Member States.

In view of the Community's strong traditional interest in the export of dairy products, it should be stressed that in principle the refunds on exports will not enable offers to be made under the world market price.

#### 4. Fulfilment of international obligations

Under GATT rules the Community is obliged to import from GATT countries without quantitative restrictions. Such restrictions are prohibited in the case of dairy products, so the Community's obligation is complied with.

Various cheeses are bound under the GATT:

Tariff heading	Description of goods	Rate of duty	
		Autonomous	Conventional (reduced)
04.04	Cheese and curd:		
	A. Emmental, Gruyère and Sbrinz cheeses, round, matured for at least four months, with a minimum fat content of 45% by weight of the dry matter and with a value of 95 u.a. or more per 100 kg	23%	15 u.a. per 100 kg net
	B. Schabzieger cheeses (made from skimmed milk flavoured with clover leaves)	23%	12%
	C. Other:		
	Whole Cheddar cheeses, with a value of 62 u.a. or more per 100 kg	23%	-

These GATT obligations are met under the market organization, since the levy is limited to the bound rate of duty.

The refund, which enables dairy products to be exported at world market prices, is compatible with the GATT as long as exports do not exceed a fair proportion of world trade.

#### 5. Economic effects on the Community's trading partners

Almost 90% of EEC imports, as has already been shown, come from Western Europe. A considerable proportion of the Community's exports, on the other hand, goes outside Western Europe. For non-European countries - whether they export to or import from the EEC - the decision of GATT Ministers in May 1963 to negotiate world-wide agreements for the major farm products opens up further prospects of an improvement in the world market situation.

The only remaining point to be stressed is that the new organization of the market dispenses with artificial incentives to production deriving from production subsidies. Existing subsidies of this type - amounting to about £ 1 500 million a year - are to be abolished by the end of the transitional period.

If the removal of obstacles to trade within the EEC is to lead to an expansion of trade among the Member States, it must be assumed that the volume of exports to countries outside the Community will decrease. This assumption is all the more justified as the new market organization makes no provision for artificial price incentives to increase the volume of production. Non-member countries that have hitherto exported dairy products to the EEC and are afraid that preference will reduce their share of the market can therefore count on outlets which used to be taken up by exports from the EEC becoming available in other non-member countries.

Furthermore, the latest scientific forecasts give reason to hope that the consumption of dairy products will rise outside as well as inside the Community by 1970. This increase in consumption will be offset, according to the same forecasts, by increased yield from the cows. However, if the number of dairy cows does not grow significantly, a more or less balanced market may be hoped for on the international plane.

I. The egg market in the Community

Egg production (thousand millions)

	<u>1958</u>	<u>1960</u>	<u>1962</u>	<u>1963</u>
Germany (FR) Net production	6 512	7 500	8 449	10 000 (approx.)
France Gross production	7 950	8 500	9 230	-
Italy Gross production	6 256	6 438	6 871	-
Netherlands Net production	4 910	5 800	6 000	5 300
Belgium Gross production	2 576	2 725	2 920	-
Luxembourg Gross production	44	42	58	-
EEC Gross production	28 808	31 425	34 034	-

(Net production is given for the Federal Republic of Germany and for the Netherlands. The gross production of these two countries is included in the EEC total.)

II. Hen population in Germany

(in millions)

	<u>Less than 6 months old</u>	<u>6 to 12 months</u>	<u>Over 12 months</u>	<u>Total</u>
1958	-	-	29 524	55 034
1960	-	-	29 592	56 580
1962	5 970	31 523	28 261	61 634
1963	6 687	32 905	27 471	67 064

Egg imports into Germany (FR) - the EEC's major importer  
(% contribution from exporting countries)

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Netherlands	55.7	58.6	62.8	62.7
Belgium	3.4	5.0	7.9	9.7
Denmark	16.9	14.1	11.4	8.8
Poland	7.9	7.6	7.1	3.2
Argentina	3.3	2.4	1.5	1.7
Others	<u>12.8</u>	<u>13.3</u>	<u>9.3</u>	<u>13.9</u>
	100%	100%	100%	100%

Imports expressed in thousand millions:

4 769.5    4 584.7    3 814.6    2 840

III. Rising egg production in almost all the Member States other than the Netherlands - the traditional exporting country - has meant a drop in producer prices in the Community.

What the EEC definitely needs within the foreseeable future is more internal competition in trade in farm products, so that excessive expansion of production will be avoided. We must now begin gradually to break down protective barriers between the Member States. In particular, the conversion rates fixed by the Council afford too much protection of one market from another.

However, the best way of achieving a free internal market in agriculture, too, would be to accept the EEC Commission's proposals for the one-stage alignment of cereal prices in 1964/65.

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