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Wine consumption in the EEC

The Centre de recherches et de documentation sur la consommation (CREDOC) in Paris, together with the Balance-sheets, Studies and Information Division and the Wine, Spirits and Derived Products Division of the Directorate General for Agriculture in the EEC Commission, have recently produced an analytical study giving new information on wine consumption in the EEC.

This study has made clearer the factors which are keeping down consumption in the Federal Republic of Germany and the Benelux countries.

A particularly noteworthy finding is that, within the framework of the wine market organizations, the structure of trade in Germany and Benelux has a definite influence on consumption there; in France and Italy this factor is of no practical significance. In the last two countries wine is drunk so extensively that a better organization of channels of distribution would have no direct effect on consumption.

Consequently, for the purpose of the investigation, the EEC countries had to be split up into two groups from the outset:

(a) France and Italy - countries in which wine is drunk frequently and in quantity, so that the methods traditionally employed in analyses of major foodstuffs can be used here too;

(b) Belgium, Luxembourg, the Netherlands and Germany - countries with completely different drinking habits. Here, wine is not drunk with meals every day, but is kept for special occasions. Despite a sharp increase in recent years, average consumption per head remains very low - less than one tenth of that in France and Italy.

The first part of the report examines the situation in the four countries with low wine consumption. Although consumption varies considerably between them, a few common features can be distinguished:

(a) The dietary and consumer habits of a given population are very stable over any typical period. There is apparently no chance of wine becoming an everyday drink in these countries;

(b) Consumption per head, though still modest, has increased steadily in each of the countries since 1950;

(c) The growth of consumption could be increased, particularly in the Netherlands, since wine consumption there is still extremely low.

Consumption of alcohol

(litres per head)

	Spirits	Beer	Wine	Spa waters and lemonade
Netherlands				
1900/1909	7.6	40	1.75	
1946/1949	2.4	15	0.7	
1953	2.2	12.7	0.7	
1955	2.3	16.7	1.2	
1957	2.1	19.9	1.5	
1958	2.2	20.2	1.5	
1959	2.1	23	1.6	
1960	2.2	23.9	1.9	
Source: Statistical Yearbook of the Netherlands				
Belgium/Luxembourg				
1936/38	1.19	196	5	14.5
1948	1.57	126	5	15.3
1953	1.35	141	5.8	23.2
1955	1.34	145	6.5	27.8
1957	1.38	151	7.6	32.9
1958	1.27	154	6.9	34.0
1959			7	
Source: Kredietbank, Brussels				
Germany (FR)				
1936	3.2 (1938)	58.70	6.8 (1938)	7.9 (1938)
1957	2.8 (1950/51)	102.76	7.3	
1958	3.3 (1955/56)	107.14	9.4	26.5
1959	4.3	115.29	9.0	32.2
1960	4.9	119.90	11.3	30.5
1961	5.4	130.16	12.9	31.9

Source: Statistical Yearbook of the Federal Republic of Germany, 1961

For comparison: Wine consumption in France

1950	150.4
1955	169.0
1957	166.4
1958	156.4
1959	155.8
1960	156.3

A further increase in consumption will only be achieved by far-reaching efforts in the field of commercial policy. These efforts, based on detailed market surveys in the various countries, would have to include sales promotion; improvements to distribution methods leading to a reduction in trade margins; quality and vintage control; and better adaptation of imported wines to the taste of the consumer. Consumers would also have to be informed about what wines should be taken with what meals.

The investigation and sales promotion involved would be carried out mainly by experts interested in wine production and marketing in the EEC countries.

Prices would naturally play a not inconsiderable part in such an active commercial policy. A policy of sales promotion can only be pursued with any hope of success if the prices of good wines in the low-consumption countries are in accordance with the actual value of the product. The price of some wines in these four Member States is still excessive.

Consumption per head, which is still very low there (Netherlands 1.9 litres, B.L.E.U. 8.5 litres, Germany 14 litres), could be increased under current economic conditions. It may be pointed out that, in Germany, the Saar and the Palatinate already consume about twenty litres per head per annum. However, there are definite limits to the long-term growth of consumption. Even a very active commercial policy, promoted by a favourable wine-price policy, could not raise consumption per head in Germany and Belgium above twenty litres per annum by 1970.

However, such an increase would be by no means insignificant. In absolute terms this would even be higher than the estimated increase in the two high-consumption countries (Italy and France), where absolute saturation point has almost been reached and where a change in dietary habits might even lead to a reduction in average wine consumption.

If more wine is produced within the Community - and there are indications that such will happen - it could only be disposed of in the low-consumption countries. This is why special significance attaches to commercial policy, quality policy and price policy for wine in those countries.

Furthermore, both commercial and price policy should be directed towards ensuring that the expected increase in consumption works to the advantage of Community wines - an objective already being pursued by current tariff arrangements.

The average price per litre of various drinks in 1958 is given below:

	Red wine	Light beer	Coca-cola	Spa water
B.L.E.U.	Bfrs.23.44	Bfrs 14.00	Bfrs.13.75	Bfrs.5.61
Germany (FR)	DM 2.08	DM 1.14	DM 1.25	DM 0.37

Community decisions and regulations

During its session in Brussels on 23 and 24 March, the Council continued preparations for bringing into force four new agricultural regulations - on beef and veal, milk and milk products, rice, and the Agricultural Guidance and Guarantee Fund.

In Article 17(2) of Regulation No. 13/64, dated 5 February 1964, on the gradual establishment of a common market organization for milk and milk products, the Council had stated that it would fix the upper and lower limits of the national target prices for the 1964/65 marketing year by unanimous vote on a proposal by the Commission before 1 March 1964. These limits have to be respected by all Member States. They are based on the average farm-gate price paid to producers in each Member State for all milk sold in 1963. Since the Council's decision was already overdue, action was particularly urgently required, because the limits of the target prices have to be known before further implementing regulations can be worked out. The Commission must know the target prices fixed by the various Member States within the bracket before the threshold prices of the various milk products can be calculated.

As regards the limits of the bracket, the problem was that Italy has a very much higher producer price for milk than the other member countries, and the others had some hesitation about accepting this high price as a guide for subsequent alignment of national prices on a uniform target price for the entire Community.

This hesitation led to the following resolution being passed by the Council on 24 March:

"The Council decision fixing the upper and lower limits of national target prices for milk for the 1964/65 marketing year set the upper limit, valid for all Member States, at DM 0.42/kg.

This upper limit is so high simply because of the special requirements of agriculture in the Italian Republic.

The representatives of the Governments of the Kingdom of Belgium, the French Republic, the Federal Republic of Germany, the Grand Duchy of Luxembourg and the Kingdom of the Netherlands have declared that the said Governments will fix their national target price for the 1964/65 marketing year no higher than DM 0.3864 per kg, for milk with a fat content of 3.7%. The upper and lower limits are based on prices paid in the Member States.

The Council believes that, in determining the common target price, the need to guarantee a fair income to farmers and yet avoid overproduction must be taken into account.

In agreement with the Commission, the Council has decided that the upper and lower limits fixed for the 1964/65 marketing year shall not be decisive factors for the fixing of the common target price."

The lower limit is DM 0.3180 per kg - the price paid to Dutch farmers in 1963.

So far, then, the Council has adopted two of the implementing regulations needed before the milk regulation as a whole can be put into operation. Two more are still being discussed; and another is to be laid before the Council by the Commission in the next few days. A total of thirteen Council regulations and a dozen Commission regulations have to be adopted before the milk regulation comes into effect.

Rice

Target-price limits fixed for producing Member States, and threshold prices for non-producing Member States

In its session of 23 and 24 March the Council unanimously adopted the proposal for a regulation fixing the limits of target prices for rice in the producing Member States, and threshold prices for rice and broken rice in non-producing Member States, for the period beginning 1 July 1964.

The upper limit of the target price per 100 kg in France was fixed at 18.32 u.a. (F 90.45) and the lower limit in Italy at 15.29 u.a. (Lit. 9.554).

For the Member States that produce no rice themselves (Belgium, Luxembourg, the Netherlands and Germany) there is already a unified threshold price for rice imports. The Council approved the method of calculation employed by the Commission and fixed the threshold price for husked rice at 14.20 u.a. per 100 kg. This determines the threshold price for broken rice, which was fixed at 9.66 u.a.

Pigmeat

Pigmeat levies back to normal from 1 April

Since 1 April the normal levies have again been imposed on imports of pigs and pigmeat into the Community. The excessive prices for slaughter animals and pigmeat had made it necessary throughout the winter and into the spring to reduce the levies in all Member States to the level of the country with the lowest levy towards non-member countries (Netherlands) or with the second lowest levy (Belgium). This facilitated imports from non-member countries, and these imports in turn helped to normalize the price situation on EEC markets. Now that pig prices have swung back to a level at which imports no longer need to be encouraged, the normal levy for imports of pigs and pigmeat from non-member countries has been reinstated.

It is true that pig prices in the Member States are slightly higher than at this time last year, when market prices were particularly low. However, some attempt to stabilize them should be made now, since a steep fall in prices can be expected in the late summer or autumn, and this would then affect prices on the pig market which would already be much reduced. Timely stabilization measures may prevent such adverse consequences.

Trade in live and slaughtered pigs goes very much better

Meeting on 23 and 24 March, the Council took note of a report by the Commission on the application of Regulation No. 20 (pigmeat) in the Community countries.

The report shows that imports of live and slaughtered pigs in 1963 went up particularly vigorously in countries where prices were rising most. Imports from non-member countries also did very well. This is probably due mostly to the reduction of the levies on imports from non-member countries in the closing months of 1963. As we know, prices on the EEC pig markets rose in the last half of 1963 and throughout the first quarter of 1964, necessitating measures to facilitate imports. Now, while intra-Community trade in live and slaughtered pigs increased spectacularly in the last three months of 1963, there was no corresponding increase in the case of pigmeat products and preserved meat. This was presumably also because of the shortage of live pigs and the great differences in price reported in the period under review.

A large number of tables are appended to the report, giving extensive details of price movements, imports and exports. The Commission presented this general report in compliance with the requirement that it submit to the Council, by 31 March 1964, "a report on the implementation of Regulation No. 20, with particular reference to the system of sluice-gate prices and import documents for pigs and pigmeat products".

The basic regulation for pigs and pig carcasses has been in force since 1 August 1962. However, it was not until the Council's 108th session on 15-18 July 1963 that it adopted Regulation No. 85/63 concerning the determination of sluice-gate prices and of surcharges, and establishing transitional arrangements for cuts of pork and pigmeat preparations and preserves.

Under this regulation, the EEC system was not to be applied to trade in cuts from pig carcasses (or sides) such as hams, chops, bacon, lard and prepared or preserved meat until about a year later than pigs and carcasses.

For trade in these products the Commission had worked out a special procedure, involving "pilot products" and "derived products". The sluice-gate prices fixed for each of the pilot products are to be taken into account for the appropriate derived products.

The Council had decided to limit the validity of Regulation No. 85/63 until 30 June 1964, because one of the member Governments in particular was not sure whether the special arrangements for the derived products would work in practice. The Council thus had to decide whether to keep on with the arrangements made under Regulation No. 85/63 after 30 June 1964 or whether other measures derogating from Regulation No. 20 should be adopted. This was the real reason for the Commission's report: it was intended to inform the Council what experience had been gained with the pilot-products and derived-products scheme.

The Commission informed the Council that here too prices for processed products had been excessively high since the middle of 1963.

As the situation was the same inside and outside the Community, offer prices at the frontiers of all Member States were far above sluice-gate prices. Accordingly, since Regulation No. 85/63 came into force the pilot scheme has not been applied in practice.

Because (a) there has been no practical experience so far in applying the pilot scheme, (b) no significant disadvantages have come to light as regards the issue of import documents, (c) both of these measures have been applied in a period of generally short supply and high prices and (d) this kind of system should preferably be tested when prices are low, the Commission has suggested to the Council that the principles of the system of pilot and derived products be applied in their current form for another year, before the Council comes to a final decision. The Council shared the Commission's view and adopted a regulation extending the validity of Regulation No. 85/63.

<u>Member States' delegations stress the close link between GATT negotiations and establishment of a unified cereal price in the EEC</u>

There is no doubt that the Community will be faced with one of its major decisions, of great significance for the cohesion of the Community and its reputation in non-member countries, when the Council meets in Brussels on 14 and 15 April to seek a solution on cereal prices.

At the meeting of Ministers of Agriculture on 24 and 25 March, all the government representatives emphasized the close link between the Kennedy round of negotiations beginning in GATT in May 1964 and the timely fixing of a unified cereal price in the EEC. After the meeting the President of the Council, Belgian Minister of Agriculture Charles Héger, told the press that it was hardly likely that the Commission's proposal for alignment of cereal prices in a single operation for the 1964/65 marketing year would be adopted, and that some governments were even opposed to alignment in 1965/66. For 1966/67, however, there was some possibility of agreement. The Council would go into further details at its session on 14 and 15 April.

This session is of great significance for farmers in the six member countries because the Ministers will also decide on the level of cereal prices for 1964/65; the farmers hope that the Council decisions will remove the uncertainty still felt about future farm-price policy in the Community.

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