

Newsletter on the Common Agricultural Policy

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I. Basic rules for the common organization of the markets in milk and milk products and in beef and veal

A. Council Decisions of 29 May and 27 June seen from the Community angle

On 29 May the Council of the European Communities adopted basic rules for the common organization of the milk and milk products market and the beef and veal market. This was a necessary preliminary to the introduction of the common external tariff, the disappearance of intra-Community duties on 1 July and the gradual completion of customs union in the European Community.

Meeting in Luxembourg on 27 June, the Council agreed that the regulations organizing the markets in milk and milk products and beef and veal should come into force before 1 July and that the appropriate arrangements would be implemented in the six member countries from 29 July.

The texts of the new basic regulations for milk (No. 804/68) and for beef and veal (No. 805/68) were published in the official gazette of the European Communities on 28 June (No. L 148). This latest step, together with the introduction of the common market organization for sugar⁺ on 1 July, brings the proportion of farm products in the Community under joint regulation up to over 90%. Regulations now exist for most of the major farm products. Before the milk market organization can actually be made to operate, however, the Council still has to adopt twelve more regulations, and the Commission about another twenty; some of these implementing regulations were agreed at the Council's Luxembourg meeting on 27-28 June. There are not so many regulations to be adopted for the beef and veal market, and the technical details are less complex too; so there is no need to fear that arrangements for organizing the market in these products will not be completed on schedule.

It is impossible to overestimate the importance of political agreement in the Council on a matter of such complexity at a time when Europe's political barometer is indicating storms ahead.

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⁺ See Newsletter on the Common Agricultural Policy No. 4, March 1968.

This agreement does, however, call for closer scrutiny from the Community point of view. The Council was faced with the extraordinarily difficult task of producing common rules for a milk market in disequilibrium, with the gap between production and consumption yawning wider and wider.

There was an additional difficulty too, in that the Council's price decisions of 24 July 1966 had fixed the single producer price for milk, delivered dairy, at DM 41.20/100 kg (corresponding to FF 50.85, Bfrs./Lfrs. 515, Lit. 6 437.50 or Fl. 37.29). This meant that the general lines of the Community's policy for the milk industry had been decided in advance.

However, almost two years separated May 1968 from the decisions of July 1966, and during this period conditions on the milk and milk products market in the member countries had changed radically. The Ministers of Agriculture were therefore faced with two choices:

- (1) they could change the general lines of policy to accord with changed conditions, or
- (2) they could adapt the necessary measures to the general lines already approved despite the fact that these were no longer in line with the current situation.

They decided to take the second course and agreed on the technical details of a Community milk market which left the general lines of existing decisions intact.

As far as the purely technical rules adopted by the Council are concerned, it must be recognized that the Ministers' aim, in the face of the extremely difficult problems involved, was to find a solution which would not lead to excessive discrimination between producers in the several member countries. The Council has not, however, reached agreement as yet on the underlying economic and structural problems affecting milk policy, and in particular on the guidance to be given this policy to produce a healthier situation in the dairying industry in the future.

As far as technical rules are concerned, then, the broad framework of the common market organization for milk and milk products will remain virtually undisturbed, but many of the existing details will have to be altered in the light of the revision of milk policy already decided on by the Council.

Apart from the temporary application of "correcting amounts" to the intervention prices for butter and skim milk powder, which introduce some degree of differentiation between the member countries, there is no essential difference between the milk market organization and the market organizations already in force in the Community.

The measures adopted by the Council for milk and milk products are valid for the 1968/69 milk year, i.e. until 31 March 1969. The technical structure of the market organization, on the other hand, will not be confined to 1968/69, so that it is wrong to speak in terms of a "transitional" regulation for the common market in milk and milk products. What the Council will have to debate and discuss is the price review. The Commission has announced that its 1969/70 proposals for all farm products for which prices are fixed, including milk, will be submitted to the Council this October.

As the surplus situation on the milk market has become more serious since the Council's 1966 decision, the agreement on prices, when viewed in this light, cannot be regarded as anything more than a transitional solution for the period until 31 March 1969.

B. The substance of the Ministers' decisions

The most important of the individual decisions taken by the Council relates to the target price for milk delivered dairy. The Council's definition of the target price is as follows: "The target price shall be the price for milk which it is intended to guarantee for all milk sold by producers during the marketing year, in so far as outlets are available on the Community market and on external markets".

With the addition of this last phrase the Council has considerably weakened the former definition of the target price and made the first step towards revising the bases of a Community milk policy laid down in July 1966.

The target price has been fixed at 10.30 u.a. (DM 41.20, FF 50.85, Bfrs./Lfrs. 515, Lit. 6 437.50, Fl. 37.29) per 100 kg; delivered dairy, in line with the Council's decision of 24 July 1966. If average freight costs in the Community are deducted from this, farmers will receive 9.75 u.a. (DM 39, FF 48.14, Bfrs./Lfrs. 487.50, Lit. 6 093.75, Fl. 35.30) per 100 kg at the farm gate. The target price must be regarded as being in a very different category from the remaining instruments of the basic decisions because:

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- (a) it will not be uniformly achieved throughout the Community, since the Member States insisted on retaining certain national measures;
- (b) the different production, processing and marketing structures of the six milk markets cannot be aligned with one stroke of the pen.

The target price has therefore been presented as a desirable aim, and it will be achieved only to the extent that outlets in the Common Market and on markets outside the Community make this possible. This new definition introduces a restricting element since the target price is now linked with sales opportunities. If the balance between production and sales were disturbed, it could mean that, in practice, the target price would not be achieved everywhere in the Community.

1. The level of support

Efforts to reach agreement on the common milk policy moved through three separate stages:

Stage 1: From July 1966 to 29 May 1968, discussion of the economic principles; on 29 May 1968 agreement was reached on basic rules for common policy on the milk and beef and veal markets.

Stage 2: The definitive basic regulations for milk and beef and veal were drafted and discussed. The basic regulations were adopted by the Council on 27 June 1968.

Stage 3: Discussion of the numerous implementing regulations. Some matters of principle were left to be dealt with by means of implementing regulations, such as arrangements for intervening on the milk products market.

The amount of support given is a decisive factor in achieving the target price. The intervention prices for butter and skim milk powder are important here because they provide support for the utilization of milk.

The Council has fixed the intervention price for butter at 173.50 u.a./100 kg (DM 694, FF 856.58, Bfrs./Lfrs. 8 675, Lit. 108 437.5, Fl. 628.07) and that for skim milk powder at 41.25 u.a./100 kg (DM 165, FF 203.65, Bfrs./Lfrs. 2 062.5, Lit. 25 781.25, Fl. 149.33).

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In contrast to all the other existing common market organizations, this one provides for the retention of frontier charges in intra-Community trade. The main reason for this is the continued existence of diverging buying-in prices for milk products. As part of the package deal, the Council allowed Belgium, Luxembourg, France and Germany to retain butter and skim-milk-powder prices above or below the common standard. This concession played an important role in helping the Ministers to reach agreement. Because of this, market prices in the member countries will continue to be somewhat more differentiated than they would be because of differences in natural price formation on their markets.

The difference between buying-in prices for individual milk products will be offset at the frontiers of the Member States by compensatory amounts.

Thus France, Belgium and Luxembourg will raise their intervention prices by 2.75 u.a./100 kg. The incidence of the level of support which these three countries grant their dairy farmers will also go up by this amount. Germany, on the other hand, will reduce the common intervention price for butter by 6 u.a./100 kg (DM 24). The standard intervention prices for both butter and skim milk powder will be applied by the Netherlands and Italy only; Germany will apply the standard intervention price for skim milk powder.

Since Italy does not produce butter in any great quantity, an additional support system has been provided for its benefit. The following intervention prices will apply for specified types of Italian cheese:

'Grana padano' cheese

From 30 to 60 days	124.8 u.a./100 kg (Lit. 78 000)
From 6 to 8 months	148.8 u.a./100 kg (Lit. 93 000)

'Parmigiano-Reggiano' cheese

From 6 to 8 months	163.2 u.a./100 kg (Lit. 102 000)
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The Council has also made provision for the payment of a premium of 1.98 u.a./100 kg per month for private stocks of these cheeses.

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The intervention prices for butter and skim milk powder are designed to contribute to the realization of the target price for milk; when these prices are being fixed, account must be taken not only of the increase in milk production and the growth of milk surpluses in the Community but also of the potential outlets for butter and skim milk powder inside or outside the Community.

Owing to special circumstances, certain member countries will not yet be able to apply uniform buying-in prices for butter and skim milk powder or to grant uniform aid to skim milk powder. In fact, certain correcting amounts will have to be applied to intervention prices and subsidies for these products.

These correcting amounts will mean that market prices for the products affected will vary from one member country to another. To prevent the distortions of competition which might result, this divergence in price must be eliminated in trade in the products concerned and in certain other products whose situation on the market could be affected by the correcting amounts.

Expenditure by the EAGGF arising from these price discrepancies can be made good from joint resources only if the new intervention price is lower than the present national intervention price - as is the case in Belgium and Luxembourg. These "corrections" produce differences in the basic price level, particularly in the intervention prices. Measures must therefore be introduced to bridge the price gap in trade in butter and skim milk powder and in products derived from them. Differences in buying-in prices must also continue to be bridged with the help of fixed compensatory amounts on imports and exports in intra-Community trade.

The system of variable levies contained in the present transitional regulation has been abolished, however.

Uniform threshold prices, levies and refunds will be fixed for trade with non-member countries, though with correcting amounts to correspond to the diverging prices. This new regulation, in contrast to the old transitional one, aims at a higher degree of interpenetration of markets.

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The Council also decided to pay a subsidy of 1.50 u.a./100 kg, (DM 6, FF 7.41, Bfrs./Lfrs. 75, Lit. 937.5, Fl. 5.43) to bring down the price of skim milk used for animal feed. The purpose of this additional amount is to keep the amount of skim milk returned to the farm at its present level at least and to discourage the processing of more skim milk into powder.

Under the Council's decision a reduction of 8.25 u.a./100 kg (DM 33, FF 40.73, Bfrs./Lfrs. 412.5, Lit. 5 156.25, Fl. 29.87) will also be given for skim milk powder to enable this product to withstand competition from other products containing protein which can be processed into animal feed.

A further provision permits the adoption of intervention measures for matured cheeses to support the market in years in which this proves necessary. These measures will mostly take the form of aid to private stocks.

Drinking milk is an important item in total income from milk and was one of the components used in calculating producer prices. Liquid milk is not yet completely covered by the common market organization, so that Member States are still free to increase the farmer's share of total receipts from all milk sold by raising the price of liquid milk.

The Council has decided to discuss the question of bringing drinking milk fully into the arrangements to regulate the milk market before the end of this year. The relevant proposal has been before the Council since January 1968; it is to be adopted by the Council before 1 April 1969 and should come into force some time later. Until then drinking milk will still be partly subject to existing national arrangements. Until such time as present national arrangements are done away with and replaced by common rules, Belgium, for example, may continue to pay a quality premium, not only for drinking milk, but for all liquid milk; this raises the average price to dairy farmers by approximately Pf. 0.8 or Bfrs. 0.1/kg. France and Germany will be allowed, if necessary, to pay an export subsidy on a specified quantity of drinking milk sold to Italy. Until 31 December 1969, Germany may maintain the system of collecting and distributing zones for milk, where farmers are obliged to deliver all milk produced to a specified creamery, the creamery being obliged to accept it. The creamery taking

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delivery may only market this drinking milk in a specified area, and dealers may order drinking milk and other specified products from a specified creamery only.

On the whole, the level of support has been designed to enable creameries, depending on their location and processing conditions, to pay the farmers supplying them the price decided on by the Council in accordance with the Council's definition.

2. The immediate consequences of the price decisions

The immediate consequences of the new milk market organisation will be governed in the main by the varying intervention price levels in the member countries. These need not always cause increased discrepancies in the price structure: they may sometimes have the effect of bridging existing price gaps, though they will generally underline existing market differences.

The higher intervention price for butter in the Netherlands means that the Dutch consumer will now have to pay an estimated additional Fl. 0.20 for each kilogram of butter. This is Fl. 0.12 less than the increase under the original 1966 proposals, in which support for the milk market was based on the intervention price for butter alone. The Dutch Minister of Agriculture has announced that to cushion the effects of this price increase butter from cold stores would be made available to Dutch consumers at a reduced price during the winter months, following a decision by the competent Community organs. Correspondingly smaller price increases are to be expected for the other milk products. Fortunately, this price increase will complete the process of aligning Dutch prices on the higher average prices in the other member countries. Dutch consumers have already had to put up with some price increases because of the abolition of milk subsidies previously paid by the State under national arrangements.

The Belgian Minister of Agriculture, on the other hand, has already announced that the price of butter to the Belgian consumer will be reduced by Bfrs. 9/kg. This can be done because the intervention price for butter in Belgium, which was DM 7.80/kg, has been reduced to DM 7.05. To all intents and

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purposes, support for producer prices for milk in Belgium was based until now on the intervention price for butter alone. There is now an intervention price for skim milk powder too, to offset the drop in the intervention price for butter. Thus the price for milk in Belgium will receive support from two quarters in future - the intervention price for butter and that for skim milk powder.

Germany insists that it does not want to increase the present intervention price for butter. They feel there that, at a time when butter stocks are mounting it is senseless to put obstacles in the way of consumption by putting the price up. Germany will therefore reduce the common intervention price by DM 24 so that they can continue to apply the old intervention price of DM 670/100 kg. Consequently, the price of butter to the German consumer will not increase in the near future.

While the transitional regulation was in force, cheese prices had fallen back sharply because of severe downward pressure on prices; these will now find their own level again. There is no question here of prices increasing but rather of prices which had fallen below normal recovering. There will be no major change in the prices of most other milk products in Germany.

The considerable increase in prices to French dairy farmers will entail a higher intervention price for butter and a slight increase in the intervention price for skim milk.

On the French market, as in the other member countries, competition from milk products imported from other Community countries will now make itself felt; generally speaking, then, changes in consumer prices will be kept within narrow limits. However, prices in France are at the moment so closely linked with general economic events that no firm statement seems possible.

There will be virtually no change in consumer prices in Italy; if anything, a downward price trend is to be expected for some products such as condensed milk and whole milk powder.

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The price of drinking milk is not yet regulated by the Community; a further special regulation is to be adopted for this sector by the Council.

Stockbreeders will feel some effects: they too are consumers of milk products. However, since the intervention price for skim milk powder has been fixed by the Council at DM 1.65/kg and a subsidy of DM 0.33/kg has also been granted to skim milk powder for animal feed, no real change in the present situation is likely.

The Council also plans to make provision for the incorporation of a certain quantity of milk fat in compound feedingstuffs to help cut down high butter stocks. The necessary measures for this have still to be adopted. These measures, consisting in making skim milk and skim milk powder cheaper, are bound to affect the composition, consumption and cost of animal feed, though the full extent of this cannot be assessed as yet.

C. Financing the milk policy

The financing of the common milk policy is the most sensitive and critical aspect of the financing of the common agricultural policy. It is closely bound up with the problem of surpluses. Since July 1966, when the Council took its decision on the common target price to the producer, the formation of surpluses has become a much more serious problem than seemed possible two years ago. The Council's main task was therefore to cut down the cost of financing this policy while at the same time offering identical or improved guarantees to producers from tighter resources.

One Member State proposed that an absolute upper limit of 630 million u.a. (DM 2 520 million) should be placed on expenditure from the EAGGF. A second Member State proposed a similar ceiling on EAGGF expenditure. The Council tried to find a way out by suggesting that when calculating Community stocks it would take the major portion of the "old burden", the disposal of butter stocks in existence on 1 April 1968, into account but that the Member States would have to foot the bill; a sum of 170 million u.a. (DM 680 million) is involved. The total

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cost of disposing of butter stocks is estimated at 250 million u.a. a year. The sum of 170 u.a. is to be apportioned between the Member States in proportion to the butter stocks held by them on 1 April 1968.

1. The levy on imported or Community-produced vegetable and marine oils

At its session in December 1963 the Council adopted a resolution on the introduction of a levy on imported vegetable and marine fats and on such fats produced in the Community so as to improve equilibrium on the fats market. This levy is commonly known as the "margarine tax", though in actual fact only 50% of the raw materials which would be affected by this levy are used in the manufacture of margarine.

In Germany and the Netherlands - the two main margarine-eating member countries - this levy would correspond to approximately DM 0.14 or Fl. 0.12 on each kilogram of margarine. In a formal statement included in the minutes of the restricted Council session held on 23 December 1963, the Ministers agreed that revenue from the levy on these fats, estimated at 87.5 million u.a. (DM 350 million) should be assigned to the Community under Article 201 of the EEC Treaty, provided the European Parliament was given budgetary control.

It is common knowledge now that this issue - the direct transfer of common revenue to the Community (which at that time came to nothing) and the recognition of the European Parliament's powers of control - sparked off the EEC crisis in 1965. This time too, it is not merely the common milk policy but rather an important political problem that must be settled. If the Community is to have its own revenue, the national parliaments must agree, and it appears that the Dutch Parliament is only prepared to approve the proposal if the European Parliament is given adequate control over these funds.

Some other Governments feel that their Parliaments would not accept such a proposal, and for this reason one Member Government has already announced that, rather than introduce this tax, it would make a corresponding sum available from budget appropriations.

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On 29 May 1968 the Council decided to implement the statement on the problem of strengthening the budgetary powers of the European Parliament read into the minutes on 23 December 1963.

This question is far too important to be put aside without discussing the problems connected with it. The 87.5 million u.a. which would accrue from the fat levy has been included in total Community funds - 630 million u.a. - available to finance the milk policy; it is part of the money which will have to be found. If the 630 million u.a. is added to the 170 million u.a. to be found at national level, we get a total of 800 million u.a. This sum corresponds to the calculations on the cost of financing the common milk policy in 1968/69 made by the Commission on 20 January 1968.

2. Financing costs

Estimated expenditure by the EAGGF (Guarantee Section)

Given the trend of production and consumption and the rate at which surpluses are disposed of, plus the measures provided for by the Council's resolution of 24 July 1966 on milk policy in the Community from 1 April 1968, expenditure by the EAGGF (Guarantee Section) for the 1968/69 milk year is estimated at 800 million u.a. These figures are given subject to the reservations which are always necessary in dealing with agricultural estimates; they can be broken down into different groups as shown in the table below:

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Estimated expenditure on the common milk products policy
in 1968/69

Type of expenditure	Elements in the calculation		Expenditure (million u.a.)
	Consumption, production or exports ('000 t)	Amount of support (u.a./100 kg)	
I. Aid to skim milk for animal feed			
1. Liquid	7 500	1.375	103
2. Powder	800	15	120
II. Seasonal buying-in of butter	100	30	30
III. Measures to reduce butter surpluses			250
IV. Aid to casein production	40	62.50	25
V. Support measures for Parmesan cheese (milk used)	1 400		12
VI. Export refunds (in terms of full milk)	4 000	6.5	260
Total			800⁺

⁺ In subsequent milk years expenditure is likely to be higher because of growing milk surpluses. It could increase to as much as 900 million u.a. since additional funds will be required notably to dispose of surpluses of butter and skim milk (including skim milk powder).

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Special measures to dispose of butter surpluses have been relatively limited hitherto, and it was not possible to deal with all surpluses in each milk year. The result is that there are now substantial surpluses which will entail greater expenditure in 1968/69 than in 1967/68 (250 million u.a. instead of 48 million u.a.).

If the pattern of production and consumption does not change, expenditure on these measures will increase further in subsequent years. The financial burden of the milk sector will then exceed the 800 million u.a. now expected for 1968/69.

The changes introduced by the Council in the amount of support for skim milk, the extension of support arrangements to skim milk used for feed on the farm, increased aid for Parmesan cheese and the introduction of intervention measures for skim milk powder mean that the sum of 800 million u.a. can no longer be regarded as a final figure.

The Commission has not yet produced definitive calculations since, apart from anything else, it is not yet clear what expenditure on export refunds will be. Since the Commission submitted its report to the Council, world market prices have fallen further. Present estimates of a sum of 1 000 million u.a. for implementing these measures is unlikely to be too low.

Should expenditure by the Guarantee Section of the EAGGF for milk products during 1968/69 exceed 630 million u.a., the Council has decided to adopt, on a proposal of the Commission and as part of an examination of the common agricultural policy as a whole, appropriate Community measures.

II. Prospects for the milk market

The main difficulty that the Ministers of Agriculture had to contend with in reaching their decisions of 29 May was that the premises for maintaining the target price to producers at DM 0.39/kg had completely changed since 1966. In 1966 the milk market was in equilibrium. The annual increase in production was not very great, and only relatively limited measures of support had been needed.

Two years ago, for example, skim milk powder was still a readily marketable commodity which fetched a good market price unaided. Today, market prices for skim milk powder have collapsed and we are faced with a production surplus similar to that for butter, so that an intervention price for this commodity has become necessary.

The Italian cheese market too is tending towards instability. In 1966 the cheese markets in the other member countries were basically stable, but in 1967/68 these markets have tended to weaken.

Two years ago world market prices for butter were still about £ 3 or 4/kg; since then they have dropped to £ 1.40. Low prices on the world market make it more difficult to sell Community butter on outside markets. Faced with this situation, the Member States have used further intervention measures to counter any inroads that have been made on the market. Thus almost everywhere they have gone over to supporting falling producer prices by means of intervention measures. The Commission has also submitted proposals designed to improve this situation to the Council, though they do not favour giving support to growing surpluses. The Council has not accepted the Commission's proposals for the moment.

The year-to-year growth rate in production was maintained in the spring and early summer months of 1968. There was, in particular, a considerable increase in the production of skim milk powder.

Butter stocks have risen further. In Germany alone these are now running at about 100 000 tons, a record figure. Butter stocks also increased, however, in member countries which have only had limited stocks at their disposal up to now, Belgium, for example, now has stocks amounting to about 13 000 tons.

Increased production in the Community is the result of the combined effects of two trends: first, the amount of milk delivered to the creameries by each farm is growing steadily (less and less milk is now being kept on the farm) and, second, the yield per cow is rising.

Although yields are still relatively low in France, it is clear that an increased yield of 100 kg/cow each year could reach very large proportions, since France accounts for 45% of the Community's 22 million dairy cows. From the point of view of agricultural policy, the Community is faced with the fact

that, on average, approximately 40% of farm incomes in all Member States comes from cattle farming (milk, beef and veal). There are areas in the Community where farmers depend on cattle for no less than 90-95% of their earnings.

A large proportion of the milk produced comes from farms with five dairy cows or less. It will be difficult in the medium term to fix a milk price which will guarantee farmers a fair income from herds of this size. The trend outside agriculture is away from small businesses of the type which still exist in farming. Agricultural producer prices designed for the farm with no more than five dairy cows can no longer keep pace.

The structural crisis which agriculture is experiencing is clear from an examination of milk policy problems.

Dairy farms with 1-5 cows in the EEC

Country	Number of dairy farms ('000)	As % of all agricultural holdings	Number of cows ('000)
France	700	43.7	2 000
Germany	600	50.0	1 750
Italy	1 050	43.6	1 060
Netherlands	45	21.5	108
Belgium/Luxembourg	120	75.0	340
EEC	2 512	45.1	5 258 (Total for all EEC holdings approximately 21-22 million)
Country	Farms with 5 cows or less as % of all dairy farms	Milk produced by these cows (million t)	as % of total milk production
France	22.2	4.96	18.5
Germany	29.9	5.73	27.0
Italy	31.1	2.67	28.1
Netherlands	6.4	0.41	5.7
Belgium/Luxembourg	30.3	1.18	28.6
EEC	24.9	14.95	21.8

Source: Extract from an article by Georges Levha in "La vie des métiers" (agriculture, viticulture).

Faced with existing and continually growing structural surpluses, the Ministers of Agriculture could not close their eyes to the fact that the structural situation on the milk market is very acute.

They therefore adopted a resolution on all problems bearing on the future of agriculture in the Community, which ran as follows:

"In view of the serious imbalance on the milk products market, the grave difficulties encountered in disposing of surpluses and the financial cost involved, market and price policy alone is no longer enough to guarantee a fair return to the most severely handicapped dairy farmers. Structural and social measures, adapted to conditions in different areas, must therefore be adopted.

"The introduction of measures of this kind goes far beyond the special problem of the milk products sector: the issue is the quite general one of ensuring a fair income and a fair standard of living for all farmers.

"The regulations on the introduction of single-price systems for milk products and for beef and veal should be adopted as soon as possible. The Ministers of Agriculture agree:

- (a) to bring the single-price systems for milk products and for beef and veal into force at an early date;
- (b) to define measures in respect of stockbreeding which would guide cattle stock trends in such a way as to take consumer demand for meat and milk products more into account;
- (c) to take into consideration social measures affecting certain classes of consumer in the Community or falling within the context of development aid;
- (d) to examine all the problems bearing on the future of agriculture - particularly the economic, social and regional aspects of structural measures on the basis of the annual report on the situation of agriculture and agricultural markets in the Community (1968) and the ad hoc memorandum which the Commission has undertaken to submit to the Council with a view to working

out, on a proposal from the Commission, common ideas and essential measures as regards policy on the structure of agriculture."

The necessary measures to dispose of surpluses in the milk and milk products sector are to be adopted on a proposal from the Commission, in accordance with the voting procedure laid down in Article 43(2) of the Treaty, as soon as possible.

These measures include,

1. the sale of butter at reduced prices to certain groups of consumers and to processors;
2. food aid;
3. the incorporation of butyric fats in animal feed;
4. raising the fat content of drinking milk above the level which has been standard up to now, as a means of disposing of additional quantities of milk fat.