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Agriculture and the European Common Market

I

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PROBLEMS OF THE ORGANIZATION OF THE MEAT MARKET IN THE E.E.C.

THE fundamental approach adopted towards the marketing of meat and live animals will show the real character of the agricultural policy of the E.E.C. more than that for any other agricultural product. The very different production characteristics of beef compared with pigmeat, and in particular, the good potential market for the former and the very real likelihood of production in excess of consumption of the latter present the policy-makers with quite distinct opportunities. The use made of these opportunities will give a clear indication of the degree to which free trade in agricultural products will exist within the Community itself, and the economic relationships which will be established with the rest of the world.

I

Total cattle numbers in the E.E.C.¹ as a whole have been increasing at an annual average rate of 1.3 per cent. over the period 1950 to 1958 (see Appendix, Table 1). The relative rates of growth of the different sections of this total herd indicate that in recent years there has been a more rapid expansion in the production of slaughter rather than dairy cattle. It is hardly surprising therefore that the production of beef and veal in the E.E.C. rose by about 320,000 tons between 1955 and 1960—an annual average increase of over 2 per cent. On the basis of this rising trend and taking into account potential availabilities of feed and price changes, it is estimated that by 1965 production in the E.E.C. as at present constituted will rise to about 3.7 million tons (i.e. by 28 per cent. in the decade 1955–65). Allowing for estimated changes in population, earnings and prices, it is further estimated that consumption will rise to about 3.9 million tons in the same year. These estimates are based on assumptions which seem completely realistic regarding the variables mentioned. It is concluded that by 1965 the six E.E.C. countries will be over 95 per cent. self-sufficient in beef and veal compared with 92.5 per cent. during the period

¹ C.E.E. *Études*. Série Agriculture, Nos. 2 and 5.

1955/6-1957/8, thus net imports will decline to about 5 per cent. of total supplies.

If the United Kingdom, Ireland, Denmark and Norway join the Common Market the situation will alter considerably. Within this larger area both cattle numbers and production of beef and veal have been increasing since 1955. Domestic production in the U.K. has been expanding at the annual average rate of 1.3 per cent. during the period 1954 to 1960, and it is expected,¹ on not over-optimistic assumptions, that by 1965 it will have climbed to approximately 894,000 tons,² or over 70 per cent. of total estimated consumption in that year. Production in both the Republic of Ireland and Denmark has also been increasing in recent years. Only in Norway has it remained relatively static—even declining a little.

For the enlarged area as a whole production of beef and veal has increased by about 491,000 tons, or 12.8 per cent. between 1955 and 1960. No projections for the future are available for Ireland, Denmark or Norway, but a large potential exists in Ireland and Denmark and it is almost certain that the rising trend in the production of both will be maintained. It is to be expected therefore that should U.K., Ireland, Denmark and Norway become members of E.E.C. future production and consumption within this enlarged Community would continue to rise. A conservative estimate puts production at approximately 4.9 million tons and consumption at 5.8 million tons by 1965.

II

The stated objectives of the Regulation concerning Beef and Veal in the E.E.C. are to ensure the development of a common market organization over a four-year transitional period, an adequate return to producers, reduction in price fluctuations and the safeguarding of outlets in world trade in beef and veal.

In drafting the Regulation it was assumed that the structure of the beef and veal industry and the price levels of its products do not differ widely as between Member States; because of this a four-year transitional period was considered adequate. In recent discussions between Members objections were raised against this assumption, but as yet there is no indication as to what change, if any, will be made in the length of the transitional period.

¹ USDA, ERS—Foreign—19.

² This figure would include, presumably, beef from cattle imported from Ireland and slaughtered in the U.K. and so over-estimates the true domestic beef production.

Assuming therefore that no change will be made, each Member State shall apply to imports (of live cattle, beef and veal products and offals of cattle) from third countries duties which are to be approximated by three stages to the level of the common customs tariff which shall be applied by the Community as a whole as from the end of the transitional period. In fact the rules governing the approximation of tariffs are open to two different interpretations, but that given in the appendix seems the most likely.

As regards intra-Community trade each Member State may apply, as from the commencement of the transitional period, the actual duties in force against other Members on that date. These will be progressively eliminated in four stages. In the first stage the duties will be reduced to a level equal to 55 per cent. of the level of the basic duties (i.e. those which applied on 1 January 1957). During the second stage they will be at a level equal to 40 per cent. of the basic duties and 20 per cent. for the third stage. The final reduction will be made at the end of the transitional period, thereby completely eliminating duties on trade within the Community.

These tariffs will be reinforced by guide prices which shall be determined for each Member for certain categories of live cattle and beef. The first series will come into operation at the beginning of the transitional period and shall be the arithmetic average of the prices realized during the previous two years for each category on representative markets in the countries concerned.¹ These various national guide prices will then be annually approximated and a single level attained for the whole Community by the end of the transitional period. Should the actual market prices realized by these various products at any time during the transitional period differ appreciably from their guide prices then the authorities in the Member State concerned may intervene on the market, presumably by adding to or releasing stocks, to bring actual and guide prices back into line. Whether market-intervention will be allowed at the single-market stage, and if so the means by which it might be accomplished, is to be decided within three years after November 1962.

Customs duties notwithstanding, imports from third countries might still present a serious threat to internal markets. Therefore, during the transitional period, sluice-gate or minimum import prices for all categories of live cattle and beef from third countries will be determined annually by the Commission for each Member State,

¹ Adjusted where necessary, for unusual circumstances.

taking into consideration the level of the guide prices and the level of the customs duties applied. The sluice-gate price will equal the guide prices less the customs duty. Where the supply price free-frontier of imports from third countries is below the sluice-gate price, the difference is to be eliminated by means of a compensating levy. These levies shall be determined and collected by the importing Member State (though why the determination should be left to the Member is not at all clear).

In the case of intra-Community trade, if an importing Member intervenes on its market it may, before the end of the transitional period, impose a levy when supply prices, inclusive of the customs duty, are less than the intervention price. The amount of the levy will equal the difference between the intervention price and the import price, including the duty.

Frozen beef, veal and all other beef products not subject to the sluice-gate price system will be subject to a control system on imports from third countries based on the issue of import certificates. These will be issued, on request, to the importer by the Member State concerned and will be for a given quantity and within a limited time period. The issue will be subject to a bond which will be forfeited if the importation is not effected within the stated time-limit. The issue of certificates may be suspended at any time when internal markets are disturbed or threatened.

When considered necessary a 'refund' may be paid on exports of live cattle, beef and veal by a Member State to a third country. The amount of this refund will depend on the relative price levels in the exporting country and on the world market, and clearly might be used to dump surplus internal stocks on outside markets.

III

Difficulties arise from the lack of definition in the Regulation as it now stands. Guide prices will be fixed only for certain categories of live cattle (excluding purebreds for breeding) and beef, but sluice-gate prices will be determined for all categories of live cattle (excluding purebreds) and beef, taking into consideration the level of the guide price. If, therefore, the guide price is to be a determining factor in the level of sluice-gate prices it would seem that guide prices must be fixed for all, and not just certain, categories of cattle and beef. In any case, since by definition the sluice-gate price plus customs duty will equal the guide price it follows that *de facto* there will be guide prices for all categories of live cattle and beef to which the sluice-gate system applies.

Again, concerning the actual determination of the initial guide prices for each Member State it is not clear whether the markets which are to be considered 'representative' shall in fact be chosen by the Commission or by the Member States themselves. It must be presumed that in order to avoid the pressures of national and sectional interests during the transitional stage, the markets to be considered as 'representative' will be designated by the Commission itself or by some other independent body such as the Management Committee for Beef and Veal.

Further difficulties arise in that, as the Regulation itself recognizes, great care will have to be taken to ensure that the guide prices are fixed in respect of comparable qualities of product in each Member State and at a comparable stage in the channels of wholesale distribution. Whatever difficulties may be attached to the latter requirement it would seem impossible that the former could be effectively achieved in the absence of a strict and detailed grading system enforced over the whole area of the E.E.C. Even for pigs, where grading standards have been applied for many years, there has been difficulty in actually deciding on 'comparable' qualities.

Again it is stated that as from the end of the transitional period, there will be, for each product, a single guide price within the E.E.C. No mention, however, is made of the incidence of transport charges. Presumably, therefore, for deficit areas the effective guide price would be the official guide price plus transportation charges on supplies brought in. In fact it seems possible that regional guide prices may develop and that these will vary seasonally.

For neither guide nor sluice-prices is it indicated at what rate the various national levels will be approximated during the transitional stage to reach a single Community level. This will very soon become a pressing issue and presumably an official time-table will be forthcoming.

Other difficulties in the Regulation are:

1. That no exact criteria are laid down by which it can be decided that internal markets are threatened with, or are experiencing, disturbance. Thus it appears that each Member will decide on the level of its intervention price—the only qualification being that no intervention measures may be employed which are contrary to the Regulation. To ensure this the measures to be taken must be notified in advance to the Commission which may then make its observations after examining them in consultation with the other Members and the Management Committee.

2. That no criteria have yet been formulated in accordance with which it must be decided that import certificates, where they apply, may be suspended. The Regulation does state, however, that the conditions under which suspension may be employed shall be decided by the Council on the proposal of the Commission.

Indeed the whole question of import certificates is once again in the melting-pot since recent negotiations have disclosed that Luxembourg is pressing for the extension of the certificate system to cover intra-Community trade as well as that with third countries. Italy and Germany, however, would prefer the introduction of an intra-Community 'lock-gate' system which would, presumably, operate in much the same way for intra-Community trade as the sluice-gate system for trade with third countries.

A further complication has been introduced by Italy which argues that a distinction should be made between frozen beef intended for direct consumption and that which is going for processing. For the latter they claim that a reduced tariff quota should be introduced to enable national industries to produce competitively. On the other hand, the U.K. in its negotiations for membership has been pressing for the extension of the licensing system to cover chilled- as well as frozen-beef imports.

3. That, with regard to export 'refunds', there is no real definition of the conditions under which these may be employed. The amount of the refund is to be arrived at on the basis of price movements for live cattle or beef and veal products in the exporting Member State and on world markets, but no directive is given as to what prices are to be used in the comparison—whether wholesale, retail or prices based on cost of production exclusive of all transportation and distributive costs. Again, it is not clear if the prices to be used in the calculation are to be those of all cattle and beef products, those of chosen categories of cattle and beef products, or simply the prices of the actual products in question taken in isolation. Even if all these points were clarified, the question of the time period to be used when comparing the relative price changes would still remain to be settled.

Apart from the uncertainties regarding the method of determining the refund, doubt still remains concerning the nature of

the purposes for which it may be used. Refunds may be given when necessary to maintain Community outlets on world markets; but should 'outlets' here be interpreted to mean markets for surplus production at any cost, then 'refunds' become direct export subsidies used for the purpose of 'dumping'.

Finally, there is an escape clause whereby a Member State may, during the transitional period, enforce protective measures if it considers that its market is experiencing, or is threatened with, serious disturbance as a result of the operation of the Beef and Veal Regulation. The measures taken may include a complete embargo on cattle and beef imports, both from other Member States and from third countries. Even so, Members intending to employ such measures are not obliged to inform other Members or the Commission of their intentions prior to the date of their enforcement, although within four days the Commission must decide whether the measures shall be maintained, modified or terminated. In these circumstances, the need for a clear and objective definition of what will be accepted as constituting a 'serious disturbance' is evident.

The Regulation, therefore, which at first appears so exact, on closer analysis is much less so. In many instances differing interpretations of the regulations are not only possible, but probable. Thus, many routes still remain open through which the introduction of national or purely sectional interests may hamper the smooth development of a common market for beef and veal. Indeed, though the Regulation itself were perfect, the attainment of the desired ends might still be endangered by the use of veterinary regulations for economic purposes in the absence of a satisfactory harmonization of the varied national veterinary legislative codes, which is now being attempted.

IV

As from the beginning of the transitional period, all measures other than those provided for in the Regulation will be forbidden; the complicated national systems of productive aids and protective measures (outlined in an appendix) will have to be abandoned and the new common system substituted. Assuming this happens and bearing in mind the many unknowns noted above, possible developments may be examined on the assumptions that (a) the membership of the E.E.C. remains unchanged and (b) that it is expanded to include the United Kingdom, Denmark, Ireland and Norway.

If the membership of E.E.C. remains unchanged it is probable that production of beef and veal in the E.E.C. would follow much the same path as already outlined. During the initial stages of the transitional period the present degree of support will be reflected in the levels of the national guide prices; thus the rising trend in production will not be interrupted. Increases in duties on supplies from third countries and the operation of the levy system will help maintain actual prices near the guide-price level. This will encourage further expansion in domestic production.

This expansion of production is likely to be furthered by the use of the guide-price system to increase beef at the expense of dairy output. Increasing consumption should maintain a steady upward pressure on prices which may be reinforced by export subsidies should surpluses arise. The conclusion is therefore that production in the E.E.C. will probably increase at an even faster pace than at present as the result of the coming into force of the Regulation.

If the membership of the E.E.C. is expanded it is also probable that production will continue to increase. Because of its nature, however, the effect on producers' prices of the support system (i.e. deficiency payments) operated at present in the U.K. will only be reflected in the guide prices fixed for the U.K., if special provision is made for this. In the absence of such provision it is likely that beef production in the U.K. would receive a set-back in the initial stages. Since, however, guide prices will rise annually in the U.K. as they are approximated to a single Community level, production should recover subsequently. Increasing duties on imports from third countries into the U.K. will come into effect thus presenting better market opportunities for E.E.C. suppliers. For the area as a whole increasing consumption should maintain an upward pressure on prices, supported if necessary by export subsidies.

In conclusion it may be said that in the enlarged E.E.C. production will increase, and that in the initial stages production in supply countries (such as Ireland, Denmark and France) will receive a special impetus from the improved opportunities in the U.K. market, although in the short run production in the U.K. itself is difficult to forecast. The acceptance of the four new applicants for membership would have little effect initially on the degree of self-sufficiency in the enlarged Community but a projection of the present production and consumption trends in the Ten would seem to indicate that the degree of self-sufficiency will decline somewhat.

V

The consumption of pigmeat in one form or another has been rising in all E.E.C. countries in recent years, and this trend is likely to continue. The Community as an entity is self-sufficient in pigmeat. When examined country by country France, Belgium and Luxembourg are self-sufficient, taking one year with another; the Netherlands has a large export surplus; Germany and Italy are important importers of both live pigs and carcass pigmeat. The surplus for export in the Netherlands has not traditionally been complementary to the deficits in Germany and Italy, as Italy imports from Eastern Europe, Germany from Denmark and Poland, and the Netherlands exports to Britain and the United States.

Three of the Community countries import live pigs on a large scale. Western Germany is outstanding in this trade; in 1959 and 1960 more live pigs were imported into the Federal Republic than into the whole of Germany in 1938. Italy is a consistent importer but France has rather erratic imports complicated by the fact that she also exports live pigs. Belgium and the Netherlands are both exporters on an increasingly large scale.

The pattern of trade in carcass pork is what one might expect; West Germany is to the forefront as an importer, Italy is second. Belgium and France both export and import carcass pork; in recent years they have tended to be net exporters. The Netherlands is, of course, the major exporter and furthermore has an extensive trade in bacon and ham, not shared by her E.E.C. competitors.

The expected rise in pigmeat consumption is not as great as that forecast for beef. The E.E.C. itself believes that consumption will rise from the 1955/7 level of 18.2 kilogrammes per head per year to at least 20 kilogrammes by 1965, or a rise from just under 3 million metric tons to a minimum of 3,533,000 tons. An increase is expected in all countries, but Germany is forecast to remain the largest consumer and to have the largest increase. Belgium, Luxembourg and Italy will most likely have the smallest increases in consumption.

VI

The Common Market regulations concerning trade in live pigs and pigmeat came into operation on 30 July 1962. The declared aim of these regulations (like those for the beef sector) is to provide for the gradual establishment of a common organization of markets, to diminish price

fluctuations, balance supply and demand, and to enable this sector of agriculture to yield adequate profits. The method by which these goals are to be reached is decidedly complicated; briefly, the basis of the system is a series of levies.

In the case of *intra-Community* trade in slaughtered pigs, the levy is dependent on two separate considerations. The first consideration is the effect on feed costs resulting from the difference in grain prices in the importing and exporting countries. The second is a fixed element designed to take account of the differences in slaughtered pig prices in the various Member countries *after* the feed cost element has been deducted. In order to calculate the first element of the levy, the Commission used three factors:

- (a) a Community conversion rate of 4.2 kilogrammes of feed to 1 kilogramme of pigmeat;
- (b) a 'representative' ration for each country. This involved working out the normal ratio of one grain to another in the ration;
- (c) the average price of each component of each ration over a period of nine months.

These calculations provide the average feed cost in each country incurred in producing 1 kilogramme of pigmeat.

The calculation of the fixed element was based on the average wholesale price for roughly comparable qualities of slaughtered pigs in each Member country. These prices were worked out over 'one complete pig cycle' (36 months in Germany, France and Italy and 30 months in Belgium, Luxembourg and the Netherlands). The price differences thus reached were then reduced by an amount equal to the transport costs between the Member States. This in practice works out at 0.50 units of account (i.e. 50 U.S. cents) per 100 kilogrammes per 100 kilometres as between the markets in the principal supply zones in the importing and exporting countries. This would lead one to assume that the levy is in fact the difference in pig prices between the exporting and importing countries *less* the feed cost of the pig and transportation charges to market destination.

In practice, the method adopted seems somewhat different. It appears that when the importing Member's price for pigmeat (i.e. carcass pork) is greater than the exporting Member's price, the levy is equal to the difference in pigmeat prices less the transport rebate

irrespective of any differences in grain prices.¹ If, however, the importing Member's pigmeat price is *lower* than that of the exporting Member, the levy equals the difference in grain prices, i.e. the grain element alone without any transport rebate.

The *slaughtered pig levy* on trade with *third countries* is even more complicated. The levy in this instance is based on three elements. The first is equal to the intra-Community levy imposed on exports from the Netherlands.² The second element reflects the difference in feeding costs between the Netherlands and world market prices and is based on:

- (a) the Community conversion rate of 4.2:1,
- (b) the grain composition of the pig ration in the Netherlands,
- (c) the trend in prices in the Dutch wholesale grain market over a given period,
- (d) the trend in world feed grain prices, c.i.f. with unloading charges added, over the same time period.

The third part of the levy is composed of a fixed sum per 100 kilogrammes of slaughtered pig. This is calculated by taking the average of the supply prices weighted by reference to the quantities imported to the various Members during the last pre-levy year. Two per cent. of the average thus calculated is then added to the other elements of the levy. This percentage will rise progressively during the transitional period.

The sluice-gate price on trade with third countries is based on an attempt at estimating the cost of pig production outside the Community. This price is also arrived at by reference to three considerations. The first is a representative conversion rate—finally set at 3.9:1. The second is an average of various grain prices in world markets during the six months preceding the quarter in which the sluice-gate price is fixed. Added to both these is a third factor to cover such costs as concentrated protein, general pig-rearing charges and the cost of marketing. These calculations give the cost of producing 100 kilogrammes of liveweight pigmeat which in turn is converted into deadweight. The sluice-gate price on *intra-Community* trade in slaughtered pigs is based on the above sluice-gate price, *plus* the first two elements of the levy imposed on slaughtered pigs from third

¹ The only exception to this occurs when the transport rebate is greater than the difference in pigmeat prices. In this case no levy is enforced.

² The Netherlands is chosen as it has the lowest average price for slaughtered pigs.

countries. This means that the sluice-gate price on intra-Community trade is higher than that on trade with third countries.

Levies and sluice-gate prices on live pigs are based on the slaughtered pigmeat regulations. In the case of live pigs (excluding slaughter sows and breeding stock) entering into intra-Community trade, *the levy* is equal to 76.9 per cent. of the intra-Community slaughtered-pig levy. Sows for slaughter bear a levy 12 per cent. lower than that applied to other pigs for slaughter. Breeding stock is not subject to levy.

Live slaughter pigs are subject to a *sluice-gate price* similar to that imposed on slaughtered pigs in intra-Community trade, except that (as in the case of the levy) 76.9 per cent. of the sluice-gate price is used, thus effecting the conversion between live and deadweight. The intra-Community sluice-gate price on sows for slaughter is fixed at a level of 88 per cent. of the intra-Community sluice-gate price for other live pigs for slaughter.

The procedure adopted for fixing the sluice-gate prices for live pigs imported from third countries is the same, except that prices are based on the non-Member slaughtered pig sluice-gate price.

The E.E.C. is to institute a system of levies covering all products derived from pigmeat other than carcasses or half carcasses. In the meantime, the existing regulations are to be applied 'by analogy'. Presumably this means that each case is to be judged on its merits by the officials in Brussels.

VII

Despite the plethora of detailed regulations surrounding trade in pigs and pigmeat, the matter is by no means settled. The E.E.C., as already mentioned, has not come to any agreement on veterinary regulations. A draft of proposed regulations covering veterinary control of intra-Community trade was circularized in April. Even if these proposals were accepted¹ the present proposals cover only regulations about slaughter-house hygiene, the system of sanitary inspection, stamping of carcasses, health certificates and the transportation of meat. Thus no attempt has been made to harmonize legislation about the type or cut of meat which may be imported. As matters now stand, Federal Germany, for example, does not permit the importation of cuts of pork from other members of E.E.C. or from

¹ Judging by the number of changes which have been effected in the pigmeat regulations, this is highly unlikely. A second draft has already been circulated.

third countries. Such restrictions will have to be removed if liberalization of trade is to become a reality.

Considerations such as the veterinary regulations make estimation of the outcome of the pigmeat regulations even more difficult. The position is already complicated by the regulations concerning grain prices, which are of basic importance to the pig producer. It is also conceivable that changes in the dairying industry could influence pig production. The trend in pig numbers in Germany is most uncertain, as although pig prices will decline, so will the cost of grain. In the Netherlands, the cost of grain is increasing, but the return on pigs is also up.

France, which in 1960 had an export of 25,500 tons of carcass pork, expects to be able to export 100,000 tons of pork in 1965.¹ It has been suggested that Belgium and France might be interested in exporting bacon to Britain. Italy, hitherto not an important market for bacon or pigmeat, is expected to increase her level of imports. These developments will depend, not only on governmental and international regulations, but also on consumer taste and product promotion. One change which has already taken place and which perhaps illustrates the likely trend of things to come has occurred in Dutch-German trade. In the first half of 1962, the Netherlands exported an average of 1,000 live pigs per week to Germany; within six weeks of the coming into operation of the E.E.C. regulations this had risen to 5,000 pigs per week.

VIII

Any application for membership of the Community by Denmark, Britain and Ireland would add further complications. Membership for these three would mean a slight drop in the level of self-sufficiency, as Britain's pigmeat deficit is not completely compensated for by Denmark's and Ireland's exports.² The addition of these three countries to the existing Six should, on the surface, alter the character of the European pig market very considerably, but there is insufficient evidence to show in what way the long-term trends would develop.

In the export of bacon to Britain, Denmark and Ireland are not to any extent in direct competition with any E.E.C. country: the Netherlands does export bacon to Britain, but uses this market more as an

¹ 'France's Farming Explosion', *The Economist*, 1 Sept. 1962.

² Norway is not an important producer or consumer. She has a small net import of pork annually but has been omitted because her position is marginal.

outlet for surplus pigmeat than as a steady market. It is not likely that she will wish to increase bacon exports to Britain unless a considerable price increase occurs. Denmark is, however, in direct competition with the Netherlands (and to a lesser extent with France and Belgium) in continental markets. This is true of live pigs in particular, but also for pork.

IX

The outcome of current E.E.C. policy in the regulation of the live-pig and pigmeat market may be even more uncertain than at first appears to be the case. It is widely held that the problems of adjustment will be of greater magnitude than can be overcome solely by restrictions on imports. The present market for pigmeat is a highly managed one and the intention that all restrictions be removed by 1969 will unquestionably be very difficult to achieve.

There appear to be two possible outcomes of current policy, neither of them likely to be particularly welcome. The first is that present prices on internal markets will fall reflecting the lowering of levy barriers. This will be of most significance in the high-cost countries of E.E.C. which will become even less competitive as time goes on. If the ambition to reach a position of free trade is allowed to remain supreme, it will cause considerable dislocation in some pig markets and widespread discontent among producers in certain regions.

The other possibility is that in those areas where pig-keeping is an economic proposition and where prices are likely to rise pig numbers will increase substantially. The comparatively small increase in pigmeat consumption forecast for E.E.C. and the difficulty of finding alternative markets (even allowing for the assistance to be given on exports) could result in considerable over-supply. Such a situation could not be catered for merely by the operation of import levies (these countries would hardly be importing anyway). The outcome might be either (a) lower prices or (b) intra-Community pig quotas.

The former is economically more compatible with free trade within the E.E.C. but incompatible with the general aim of increased incomes for producers and would be difficult to enforce in practice. Quotas are an anathema to the very concept of the Common Market and are basically more injurious to the efficient producer, but politically they might be easier to adopt. Nothing in the present official literature seems to provide for the very real potential problems in the marketing

policy for pigs; it remains to be seen at what point the spirit of welcome for free trade in pigs within the Common Market starts to be qualified officially.

X

The position, though by no means final or even clearly discernible can be summed up as follows:

In the Market, as it now stands

1. Intra-Community trade will increase.
2. Trade with third countries will decline (the future of trade with Eastern Europe is as yet unsettled).
3. Over-production of pigs is likely. The consumption increase for the Community as a whole is only at best 15 per cent. by 1965 (whereas in the case of beef, it is 15 per cent. on the most pessimistic assumption).
4. In the event of over-production exports will be of vital importance. Britain and the United States are the two really large markets, but the latter is barred to continental trade (except for canned products) due to disease risk. The British market, though more flexible than is generally believed, is not a bottomless pit.

The Community enlarged by membership of Ireland, Britain and Denmark

1. Lower degree of self-sufficiency in the short run.
2. The future of the British bacon market is very uncertain; changes in prices and sources of supply are likely to have a profound effect on the European pigmeat market as a whole.
3. Direct competition of Denmark with other Community countries in the European market—particularly in Germany for pork and live pigs.
4. This will aggravate the tendency to over-production already in the Community, and may lead to either price reduction or quotas.

XI

It is difficult to find any specific determinants of policy common to both beef and pigmeat. The complexity of the present regulations

gives the impression of compromise between widely differing objectives, and it is far from clear how long-term prices in the E.E.C. will be related to world prices. In practice, the operation of the regulations is likely to be more flexible and more sensitive to short-term influences than the general agricultural policy objectives would have one believe.

If the E.E.C. maintains a rapidly expanding national income, and is anxious to move agricultural resources into other sectors as part of the drive towards a high overall rate of growth, the difficulties of production and marketing in agriculture will be greatly reduced. In the case of beef, the relatively extensive production requirements coupled with a high income elasticity of demand will make the transition to a free market easier than for pigs. The success of the pigmeat policy will be largely dependent upon solution of the 'small farm problem'. Even so, the elasticity of supply of pigs is likely to present the E.E.C. planners with problems which may mean the temporary abandonment of the free-trade policy in agricultural products. It is therefore the energy with which the basic agricultural adjustments are tackled, together with the strength and purpose of the agricultural voice in overall economic planning, which will decide E.E.C. policy on beef and pigmeat, rather than the economic factors basic to the production of cattle and pigs themselves.

APPENDIX

TABLE 1. *Cattle numbers*

(Thousands)

	1955	1957	1959	1960
E.E.C.	43,376	44,132	46,374	48,100 ^(a)
U.K.	10,668	10,881	11,291	11,771
Denmark	3,180	3,214	3,379	3,394
Ireland	4,483	4,417	4,684	4,700
Norway	1,171	1,103	1,090	1,080 ^(b)
Total	62,878	63,747	66,818	69,045

Source: O.E.E.C., *General Statistics Bulletin*, September 1960, and C.E.C., *Meat*, 1962.

(a) Excludes Luxembourg.

(b) Estimate.

TABLE 2. *Production of beef and veal*

(Thousand tons)

	1955	1957	1959	1960	1965 ^(a)
E.E.C.	2,899	2,896	3,134	3,220	3,730
U.K.	704	822	719	820	894
Denmark	122	158	145	151	..
Ireland	71	79	87	98	..
Norway	53	49	50	51	..
Total	3,849	4,004	4,135	4,340	4,890 ^(b)

Sources: O.E.E.C., *General Statistics Bulletin*, September 1960, and C.E.C., *Meat*, 1962.(a) 1965 Projections from C.E.E. *Études. Série Agriculture*, No. 5 in the case of the E.E.C. and USDA, ERS—Foreign—19 in the case of the U.K.

(b) Estimates.

TABLE 3. *Consumption of beef and veal*

(Thousand tons)

	1955	1957	1959	1960	1965 ^(a)
E.E.C.	2,877 ^(b)	3,065 ^(b)	3,214 ^(b)	3,436 ^(b)	3,900
U.K.	1,048	1,262	1,075	1,160	1,276
Denmark	70	67	75	73	..
Ireland	41	43	40	42	..
Norway ^(c)	53	49	50	51	..
Total	4,089	4,486	4,454	4,762	5,793 ^(c)

Source: C.E.C., *Meat*, 1962.(a) 1965 Projections from C.E.E. *Études. Série Agriculture*, No. 5 and from USDA, ERS—Foreign—19.

(b) Excluding Luxembourg.

(c) Estimate.

TABLE 4. *Ad valorem duties* applied by the Members of the E.E.C. to imports of cattle, beef and veal from third countries*

	Live cattle			Beef and veal									Fresh, chilled, or frozen edible offal		
				Fresh or chilled			Frozen			Canned					
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
W. Germany .	11·8 or 16 ^(a)	13·6 or 16 ^(a)	16	20	20	20	13	16	20	17·2	18·4	20	13 ^(b)	16 ^(b)	20
Italy . . .	12·5	14	16	13	16	20	13	16	20	20	20	20	13	16	20
France . . .	25·8	21·6	16	30·5	26	20	30·5	26	20	30·5	26	20	16·5 ^(c)	18 ^(c)	20
Benelux . . .	11·1	13·2	16	14·4	16·8	20	14·4	16·8	20	27	24	20	13 ^(d)	16 ^(d)	20

1. During the first stage.
2. During the second stage.
3. During the final, or Single Market stage.

- (a) West Germany applies different rates to different classes of cattle.
- (b) Applies to tongues, hearts and kidneys only.
- (c) Excluding livers which will have a 20 per cent. duty for all periods.
- (d) Applies to beef tongues and kidneys only.

* Duties are given for main categories of cattle and beef only. They are calculated on the interpretation that when the Regulation refers to the difference between the actual tariffs applied on 1 January 1957, and the Common Customs Tariff being not more than 15 per cent., it means 15 per cent. of the Common Customs Tariff.

TABLE 5. *Permitted ad valorem duties on intra-Community Trade in cattle, beef and veal during the transitional period*

	Live cattle			Beef and veal									Fresh, chilled, or frozen edible offal		
				Fresh or chilled			Frozen			Canned					
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
W. Germany .	5·5 ^(a) or 8·2	4 ^(a) or 6	2 ^(a) or 3	11	8	4	5·5	4	2	8·8	6·4	3·2	5·5 ^(b)	4 ^(b)	2 ^(b)
Italy . . .	6·05	4·4	2·2	5·5	4	2	5·5	4	2	12·1	8·8	4·4	5·5	4	2
France . . .	16·5	12	6	19·3	14	7	19·3	14	7	19·3 ^(c)	14 ^(c)	7 ^(c)	8·2 ^(d)	6 ^(d)	3 ^(d)
Benelux . .	4·9	3·6	1·8	6·6	4·8	2·4	6·6	4·8	2·4	16·5	12	6	5·5 ^(e)	4 ^(e)	2 ^(e)

1. After the first reduction.

2. After the second reduction.

3. After the third reduction.

(a) W. Germany applies different rates to different classes of cattle.

(b) Applies to tongues, hearts and kidneys only.

(c) Applies to 'non-truffled' category only.

(d) Excluding livers.

(e) For beef tongues and kidneys only.

TABLE 6. *An outline* of present systems of national protective measures, productive aids, &c., applied to beef and veal*

	Import Duties	Taxes on imports	Import ^(a) controls	Powers to suspend imports	Price stabilization		Trade agreements	Export subsidies	Export levies	Domestic sale levies	Guarantee payments	Production subsidies
					Market intervention	Target: min. and/or max. price systems						
Belgium .	× ^(b)	×	×		×	×		×				
Luxembourg .	×	×	×			×						
France .	×	×	×		×	×		×				
W. Germany .	×	×	×		×		×					
Netherlands .	×		×		×							
Italy .	×	×	×	×								
U.K. .	×		×				×				×	×
Ireland .	×		×				×					
Denmark .			×		×	×	×		×	×		

* The countries opposite which an '×' appears, practise some form of the type of measure indicated by the heading at the top of the columns concerned.

(a) Including veterinary controls.

(b) Belgium and Luxembourg have common customs duties, but differing import taxes.

(c) Belgium also encourages or limits exports, when necessary.

(d) The Belgian Government has power to fix maximum retail prices.

Source: C.E.C., *Meat*, 1962.

TABLE 7. *Pig Numbers*

(Millions)

	Census month	1957	1958	1959	1960	1961
Belgium . .	May	1.37	1.42	1.45	1.73	1.76
France . .	October	8.13	8.47	8.36	8.53	8.92
W. Germany .	June	14.10	14.15	13.68	14.08	15.64
Italy . .	January	3.92	3.90	3.85	4.15	..
Netherlands .	May	2.53	2.47	2.59	2.95	2.85
Total E.E.C. (a)		30.05	30.41	29.93	31.44	..
Ireland . .	June	0.90	0.95	0.85	0.95	1.07
U.K. . .	June	5.97	6.49	5.98	5.73	6.09
Denmark . .	July	5.44	5.35	6.07	6.18	7.09

Source: C.E.C., *Meat*, 1962.

(a) Excludes Luxembourg.

TABLE 8. *Imports of live pigs*

(Thousands)

	1957	1958	1959	1960
France . .	6	36	3	118
W. Germany .	264	436	791	819
Italy . .	30	90	97	94

Source: C.E.C., *Meat*, 1962.TABLE 9. *Imports of carcass pork*

(Thousand tons)

	1957	1958	1959	1960
Belgium . .	5.8	4.6	4.7	2.7
France . .	2.9	10.2	0.6	13.7
W. Germany .	24.1	24.7	43.2	46.8
Italy . .	17.7	31.6	36.8	24.3
Total	50.5	71.1	85.3	87.5
U.K. (a) . .	24.9	18.3	13.8	21.8

Source: C.E.C., *Meat*, 1962.

(a) Retained imports.

TABLE 10. *Imports of bacon into United Kingdom*

(Thousand tons)

	1957	1958	1959	1960	1961
Ireland	14.7	28.9	18.9	22.8	28.2
Denmark	223.1	222.0	248.5	282.7	280.3
Netherlands	36.9	25.1	16.2	34.7	16.3
Total	274.7	276.0	283.6	340.2	324.8
Total from all sources .	332.1	338.1	347.5	406.1	394.4

Source: C.E.C., *Meat*, 1962.TABLE 11. *Exports of live pigs*

(Thousands)

	1957	1958	1959	1960
Belgium	35	33	57	152
France	1	3	89	111
Netherlands	1	11	35	133
Total	37	47	181	396
Denmark	136	138	189	190

Source: C.E.C., *Meat*, 1962.TABLE 12. *Exports of carcass pork*

(Thousand tons)

	1957	1958	1959	1960
Belgium	6.6	7.8	7.6	14.0
France	10.1	7.5	16.8	25.5
Netherlands	28.8	27.2	41.4	46.0
Total	45.5	42.5	65.8	85.5
Denmark	20.7	24.0	18.8	18.6
Ireland	0.7	0.9	0.6	1.8

Source: C.E.C., *Meat*, 1962.

TABLE 13. *Growth in pork consumption*
(Dressed carcass weight)

	Year	Germany	Belgium and Luxembourg	France	Italy ^(a)	The Netherlands	E.E.C.
Consumption per head per year (in kilos)	1955/7 ^(b)	26.8 (100)	24.2 (100)	21.7 (100)	4.7 (100)	16.3 (100)	18.2 (100)
	1965 ^(c) {	I 30.5 (113.8)	I 25.5 (106.0)	I 22.9 (105.5)	I 4.9 (104.3)	I 17.1 (105.0)	I 20.0 (110.2)
		II 31.2 (116.4)	II 25.9 (107.5)	II 23.3 (107.4)	II 5.0 (106.4)	II 17.6 (108.0)	II 20.4 (112.4)
		III 32.0 (119.4)	III 26.3 (109.0)	III 23.6 (108.7)	III 5.0 (106.4)	III 19.0 (117.0)	III 20.9 (115.2)
Index of population	1965	109.9	104.0	105.8	104.9	108.6	106.9
Annual total consumption (metric tons)	1955/7 ^(b)	1,421.7 (100)	224.3 (100)	947.0 (100)	227.7 (100)	177.0 (100)	2,998 (100)
	1965 ^(c) {	I 1,778.8 (125.1)	I 245.9 (109.6)	I 1,059.0 (111.8)	I 247.7 (109.8)	I 202.0 (114.0)	I 3,533 (117.9)
		II 1,819.6 (128.0)	II 249.7 (111.3)	II 1,076.0 (113.6)	II 253.2 (111.2)	II 208.9 (117.0)	II 3,607 (120.3)
		III 1,866.2 (131.3)	III 253.6 (113.1)	III 1,089.0 (115.0)	III 253.2 (111.2)	III 226.0 (127.0)	III 3,688 (123.1)

Source: *Tendances de la Production et de la Consommation en Denrées Alimentaires dans la C.E.E. (1956 à 1965)*, Agricultural Series no. 2, Bruxelles, 1960.

(a) Provisional estimates.

(b) Except France = 1956.

(c) I = Pessimistic assumption.

II = Average assumption.

III = Optimistic assumption.