'European regulations have entered into force for the beef and veal and dairy product markets' from Le Monde (6 November 1964)

Caption: On 6 November 1964, the French daily newspaper Le Monde comments on the entry into force, on 1 November, of the European Regulations relating to the markets in beef and veal and dairy products, focusing on the fixing of agricultural prices at national and Community level.

Source: Le Monde. dir. de publ. BEUVE-MÉRY, Hubert. 06.11.1964, n° 6 159; 21e année. Paris: Le Monde. "Les règlements européens sont entrés en vigueur pour les marchés du boeuf et des produits laitiers", auteur:Virieu, François Henri de , p. 4.

URL:
http://www.cvce.eu/obj/european_regulations_have_entered_into_force_for_the_beef_and_veal_and_dairy_product_markets_from_le_monde_6_november_1964-en-98b84baa-aa4a-4448-a6d9-b91b5781b295.html

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Application of the common agricultural policy

European regulations have entered into force for the beef and veal and dairy product markets

85 % of agricultural production in the six Member States is now subject to decisions taken by Brussels

The two regulations establishing a European organisation of the beef and veal and dairy product markets, which were approved by the Special Council of Ministers of the Six on 23 December last year, entered into force at midnight on Sunday, 1 November. A series of texts published in the *Journal Officiel* (Official Gazette) of 30 October and 1 November amended French legislation and brought it into line with the new European provisions.

The stage that has just begun is vital in terms of economics. In 1963, French farmers drew 12.7 % of their income from cattle breeding, 6.2 % from sales of calves and 19.1 % from milk sales. Accordingly, a total of 38 % of the value of French agricultural production now falls under Community rules. Cattle-breeding profits constitute approximately the same percentage of farming income throughout the Community (35 %). Italy is the only exception, where meat and milk account for just 19 % of farming income.

With cereals, pigmeat, eggs, poultry, wine, and fruit and vegetables falling under Community rules in July 1962, and prices last September, an estimated 85 % of agricultural production for the six countries now depends on decisions from Brussels. Only sugar, drinking milk, potatoes, hops, tobacco and cut flowers are still exempt, but — if all goes well — the first two products should be covered in the spring.

No new deferment was required for the entry into force of the regulations on dairy products and beef and veal, which had already been postponed on several occasions. So, apparently, the ‘Common Agricultural Market is being organised as planned’ and the ‘warnings’ from Paris would appear to be null and void. The reality is more complex.

Without denying the interest of the regulations and the stir for progressive market unification that they create, one must admit that the real match takes place on the pricing field. It is only because they had been drained of their most ‘political’ content — the speed of national price approximation and the level at which future European prices will be set — that the draft regulations submitted by the Hallstein Commission to the Council of the Six were finally approved by the representatives of the Member States which have such disparate interests.

By holding over to a later date the solution to pricing problems, the Six have, as we are well aware, created a new, particularly tight deadline for the end of the year. Before 15 January, they will have to agree not only on the approximation of cereals prices but also on rates for beef and veal and milk. France wants the unification of national farming prices to take effect as soon as possible.

This is not, as is often thought, because it could then increase its own prices — which are among the lowest — but because the simple fact that price differences exist between the Member States requires the collection of ‘levies’ and the maintenance of borders and the irksome aspects of officialdom that are the most serious impediment to trade among the Six. The mechanisms put in place by Brussels will be fully effective only when farm prices are the same throughout the entire territory of the six countries.

For France, one could even go so far as to say that the speed with which the issue of pricing is resolved is more important than the substance of the regulations themselves. Maintaining high prices in net importing countries like Germany has the twin drawback of stimulating local production — which reduces the opportunities for selling French products — and of favouring the equipment of our main competitors.

The basic elements of national agricultural policy are on the verge of being amended by this truth, which is all the more disturbing because it was discovered so late on. Europe is no longer as interesting a prospect for

French farmers as was thought a few years ago. If nothing is done to speed up the pace set out in the Treaty, it may not be interesting at all by 1970, when the transitional period comes to an end.

Mr Lahr, the German Junior Minister, is right in saying that the French Government 'cannot require' Bonn to make a 'gift' of European agriculture 'five years ahead of time'. But the tragedy faced by French agriculture is that, in five years, there will no longer be a 'gift'.

Will the single price of beef and veal enter into force in 1965?

The beef and veal sector is the only sector where French farmers remain decidedly optimistic. A net importer of significant quantities, the EEC increases its imports each year, largely because of the hearty appetite of the Italians, whose standard of living is increasing rapidly. In 1962, the Six imported cattle and beef and veal from third countries to a value of FRF 1 020 million, while exports amounted to only FRF 305 million. Net imports represented 4 % of total domestic production.

The situation is completely different as regards dairy products, in respect of which the Six are net exporters to third countries: imports amounted to FRF 575 million in 1962, while exports amounted to FRF 1 200 million. Net exports represent 2.5 % of total domestic production.

This situation accounts for the difference in the economics of the two regulations concerning beef and veal and dairy products. Given the surplus quantities to be marketed, the milk market will be modelled on the cereals market by the setting of national target prices that the governments must enforce through support purchases. These will be made on the basis of intervention prices, i.e. the prices guaranteed to producers for the duration of a marketing year. The beef and veal market, which cannot provide sufficient quantities, will be organised in accordance with a slightly different system based on the notion of a guide price. The beef and veal regulation, for that matter, is the only one that provides for such a price, which is meant to serve as an objective for national governments and not as a guaranteed price. National guide prices should be gradually approximated with a view to a single guide price being established for the entire Community.

Guide prices applied to beef and veal in the six countries differ only slightly: FRF 261 for 100 kilos live weight in the Netherlands, FRF 265 in France, FRF 268 in Belgium and in Italy, FRF 273 in Germany and FRF 277 in Luxembourg. The problem is therefore not at all the same as for cereals, where the average disparity between the highest and lowest prices is around 25 %. A few weeks ago, and on the grounds of this situation, Mr Pisani asked the Six to set a single guide price for all the Member States that would take immediate effect. Approval of the 'Pisani Plan' is essential not only psychologically but also commercially, for it would mean that the beef and veal market would be unified five years prior to the date set by the Treaty. Abolition of intra-Community borders and the administrative annoyances that always arise when they are crossed would be the surest way to stimulate trade.

Mr Pisani would also like the Six to agree to set the European guide price markedly higher than the FRF 277 paid to breeders in Luxembourg, with the dual aim of:

(1) boosting cattle breeding in Europe, where meat consumption is increasing considerably faster than production;

(2) guaranteeing small-scale French farmers sufficient additional resources so as to avoid having to agree to price increases on milk and cereals: products that are currently in surplus, but nevertheless more lucrative than beef and veal.

Setting a single price now would lead to the immediate abolition of the intra-Community customs duties that were to be maintained until price unification.

The dairy industry is concerned about competition from partner countries

The regulation on dairy products concerns milk for processing, butter, preserved milk and the between three and four hundred cheeses produced throughout the six countries. Fresh milk for drinking, however, does not fall under the new regulation, since the Commission said that the first text needed to be 'run in' before any further steps were taken. While waiting for the regulation to be supplemented on this point, theoretically in 1965, Germany and the Netherlands will be able to retain for a while longer their compensation system between unprocessed milk prices and processing milk prices (see graph below), a system that distorts the conditions of competition for dairy products on the European market.

Trade restrictions on these products have been eased, as they have on beef and veal. On import, customs duties have been replaced by financial 'levies', as has been the case for cereals for the past two years. The amount of the levy represents the price difference between the exporting country and the importing country. The opposite applies to exports. As the prices for the countries of the Community are generally higher than those on the international market, 'refunds' will be granted to exporters who sell their products on external markets.

National target prices for milk, which range between 39.35 centimes per litre with 37 grams of fat — French price — and 51.84 centimes — Italian price — for the current marketing year (1964–1965), should be gradually approximated with the European price to be set before 15 January.

The application of the European rules might considerably change the basis of the French dairy market, which has been protected in recent years more than other European markets because of the quotas in place. For example, to date, French Gouda cheese production (approximately 25 000 tonnes per annum) has competed with a mere 3 000 tonnes of similar Dutch cheese.

It is not certain whether French manufacturers will find that exports can offset this increase in competition. The Community refund scheme is actually less advantageous than the current export aid granted by the State. Keeping with the Gouda example, exporters who had previously benefited from a FRF 2.70 subsidy per kilo to export to Italy will not receive a centime under the refund system. On the other hand, until 1966, Germans will still be able to refuse entry of French farm butter (particularly from Charente), which is considered a second-rate product since it is not made with pasteurised cream. The farmers of Charente know all too well that one man's sorrow is another man's joy, for the Danes are the ones who will continue to supply the German dairies.