



Commission of the European Communities
Spokesman's Service

EUROPEAN COMMUNITY OFFER ON AGRICULTURE

FOR THE URUGUAY ROUND

OF THE GATT NEGOTIATIONS

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European Community Offer In Agriculture

1. Introduction

At the Mid-term review, participants have agreed on the long term objective to provide for substantial progressive reductions in agricultural support and protection, sustained over an agreed period of time. The agreement was reconfirmed at the last meeting of the TNC on July 28.

2. Substance of the European Community Offer

The Community is prepared to reduce its support and protection by 30% for main products. More specifically, this implies:

- a reduction of support by 30%, expressed by an Aggregate Measure of Support (AMS) as explained below;
- the tariffication of certain border measures and a concomitant reduction of the fixed component resulting therefrom, together with a corrective factor; the tariffication being subject to rebalancing;
- a concomitant adjustment of export restitutions.

For other products, for which the calculation of an Aggregate Measure of Support is not practicable, specific commitments will be taken as explained below.

3. Reduction of Support

The Community has made considerable efforts to reduce its support since 1984. At the Mid-Term Review it has been recognized that credit should be given for measures implemented since the Punta del Este declaration, which contributed positively to the reform programme. Therefore, the reduction will be calculated from 1986. The AMS will be expressed by total monetary value for the following groups of commodities: cereals and rice, sugar, oilseeds and protein crops, olive oil and livestock products.

The reductions of support, which remain to be implemented, will be spread over a 5-year period, extending from the marketing years 1991-92 to the marketing years 1995-96. In principle, the reductions will be made in equal instalments. The AMS for 1986, 1990 as well as those which will be implemented in the marketing years 1995-96 are given in Annex IA.

4. Content of AMS

The details of calculating the AMS have been explained in the different Community submissions, in particular in its working paper on a draft agreement with regard to agricultural support. In order to make the measurement of support independent from movements of world market prices, a fixed reference price based on 1986 to 1988 data has been used. The policy coverage includes price support, direct support and input subsidies. The AMS does not cover disaster assistance, domestic food aid, marketing support, general services, resource retirement programmes, investment aids, programmes for stockpiling food reserves.

5. Products for which the Calculation of the AMS is not practicable

There are products which attract support without or in addition to border protection and which are not suitable for an AMS calculation. Furthermore, support for these products which cover only a minor part of international trade in general has not been as marked as for AMS products. These products may be divided into those for which production aid is being paid and those for which price support (withdrawal of products or storage) is complemented by border measures. The first group includes seeds for sowing, textile plants (flax, hemp, cotton), hops, tobacco, as well as fruits and vegetables for processing. The second group includes fruits and vegetables and wine.

Support for the first category is calculated on the basis of production aid. For the second category support is calculated on the basis of the border measure without adding the expenditure for additional price support because it is part of the market price support as provided by the border measure. The Community is prepared to reduce support as expressed in this way by 10%. The amounts for the two categories in 1986 and 1990 and in the marketing year 1995-96 are to be found in Annex IB.

6. Freeze of Support

The Community is prepared to freeze the overall level of support on the basis of 1986, including those policies which are not subject to a reduction commitment. The overall aggregate support in 1986 stood at 98.532 Mio ECU.

7. Compliance with Commitment

The Community will comply with the commitment to reduce support by reducing its support prices, by reducing expenditure for non market price support measures or by taking other measures, including those reducing production, which will reduce total AMS.

8. Border Protection(1)

The reduction of support as offered by the Community will provide for a reduction of border protection. However, in order to make the reduction of support more effective, the Community is prepared to transform border protection measures, which are not normal tariff duties, into tariff equivalents (fixed components) under certain conditions as specified in its submission of December 20, 1989. The reduction will be made once a year and by an absolute amount which reflects the incidence of the SMU reduction.

9. Calculation of the Fixed Component

Fixed components have been calculated as the difference between a representative world market or an import price on an average basis for 1986 to 1988 and the average Community support price (in most cases the intervention price) increased by 10% for the same period. In most cases the fixed components are well below the average variable levies for the period 1986 to 1988. The fixed components are calculated for a limited number of "pilot products". For other products coefficients as applied by the Community have been used whenever possible.

In its submission of December 20, 1989, the Community has proposed to transform also deficiency payments into tariff equivalents. The Community recognizes that this can lead in certain cases to price increases which may negatively affect consumption. It is therefore proposed that only part of the deficiency payments should be tariffied.

10. Corrective Factor

In general, the fixed component will be completed by a corrective factor which will offset all currency fluctuations and certain market price fluctuations from the reference price (average 1986 to 1988) according to a formula explained in Annex IV. For offsetting currency fluctuations a fixed exchange rate will be used.

11. Rebalancing

The Community has always made it clear that tariffication is only acceptable if serious disequilibria which exist in support and protection can be corrected. Therefore, the Community proposes to introduce tariff equivalents derived from maize for oilseeds, protein crops, corn gluten feed and other residues from starch manufacture and derived from barley for other non-grain feed ingredients with tariff quotas based on the average of 1986 to 1988

(1) See also global EEC offer of December 20, 1989.

Imports. The tariff rate for imports under the tariff quotas will be 6% for non-grain feed ingredients and for oilseeds and 12% for other products. These tariffs will be introduced progressively in installments of one third every two years to reach the final levels at the end of the 1995/1996 campaign. The deficiency payment will be reduced accordingly and converted into a maximum amount of aid. The corrections that the Community is proposing are set out in Annex II.

12. Access Commitments

The fixed components as indicated in Annexes II and III will be bound subject to the application of the corrective factor. Subject to its proposals on rebalancing, the Community is prepared to bind all its tariffs which have not been bound.

13. Processed Products

For a number of processed products, the Community applies border and internal support measures which offset the difference of prices between the international market and the Community market of basic commodities incorporated in these products. The Community will replace the existing import charges by fixed components derived from the fixed components and the corrective factors applied for the basic commodities. The coefficients used will be the same as applied by the Community now. In addition, the Community will reduce tariffs for these products to the extent foreseen for industrial products.

Internal support for processed products, aimed at offsetting the difference of prices between the international market and the Community market of basic commodities incorporated, will be limited to this difference.

14. Export Competition

The proposed reduction of support and protection will lead to a considerable reduction of export subsidies in global expenditure as well as in unit terms on the assumption that world market prices remain stable.

In addition, the Community remains committed to its earlier proposals:

- The introduction of disciplines under which the level of export subsidies may not exceed the difference between the exporter's domestic price and the world market price which could be calculated on the basis of predetermined criteria (fob US-Gulf for EC wheat for example).
- The level of an export subsidy should not in any event exceed the import charge applied on the same product when imported into the exporting country.
- The enforcement of the notion of "equitable" market share in Article XVI GATT.

- The limitation of the subsidies applied to exports of agricultural commodities incorporated in processed products to the difference between the domestic and world market prices of the agricultural products concerned.
- Extension of the OECD "Consensus" on export credits to agricultural products and its incorporation into the GATT.
- Improved rules and disciplines regarding concessional sales and food aid.

The Community would commit itself not to introduce export subsidies for commodities for which they have not been applied in the past.

As regards export subsidies, the Community is ready to quantify the results flowing from the reduction in internal support, the limiting of subsidies to the level of import charge and the effective implementation of the principle of equitable market shares. In the course of the negotiation and in the light of these results, the Community will be able to reevaluate this quantification.

15. Overall Balance of Concessions

The offer is being made on the understanding that other participants, particularly those with main interest in agricultural production and trade, will submit equivalent offers. The Community reserves the right to assess the overall balance of concessions in the agricultural field as well as for the negotiations as a whole. It reserves the right to modify its offer if this becomes necessary in order to achieve a balanced result.

ANNEX 1A

SUMMARY OF A 30% REDUCTION OFFER ON INTERNAL SUPPORT (1)

Total SMJ
Mio commercial ECUs

1	2	3	4	5	6	7
Products	Total SMJ level in 1986	Total SMJ level in 1990	Offered total SMJ level in 1995 (1986 - 30%)	Difference between 1986 and 1995 total SMJ levels	Difference between 1990 and 1995 total SMJ levels	Annual support change to achieve target
Cereals (2) + rice	15 621	13 424	10 935	4 686	2 489	4,0%
Olive oil	3 450	3 170	2 415	1 035	755	5,3%
Oilseeds and protein crops (3)	3 047	3 198	2 133	914	1 065	7,8%
Sugar beet	3 017	2 591	2 112	905	479	4,0%
Livestock sector (4)	40 701	36 227	28 491	12 210	7 736	4,7%

- (1) Indicated amounts will have to be adjusted at a later stage for production in East Germany (GDR).
(2) Includes common wheat, durum wheat, barley, maize, oats, rye and sorghum.
(3) Includes rapeseed, sunflowerseed, flaxseed, soyabeans, peas, beans and lupins.
(4) Includes whole milk, beef and veal, sheepmeat, pigmeat, poultrymeat and eggs.

ANNEX 1B

SUMMARY OF A 10% REDUCTION OFFER ON INTERNAL SUPPORT (1)

Total support
Mio commercial ECUs

1	2	3	4	5	6	7
	Total support level in 1986	Total support level in 1990	Offered total support level in 1995 (1986 - 10%)	Difference between 1986 and 1995 total support levels	Difference between 1990 and 1995 total support levels	Annual support change to achieve target
Products with production aid (2)	2 155	2 253	1 950	205	398	2,9%
Products which receive border protection and price support						
- Fruit+vegetables(3)	13 568	16 859	12 212	1 356	4 650	6,3%
- Wine	5 392	3 840	4 853	539	(1 013)	0,0%

- (1) Indicated amounts will have to be adjusted at a later stage for production in East Germany (GDR).
 (2) Includes seeds for sowing, cotton, hemp, flax fibre, silkworms, hops, tobacco, fruit for processing (peaches, plums, pears, dried grapes and figs) and vegetables for processing (tomatoes and potatoes).
 (3) Includes apples, pears, apricots, cherries, peaches, table grapes, plums, lemons, clementines, mandarins, satsumas, oranges, cucumbers, courgettes, artichokes, tomatoes.

Amounts in commercial ECUs

Product	Levy Ø 86-88	TE (1) 1990	Comments
Beef/veal/100kg (2)			
Carcasses, fresh	263,0	276,3	TE+customs duty 20 %
frozen	245,5	278,3	1 x fresh
Live animals	138,4	145,4	0,526 x fresh
Sheepmeat/100 kg (3)			
Carcasses, fresh	229,4	267,7	1,33 x frozen
frozen	194,2	201,3	derived Inter. price
Pigmeat/100 kg			
Carcasses, fresh	83,8	83,8	
Poultry/100 kg			
83 % chickens	41,0	41,0	
70 % chickens	46,7	46,7	
65 % chickens	50,8	50,8	
80 % turkey	53,2	53,2	
73 % turkey	68,3	68,3	
85 % ducks	69,4	69,4	
70 % ducks	72,2	72,2	
63 % ducks	80,2	80,2	
82 % geese	70,5	70,5	
75 % geese	75,1	75,1	
Guinea fowls	77,0	77,0	
Eggs in shell	47,5	47,5	
Turkey/geeses)Hatch.	16,4	16,4	per 100 pieces
Other)eggs	5,5	5,5	per 100 pieces
Chicken chicks	8,1	8,1	per 100 pieces
Geese/turkey chicks	23,7	23,7	per 100 pieces
Dairy/t (2)			
SMP	1575,0	1485,0	
Butter	3132,1	2961,9	
Whey powder	296,0	109,0	
Whole milk powder	2158,2	2037,9	
Condens.milk, unsweet	360,5	542,4	
sweet	601,5	874,1	
Emmental	2701,6	2683,3	
Blueveined	1790,8	2201,9	
Parmigiano	4161,1	2940,4	
Cheddar	2773,0	2610,6	
Gouda	2390,2	2380,0	
Lactose	467,4	218,0	

(1) The TE shown will be applied in Spain and Portugal without prejudice to the temporary mandatory measures resulting from the Accession Treaty.

Monetary compensatory amounts may be applied temporarily for certain Member States in order to take into account adjustments in exchange rates.

(2) Within existing tariff quotas import charges shall not exceed those to which the Community is already committed.

(3) The tariff treatment for quantities at present subject to self-restraint agreements will be maintained within corresponding quotas.

(10)

Amounts in commercial ECUs

Product	Levy Ø 86-88	TE (1) 1990	Comments
<u>Rebalancing</u>			
<u>Proteins : (t)</u>			
Soya beans	free)	
Rape and colza seeds	free	) 146,8	1 x maize
Sunflower seeds	free)	
Peas	3 %	) 293,6	) 2 x maize
Beans	3 %	)	) TE+customs duties
Oilcake	free)	
Flours and meals of meat	free	) 293,6	2 x maize
Flours and meals of fish	2 %	)	TE + customs duty
Dried fodder	free)	
Concentrated protein	15 %)	
Mangolds, swedes, fodder roots	9 %)	
<u>Non-grain feed</u>			
<u>Ingredients (t)</u>			
Corn gluten feed and other residues from starch manufacture			
> 40 % protein	571,0(est)	499,8	2xmaize+206,24 ECU
< 40 % protein	free	353,0	1xmaize+206,24 ECU
Brewing and distilling dregs	free	144,7	1xbarley
Manioc : pellets	192,2	147,7	1xbarley+3,43 ECU
other	188,2	144,7	1xbarley
Beet pulp	free	144,7	1xbarley
Citrus pellets	free	144,7	1xbarley
Molasses	0,6	144,7	1xbarley

(1) The TE shown will be applied in Spain and Portugal without prejudice to the temporary mandatory measures resulting from the Accession Treaty.

Monetary compensatory amounts may be applied temporarily for certain Member States in order to take into account adjustments in exchange rates.

Comments :

In the framework of rebalancing the following tariff quotas are to be opened :

HS	Product	Quantity (000 t) (1)	Rate (ad valorem)
07131090 2090 5090	Peas and beans (not for sowing)	664	12 %
07141010 1099 2090 9019 9090	Manioc, arrowroot and similar roots and tubers	7.181(2)	6 %
12010090	Soyabeans (not for sowing)	13.181	6 %
12060090	Rape and colza seeds, (not for sowing)	467	6 %
12060090	Sunflower seeds (not for sowing)	198	6 %
12021090 2000 12030000 12040090 12071090 2090 4090 6090 9190 9290 9991 9999	Ground nuts, other oil seeds and oleaginous fruits, other than castor oil seeds, mustard seeds and seeds for sowing	921	6 %
12141000 9010 9090	Swedes, mangolds, fodder roots, hay, lucerne, clover etc	187	12 %

- (1) The quantity shown does not include imports from ACP countries. Such imports will not be subject to tariff quotas.
- (2) Taking account of allocation under present specific agreements and subject to existing customs duties.

HS	Product	Quantity (000 t) (1)	Rate (ad valorem)
17031000 9000	Molasses	2.846	6 %
23011000 2000	Flours, meals and pellets of meat or meat offals, of fish etc	901	12 %
23031019 1090	Residues of starch manufacture and similar residues	4.544	6 %
23032011 2013 2019 23099091	Beet pulp	546	6 %
23033000	Brewing or distilling dregs and waste	738	6 %
23040000 23050000 23061000 2000 3000 4000 5000 6000 9011 9093 9099	Oilcake, other than of germ of maize	15.472	12 %
23069091	Oilcake of germ of maize	2.098	12 %
23089030	Pomace or marc of fruit, other than grapes	1.480	6 %
23089090	Other by-products of a kind used in animal feeding	357	6 %

(1) The quantity shown does not include imports from ACP countries. Such imports will not be subject to tariff quotas.

(13)

TARIFF EQUIVALENTS FOR WINE, FRUIT AND VEGETABLES
Commercial ECUs

Product	Entry price 86 to 88	TE (1) 1990	Comments
<u>Wine: ECU/hl</u>			
Table wine 11,25% vol, not bottled	57,13	39,0	) Tariff equivalents apply only to) those products which are imported) at prices below the entry price.
<u>Dried grapes :</u>			
<u>ECU/tonne</u>			
Sultanas	1.215,9	462,8	) For products entering at a price) below the entry price, the TE will) be modulated according to level of) prices. The entry prices will be) modulated according to seasons and) stage of processing.
<u>Processed cherries :</u>			
<u>ECU/100 kg</u>			
Canned, with sugar	76,0	38,0)
<u>Fruit and vegetables:</u>			
<u>ECU/100 kg</u>			
Apples	62,7	29,7)
Pears	56,9	29,7)
Apricots	112,8	28,4)
Cherries	156,2	34,2)
Peaches	91,6	16,3)
Table grapes	57,0	12,0)
Plums	72,2	12,9)
Lemons	62,2	32,0)
Oranges	37,2	8,9)
Small citrus fruit	67,5	13,2)
Cucumbers	135,1	62,4)
Courgettes	73,0	19,0)
Artichokes	100,0	28,6)
Tomatoes	223,6	140,8)

(1) The reductions of TE shown are to be made in the entry price.

NONE OF THE PAGES IN THE ORIGINAL DOCUMENT WERE LABELLED ANNEX III. THE PREVIOUS PAGE MIGHT BE ANNEX III, BUT WE CAN'T BE SURE.

ANNEX IV

Subject : The corrective factor and the franchise in the EC proposal.

A corrective factor will be applied for world market fluctuations which go beyond limits as indicated below. World market fluctuations are viewed for the product concerned as the deviation of any observed world market in time against the external reference price of the base period 1986 to 1988.

The corrective factor will entirely include price fluctuations caused by currency fluctuations. The exchange rate effects on world markets can be isolated by using a constant exchange rate of the ECU against the foreign currency concerned of the base period 1986 to 1988. For example, the fixed exchange rate for the ECU against the US dollar equals to 1.0991.

This factor will correct 30% of non-monetary fluctuations of world market prices within the limits of price movements up to 30% in relation to the reference price indicated below.

Limits	Franchise	Corrective factor	Impact of franchise in % of reference price
0 - 30%	70%	30%	0 - 21%
> 30%	0	100%	21%

The external reference price has been calculated as an 1986 to 1988 average representative world market or import price. For the different products, the following reference prices have been established:

Reference price ECU/t average 1986 to 1988

1. Cereals	
Common wheat	92.2
Maize	83.2
Barley	72.4
Durum wheat	126.1
2. Sugar	
White sugar	195.0
Raw sugar	176.0
3. Dairy Sector	
Skimmed-milk powder	685.0
Butter	943.0
4. Rice	
Long rice	205.0
5. Beef and veal	
Beef and veal carcasses, fresh	1346.0
6. Sheepmeat	
Frozen carcasses	1 423.0
7. Fruit and vegetables	
a) Apples	330.0
b) Apricots	843.3
c) Cherries	1 220.0
d) Peaches	753.0
e) Lemons	302.7
f) Oranges	283.0
g) Small citrus fruit	643.3
h) Artichoke	713.3
i) Tomatoes	828.0
j) Cucumbers	726.7
k) Courgette	540.0
l) Table grapes	450.3
m) Pears	272.7
n) Plums	593.4