

Measures for the establishment  
of a common cereals price level  
(Communication by the Commission to the Council, 12 May 1964)

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EXECUTIVE SECRETARIAT OF THE COMMISSION  
OF THE EUROPEAN ECONOMIC COMMUNITY

## Measures for the establishment of a common cereals price level

(Communication by the Commission to the Council, 12 May 1964)

The Commission proposes that the Council take immediate action on the politically important points contained in the four documents annexed, as follows:

1. Common cereal prices from the marketing year 1966/67 (Annex I)
2. Compensatory measures, Community plans and harmonization of income support measures (Annex II)

3. Community financing of refunds on exports and of intervention measures (Annex III)

4. Fixing the upper and lower limits of target prices for the marketing year 1964/65 (Annex IV)

The Commission presents these documents as an integral whole.

### ANNEX I

#### Proposal for a Council regulation concerning the unification of cereal prices in the Community from the marketing year 1966/67

*The Council of the European Economic Community,*

*Having regard to the provisions of the Treaty setting up the European Economic Community and in particular Articles 42 and 43 thereof;*

*Having regard to the proposal of the Commission;*

*Having regard to the opinion of the European Parliament;*

*Whereas Article 6 of Regulation No. 19 <sup>(1)</sup> provides for the progressive reduction of disparities in cereal prices during the transitional period by decisions to be taken each year;*

*Whereas only by the final establishment of the level of cereal prices in the Community can a clear picture of economic conditions be obtained with a view to the purposeful orientation of the processes of adjustment and reorganization in agriculture; and whereas prolonged uncertainty regarding the level of agricultural, and especially cereal, prices in the Common Market makes it more difficult for farm managers to take medium-term decisions and may lead to misinvestment;*

*Whereas it is, therefore, advisable to lay down forthwith common cereal prices for*

the Community in respect of the cereals marketing year 1966/67;

*Whereas it appears expedient to allow for a revision of the prices fixed for the marketing year 1966/67 so as to take account of developments between the establishment of the level of common prices and their application, with particular reference to changes in the cost of living in Member States; and whereas, in addition, account should be taken of cereal production, consumption and trade, of the situation on world cereal markets, of changes in the productivity of cereal growing and, finally, of other price-policy measures within the framework of the common agricultural policy;*

*Whereas the adoption of uniform cereal prices in the Community as of 1 July 1966 requires that a number of decisions be taken by the Council, on the proposal of the Commission, with a view to ensuring that a common market in cereals be fully established from that time onwards;*

*Whereas it is advisable to adopt a time-table for the preparation and application of a coherent sequence of measures to be taken by the Community;*

*Whereas it is also advisable to examine problems of transport conditions, which should be governed by appropriate provisions so as to allow of the application of a common cereals price,*

(1) See official gazette of the European Communities, No. 30, 20 April 1962.

*Has adopted the present regulation:*

#### *Article 1*

As of the marketing year 1966/67, a basic target price shall be fixed from time to time for the Community in respect of wheat other than durum, batley, maize, rye and durum wheat.

#### *Article 2*

1. The basic target prices for the Community's main deficit area shall be fixed as follows for the marketing year 1966/67:

Wheat other than durum	106.25 u.a./1 000 kg
Rye	93.75 u.a./1 000 kg
Barley	92.50 u.a./1 000 kg
Maize	93.75 u.a./1 000 kg
Durum wheat	125.00 u.a./1 000 kg

2. *a)* Before 1 July 1965 and on the basis of a report by the Commission, the Council shall review the basic target prices set out in paragraph 1 and adjust them, if need be, in the light of developments;

*b)* In reviewing these prices, the Council shall pay particular attention to the effects on farm incomes of changes in the cost of living in Member States; the Council shall also take into consideration —

i) developments in grain production, consumption and trade;

ii) the situation and trends of supply and demand on the world cereals market;

iii) changes in the productivity of cereal growing;

iv) such measures as may have been taken in the framework of the common agricultural policy in respect of the prices of other farm products.

*c)* Should an adjustment of basic target prices prove necessary, the Council shall, on a

proposal by the Commission, take an appropriate decision by unanimous vote.

#### *Article 3*

1. The Council shall, on a proposal by the Commission and in so far as the present regulation does not provide therefor, adopt by unanimous vote —

*a)* Before 1 February 1965:

A regulation amending Regulation No. 19 with a view to the unification of cereal prices in the Community;

*b)* Before 1 July 1965:

A regulation concerning the fixing of cereal prices for the marketing year 1966/67 and the designation of marketing centres.

2. The Council shall, on a proposal by the Commission and before 1 April 1965, adopt by unanimous vote such supplementary provisions as may be necessary to give effect to the amended Regulation No. 19 in respect of —

i) the determination of the quality standards in respect of which the target and intervention prices are fixed;

ii) the premiums or discounts applied to intervention prices according to differences in quality;

iii) the criteria for the determination of refunds on exports to non-member countries.

3. The Commission shall examine problems of transport conditions, which should be governed by appropriate provisions so as to allow of the application of the common cereals price. Any proposals the Commission may deem appropriate in this connection shall be submitted to the Council before 1 July 1965.

This regulation shall be binding in all its parts and directly applicable in every Member State.

## ANNEX II

### Proposal for a Council regulation on compensatory measures, Community plans for the improvement of the standard of living of the agricultural population, and procedures for the harmonization of income support measures in agriculture

*The Council of the European Economic Community,*

*Having regard to* the provisions of the Treaty setting up the European Economic Community and in particular Articles 42, 43 and 209 thereof;

*Having regard to* the proposal of the Commission;

*Having regard to* the opinion of the European Parliament;

*Whereas* with a view to facilitating the establishment of the Common Market and

to enabling the Community to contribute to the balanced development of world trade, common basic target prices for cereals shall be fixed for the Community as of the marketing year 1966/67;

*Whereas* these common prices shall lie between the highest and the lowest target prices prevailing in Member States for the cereals marketing year 1963/64;

*Whereas* the establishment of a common price level will entail a loss of income for farmers in Member States where cereal prices will fall considerably, that is, in the Federal Republic of Germany, the Republic of Italy and the Grand Duchy of Luxembourg;

*Whereas* medium- and long-term investments made in the past by farmers in the said Member States were based upon amortization and interest calculations assuming the prices ruling until now;

*Whereas* farm prices in Member States have so far corresponded to certain prices for agricultural inputs, which will reach a uniform level only in the course of the gradual establishment of the Common Market during the transitional period;

*Whereas* such distortions of competition as still exist at present in agricultural production and trade can be removed only gradually.

*Whereas* the changes required in the organization of farms by the introduction of a common cereals price level in the marketing year 1966/67 will call for increased investment;

*Whereas* the income situation of independent farmers and the members of their family cannot be assessed solely in terms of prices without reference to the social benefits applicable in the Member State concerned;

*Whereas* the European Parliament, in its resolution of 28 March 1963, stresses that "if the future price level should curtail the income of certain farmers, these farmers should be assured of an adequate income thanks to the general effects of the common agricultural policy and in particular by means of Community aid at regional level";

*Whereas* in order to ensure, in these circumstances, a harmonious development of economic activities within the Community as well as a fair standard of living for the agricultural community in accordance with Article 2 and Article 39(1 b) of the Treaty, the Federal Republic of Germany, the Republic of Italy and the Grand Duchy of Luxembourg must be able to make good, by compensatory measures during the transitional period, losses of farm income due to the fall of cereal prices in the marketing year 1966/67, and whereas these compensatory measures may,

*inter alia*, take the form of direct payments to the farmers affected;

*Whereas* in calculating farm income losses due to the reduction of cereal prices in the marketing year 1966/67 the following factors have to be taken into account:

a) The average quantities of cereals, pigs, eggs and poultry sold over several marketing years;

b) The amount by which average producer prices for the kinds of cereals subjects to the price reduction fall below the 1962/63 levels;

c) The extent to which average producer prices for pigs, eggs and poultry are likely to fall in the Federal Republic of Germany as a result of the unification of feed-grain prices within the Community;

d) The additional expenditure which farmers in Italy and Luxembourg will have to incur as a result of higher prices for the feed-grains they need to buy;

e) The partial compensation of this loss of income which will occur in Italy as a result of a rise in the selling price of feed-grains, certain types of meat, and eggs, and in the Federal Republic of Germany by reason of the savings effected as farmers purchase their feed-grains more cheaply;

*Whereas* by this reckoning the loss of income to be made good annually during the transitional period amounts to 140 million units of account in the Republic of Italy and 0.9 million units of account in the Grand Duchy of Luxembourg;

*Whereas* direct payments should not delay the necessary adjustments and specialization and should not, therefore, be tied to particular products, and should, furthermore, facilitate progress in agriculture and contribute to the solution of long-term problems; hence farmers should have the option of compounding for a lump sum in order to rationalize and reorganize their farms or, should they decide to leave the land, to set up in business in some other sector;

*Whereas* direct payments must be discontinued by the end of the transitional period, since by that date the price alignment should in any event be completed and all discrimination between producers within the Community must disappear;

*Whereas* two years will pass between the moment when the common cereal prices are fixed and when they are to be applied, and farmers will therefore have time to adapt themselves to the new price relationships; and whereas in these circumstances the phasing out of direct payments can begin in 1967;

Whereas the compensatory measures are to make good such income losses of farmers as are due to the unification of cereal prices in 1966/67, which will serve to strengthen the Community internally and to reinforce its international negotiating position; whereas, the Community should therefore make a financial contribution towards the cost of these measures from its budget; whereas, furthermore, it is fitting that the Community should so finance the whole of the income loss in 1966, while from 1967 onwards it will be expedient to reduce the amounts to be furnished by the Community from its budget in so far as the first Community plan to improve the standard of living of the agricultural population provides for similar measures to be financed by the Community at least to the extent of the amount of such reduction;

Whereas incomes and living standards in wide sectors of agriculture in the Community are at present inadequate in comparison with conditions in other branches, and developments now taking place will not expeditiously remedy this disparity unless they are stimulated by a series of practical measures; and whereas it is therefore necessary to proceed at once to the formulation of Community plans to improve the standard of living of the agricultural population, the first of which will become effective in 1966;

Whereas these Community plans are highly important for the realization of the objectives of the common agricultural policy and it is therefore fitting that the Community should contribute from its budget to the financing thereof;

Whereas, in order to avoid a set-back to the incomes of farmers in the Federal Republic of Germany, the Republic of Italy and the Grand Duchy of Luxembourg, the second Community plan should offer assurances regarding agricultural employment and living standards in the Member States;

Whereas the adoption of uniform cereal prices in the Community as of 1 July 1966 requires that a number of decisions be taken by the Council, on the proposal of the Commission, with a view to ensuring that a common market in cereals be fully established from that time onwards;

Whereas for this purpose provisions must be made regarding the compensatory measures to be applied by Member States, and the first Community plan must be drawn up;

Whereas it is advisable to adopt a time-table for the preparation and application of a

coherent sequence of measures to be taken by the Community;

Whereas at present Member States still employ very different methods of direct or indirect income support for persons engaged in agriculture;

Whereas to eliminate discrimination among procedures, it will become politically and economically necessary to harmonize existing income support measures for agriculture as and when common prices are introduced for important agricultural products; whereas the Community must find a solution to this problem by the end of the transitional period; and whereas, however, the form and extent of farm support measures in the different Member States are not at present sufficiently known;

Whereas it is therefore necessary to draw up an inventory of such measures in Member States; and these measures should gradually be brought into line with Community norms designed in particular to achieve a lasting improvement in farm incomes,

Has adopted the present regulation:

#### Article 1

1. Losses of farm income in the Federal Republic of Germany, the Republic of Italy and the Grand Duchy of Luxembourg as a result of the basic target prices for the years 1966-69 fixed by Council Regulation No. ... shall be made good by compensatory measures.

The said losses have been computed at 140 million units of account in the Federal Republic of Germany, 65 million units of account in the Republic of Italy and 0.9 million units of account in the Grand Duchy of Luxembourg.

2. The compensatory measures may, *inter alia*, take the form of direct payments to farmers whose income is reduced as a result of the establishment of a single target price for cereals by virtue of the present regulation. Direct payments shall not be tied either to the prices ruling or the quantities produced after 31 December 1963 of one or more agricultural products.

3. Without prejudice to such supplementary regulations as may be issued in pursuance of Article 3(1) of the present regulation and to the compounding of direct payments to be provided for therein, direct payments shall not exceed

a) in the year 1966

140 million u.a. for the Federal Republic of Germany

65 million u.a. for the Republic of Italy

0.9 million u.a. for the Grand Duchy of Luxembourg;

b) in the year 1967 nine tenths

in the year 1968 four fifths

in the year 1969 two thirds

of the amounts set forth under a).

4. The Community shall contribute to the financing of the compensatory measures up to the amounts indicated in paragraph 3.

The Community's total contribution to the financing of the compensatory measures shall therefore be:

471.40 million u.a. for the Federal Republic of Germany;

218.85 million u.a. for the Republic of Italy;

3.03 million u.a. for the Grand Duchy of Luxembourg.

#### Article 2

1. a) The Council, acting by the procedure laid down in Article 43 of the Treaty, shall draw up, for four years at a time and not later than 6 months prior to the beginning of each four-year period, a non-discriminatory Community plan to improve the standard of living of the agricultural population, hereinafter called "Community plan".

b) The first Community plan, covering the period from 1 January 1966 to 31 December 1969 shall be drawn up before 1 July 1965.

In drawing up subsequent Community plans, the Council shall in each case take into consideration a report, to be submitted by the Commission, on the effects of the current Community plan on the standard of living of the agricultural population.

c) The Community plans shall be put into effect by the Member States.

2. The Community shall contribute to the financing of measures taken by Member States in giving effect to the Community plans.

3. a) The Community's contribution in respect of measures taken under the first Community plan by the Federal Republic of Germany, the Republic of Italy and the Grand Duchy of Luxembourg shall be at least as large as the reduction of the Community's contribution to compensatory

measures under the terms of Article 1(4), first sentence.

b) The measures taken under the Community plan for the period 1970-73 shall, due allowance being made for any reorganization or specialization of farms, provide in the Federal Republic of Germany, the Republic of Italy and the Grand Duchy of Luxembourg guarantees regarding employment and living standards equivalent to the guarantees provided in the year 1969 by the compensatory measures referred to in Article 1(1).

#### Article 3

1. The Council shall, on a proposal of the Commission and in so far as the present regulation does not provide therefor, adopt by unanimous vote before 1 February 1965 a regulation concerning compensatory measures and Community plans to improve the standard of living of the agricultural population.

2. The Commission shall:

a) After consultation with Member States, draw up an inventory of the income support measures applied in Member States for the benefit of persons engaged in agriculture and submit this inventory to the Council before 1 September 1965. This inventory shall cover, in particular —

i) measures of agricultural price policy;

ii) direct subsidies to agricultural products and agricultural inputs;

iii) grants to improve conditions for the marketing and processing of agricultural products;

iv) grants-in-aid to social security schemes for farmers and their families;

b) Submit to the Council, before 1 July 1966, a plan to bring income support measures in Member States into line with Community norms.

As regards the form which Member States may give to such income support measures, the following principles should be followed:

i) such measures shall not be tied to the price of an agricultural product nor to the quantities produced or sold;

ii) such measures shall, as far as possible, promote a lasting improvement of the income situation in agriculture, especially by encouraging farmers to hand over their holdings to the younger generation or to retrain for non-agricultural occupations.

This regulation shall be binding in all its parts and directly applicable in every Member State.

## ANNEX III

The Commission maintains its proposal for a regulation submitted to the Council on 22 November 1963, concerning amendments to Article 5(1) of Regulation No. 25 on the Financing of the Common Agricultural

Policy, subject to appropriate changes of dates as the introduction of the common cereals price is now proposed for the marketing year 1966/67.

## ANNEX IV

### Proposal for Council Regulation No. ... of ... on cereal prices for the marketing year 1964/65

*The Council of the European Economic Community,*

*Having regard to* the Treaty setting up the European Economic Community;

*Having regard to* Regulation No. 19 on the Gradual Establishment of a Common Organization of the Market in Cereals <sup>(1)</sup> and in particular Article 6 thereof;

*Having regard to* the proposal of the Commission;

*Whereas* Article 6 (4) of Regulation No. 19 provides that disparities between target prices fixed by Member States shall be progressively reduced so as to attain a common target price for each kind of cereal by the end of the transitional period;

*Whereas*, on the other hand, there are compelling reasons for fixing the common target prices for each kind of cereal forthwith, such price to be applicable for the marketing year 1966/67;

*Whereas* Member States can make the adjustment to the common price in a single opera-

tion and it seems advisable, therefore, to confine the adjustment to be effected in the marketing year 1964/65 to a slight increase in the lower limits of the target prices;

*Whereas* non-renewal of the exceptional arrangements conceded to Italy during the past two marketing years already entails a considerable rise of barley prices in that country and it would, therefore, not seem advisable to raise the lower limit of the target price for barley;

*Whereas* the provisions adopted in regard to quality standards during the past marketing year may be retained for the marketing year 1964/65,

*Has adopted the present regulation:*

#### *Article 1*

For the marketing year 1964/65 Member States shall fix their target prices for wheat and barley, and, if they are major producers of maize and rye, also target prices for the same, in such manner that at the beginning of the marketing year the target price applicable in the marketing centre of the main deficit area does not exceed the upper limit indicated in the table below, and that the target price applicable in the marketing centre of the main surplus area does not fall below the lower limit indicated in the said table.

(1) See official gazette of the European Communities, No. 30, 20 April 1962, p. 933/62.

	DM	FF	Lit.	Bfrs/Lfrs	Fl.
<i>Wheat other than durum</i>					
Upper limit	475.69	587.13	74 327	5 946.1	430.50
Lower limit	368.80	455.20	57 626	4 610.0	333.77
<i>Barley</i>					
Upper limit	412.26	508.84	64 416	5 153.3	373.10
Lower limit	288.68	356.31	45 106	3 608.5	261.26
<i>Rye</i>					
Upper limit	432.69	534.05	67 608	5 408.6	391.58
Lower limit	290.05	358.00	45 321	3 625.7	262.50
<i>Maize</i>					
Lower limit	273.66	337.80	42 760	3 420.8	247.58

### Article 2

1. For the marketing year 1964/65 Member States other than the Federal Republic of Germany shall fix the target prices and intervention prices for wheat other than durum, barley and, as the case may be, rye and maize with reference to the quality standards which, at the time when this regulation enters into force, are applicable by virtue of Articles 1, 2, 3 and 5 of Commission Regulation No. 61 <sup>(1)</sup> laying down standards of quality for cereals together with coefficients of equivalence between those standards and the standards of quality fixed for national target prices.

2. For the cereals marketing year 1964/65 the Federal Republic of Germany shall fix target and intervention prices as follows:

#### a) For wheat other than durum —

i) of a standard of quality corresponding to the definitions ruling, at the time when the present regulation enters into force, by virtue of Article 1(a, b, d) of Regulation No. 61;

ii) containing not more than 7% of matter other than basic cereal of perfect quality;

#### b) For rye —

i) of a standard of quality corresponding to the definitions ruling, at the time when the present regulation enters into force, by virtue of Article 2(a, b) of Regulation No. 61;

ii) containing not more than 8% of matter other than basic cereal of perfect quality;

iii) having a specific weight at least corresponding to the specific weight required, at the time when the present regulation enters into force, by virtue of Article 2(d) of Regulation No. 61;

#### c) For barley —

i) of a standard of quality corresponding to the definitions ruling, at the time when the present regulation enters into force, by virtue of Article 3(a, b) of Regulation No. 61;

ii) having a specific weight of at least 62.5 kg per hectolitre.

### Article 3

This regulation shall enter into force on the day following its publication in the official gazette of the European Communities.

This regulation shall be binding in all its parts and directly applicable in every Member State.

(1) See official gazette of the European Communities, No. 59, 13 July 1962, p. 1671/62.