Community Topics 28

The Common Agricultural Policy

european community
information service

The common agricultural policy

Contents

I. A common agricultural policy – why and how

Why the Community needs a common agricultural policy 3

How the common agricultural policy works 5

Two key elements

1. Community financing 7
2. Uniform price levels 8

The policy-making machinery 10

What remains to be done 11

II. The market organizations for the major agricultural products

Grains 14

Rice 15

Pigmeat 16

Eggs and poultry 17

Beef and veal 18

Milk and milk products 19

Fats and oils 21

Sugar 22

Fruit and vegetables 23

Wine 25

Non-edible horticultural products 26

III. Community agriculture and world trade 27

This document is a revised and extended version (July 1967) of Topic 21 published in November 1965.

GLOSSARY

The following terms are used frequently in this publication.

Target price *(prix indicatif)*

A target price is fixed to enable farmers to plan production and to give economic guidance to all market users. The common agricultural policy aims at keeping the market price as close as possible to the target price.

Intervention price *(prix d'intervention)*

This is the price at which national intervention agencies are obliged to buy commodities offered to them. It is, in a way, a guaranteed producer price. It is lower than the target price but higher than the actual producer price, the difference being accounted for by transport costs between the farm and the intervention agency.

Thr shold price *(prix de seuil)*

This price is the basis for calculating the levy on imports. It is fixed at a level which, with transport costs, will bring the selling price of the imported commodity up to the level of the target price.

Sluice-gate price *(prix d'écluse)*

The minimum price for imports from non-member countries. It is used for calculation of a supplementary levy on pigmeat, eggs and poultry when the import price falls below the sluice-gate price.

R ference price *(prix de reférence)*

This price is applied to Community production and is based on average prices obtained at important marketing centres over a period of some years. It has the same function with regard to fruit and vegetables as the sluice-gate price has for livestock products.

Levy *(prélevement)*

A variable import charge, the object of which is to bring the price of imported commodities up to the price level of the Community product. The amount of the levy is adjusted to the world market situation every day in the case of grains, fortnightly for dairy products and quarterly in the case of pigmeat.

Refunds *(restitution)*

Refunds on exports are the counterpart of levies on imports; they bring the prices of Community exports down to the level of world market prices.

Tariff quota *(contingent tarifaire)*

A tariff quota is a specified quantity of goods which can be imported duty-free or at a reduced rate of duty.

Binding *(consolidation)*

In GATT (General Agreement on Tariffs and Trade), the fixing or freezing of certain trading advantages for a three year period. If a bound duty is unbound, the country withdrawing the advantage must grant equivalent concessions; otherwise, the country or countries adversely affected can take corresponding counter-measures.

I. A COMMON AGRICULTURAL POLICY - WHY AND HOW

Why the Community needs a common agricultural policy

On the basis of the Rome Treaty, a common policy has been laid down for the European Community which already covers 90 per cent of the agricultural output of the six member countries.

The inclusion of farming in the economic union envisaged by the Rome Treaty is essential because:

Agricultur occupies a key position in the Community's economy

The Community's farms contribute between 6 per cent and 14·5 per cent of the national incomes of the member countries; they employ more than one sixth of the working population of the Community, and many more people work in trades and industries dependent upon them. It would create all kinds of tensions and distortions if such an important sector were left out of the process of creating a single market which applies to all other goods. Moreover, it is extremely difficult to draw a line between agricultural and industrial products, since processing accounts for an increasingly important part of the value of the final product sold over the counter to the consumer.

Yet, as long as there were separate national farm policies with differing levels of intervention and protection and divergent price levels, there was no way of getting farm produce to flow freely across frontiers. A single, consistent policy on prices, protection levels, and marketing arrangements, worked out in common and applying to the whole area, was essential if the barriers between the farmers of the Six were to be removed.

Agricultural products play an important part in trade

Farm products are important in trade both within the Community and with the rest of the world. In 1964 farm products accounted for 17·5 per cent of the Community's total imports and for 10 per cent of its exports; they formed as much as 24 per cent of Dutch, 12 per cent of Italian and 16 per cent of French exports. The Community as a whole is the world's biggest importer of edible and non-edible farm produce, and as such has a heavy responsibility for ensuring the equilibrium of world markets.

A common farm policy, while ensuring the protection needed to enable the efficient farmer to make a good living, takes into account the interests of other food-exporting countries. Acting as a unit, the Community has not only defended its own interests; within the framework of the Kennedy Round negotiations, it made new proposals for dealing with the hitherto insoluble problems of world agricultural trade. Although its proposals were not adopted, they may well set a pattern towards which the great trading nations may move in the future.

The special position of agriculture, with its dependence on weather conditions and its low level of incomes, has long led governments in all industrialized countries to practise policies which involve managed markets and a high degree of protectionism. The range of measures has included price regulation, marketing boards, crop limitation, import quotas or import monopolies, seasonal bans on imports, discriminatory health regulations, and discriminatory bilateral agreements. Among the Six, a single Community policy must replace or harmonize these measures.

Agriculture must be modernized

A common policy worked out and applied for the Community as a whole makes it easier to tackle some of the major problems of adapting agriculture to modern economic conditions. These are traditional problems which have hitherto been grappled with at national level.

Among the issues to be faced are the uneconomically small size of many farm holdings (more than two thirds of all Community farms are less than 25 acres in extent); the lack of mobility among farm workers; and, in most member states, a shortage of capital for financing modernization. The resulting low level of productivity has caused farm incomes consistently to lag behind those of industrial workers; it has also made it difficult for farmers to stand up to competition. The governments have thus had to intervene, on the one hand to support the living standards of the farming population, and on the other to protect them against cheap food imports from outside. Another major problem is that of shortage and surplus – the lack of a stable balance of supply and demand, often because of climatic conditions. In the framework of a common policy, it becomes easier to tackle these problems: a wider consumer market improves sales prospects and enables farmers to specialize; the problem of supply and demand can be more effectively handled; and the efforts of the countries to modernize their farm economy can be coordinated to ensure that they are adapted to the requirements of the wider economic unit.

This modernization leads in turn to a steady drop in numbers on the land: the farming population of the Community has been falling by about 400,000 every year. At the same time, industry is short of trained manpower. At Community level, problems like these can be met by coordinated vocational training schemes and dealt with in the wider framework of regional policy and medium-term economic planning.

Community self-sufficiency in the main farm products*

Community production as % of total domestic consumption

	1962–63	1963–64	1964–65
Grains (excluding rice)	89	84	87
of which: wheat	108	91	106
other cereals	75	79	75
Rice	83	74	79
Sugar	86	96	109
Wine	110	84	96
Vegetables[1]	104	102	103
Fresh and preserved citrus fruits and juice[1]	41	47	47
Fresh and preserved fruit and fruit juice (other than citrus)[1]	91	93	91
Potatoes[1]	103	101	98
Beef and veal[2]	98	92	na
Pigmeat[2]	101	98	na
Poultry meat[2]	90	93	na
Fresh milk, whole	100	100	na
Condensed milk, whole and skimmed	150	154	na
Cheese	99	97	na
Butter	99	100	na
Fish	78	81	na
Fats and oils[3]	44	na	na
Eggs	96	na	na

*Note that the percentages for vegetable production vary greatly from one year to another, whereas those for animal production are fairly constant.

Sources: figures for oils and fats and for eggs are OECD statistics; others from the European Communities Statistical Office. These two sets of figures are not altogether comparable, because the ECSO figures include changes in stocks.

[1] Provisional figures.

[2] Carcass weight without fat.

[3] Excluding butter.

How the common agricultural policy works

The common agricultural policy is based upon three main principles:

Trade in farm products between the Six is gradually being freed from restrictions, so that these products may be bought and sold as freely throughout the area of the Common Market as they have been up to now within each country's domestic market;

The Community will jointly finance the costs of market support for farm produce and the subsidizing of exports to non-member countries, and will contribute to the cost of modernizing the agricultural economy;

Trade in agricultural products with countries outside the Community is to be governed by a common trade policy.

Thus, the barriers to trade in farm products between the Six are being gradually abolished during a transition period, which will, for most products, end between July 1, 1967 and July 1, 1968.

Import duties and import restrictions which used to protect each country's domestic market have now been replaced by a levy system. The purpose of the levies is to neutralize the effects of the difference in price levels between the Community and the world market. During the transition period, levies were also used for a similar purpose in trade between the member countries; these levies on intra-Community trade were due to disappear by the end of the transition period (July 1, 1968) when a single price level for each product is due to be achieved. Meanwhile, safeguard clauses allow the member countries to take appropriate support measures in certain circumstances. That is when the Community market is actually or likely to become seriously disturbed. If prices inside the Community were to drop sharply, a ban on imports could, for example, be decided; if, on the contrary, prices on the world market showed a material rise above the Community level, a ban on exports could be applied or an export levy combined with an import subsidy imposed. In fact, these measures have been rarely applied so far.

In this way the farm economies of the Six are being put on the same basis, though only gradually, in order to avoid disruption of the market in any one product. For a number of important foodstuffs – grains, dairy produce, sugar and olive oil – harmonized price levels were needed before free movement of farm products could be achieved, though doubtless regional differences in prices will persist because of the needs of the market and the nature of price formation in it. In other cases the previously existing barriers (quotas, customs duties) were due to disappear, leading to the creation of one large market.

As the Six move towards a common market for farm produce, it becomes essential to put all Community farmers on as equal a competitive footing as possible. This means that at the end of the transition period national support measures will only be permitted if they conform with the general rules of competition laid down in the Rome Treaty. For some major products a common system will be provided, with joint Community financing of the cost of

Breakdown of Community agricultural production at current prices
% of total value

	1958	1962–63 average
Vegetable production		
Grains	11·7	11·5
Rice	0·4	0·3
Fresh fruit	5·5	5·8
Vegetables	6·2	7·8
Wine	6·7	6·2
Olive oil	0·7	1·2
Oil-seeds		0·3
Sugarbeet	2·7	2·3
Potatoes	3·7	2·9
Tobacco	4·6	0·4
Non-edible horticultural products		1·5
Miscellaneous		1·8
Total vegetable production	42·2	42·0
Animal production		
Milk	19·4	18·8
Cattle and calves	13·7	14·4
Pigs	12·9	13·0
Eggs	5·3	5·1
Poultry	3·6	4·1
Miscellaneous	2·1	1·6
Total animal production	57·0	57·0
Miscellaneous	0·8	1·0
Total	100·0	100·0

support. Another aim of the common policy is to raise the level of farm efficiency throughout the Community, particularly in the most backward areas; the cost of this, too, will be borne partly from Community funds.

Finally, there is the question of trade with non-member countries. As in the case of industrial goods, there can be no true common market, let alone economic union, without a common policy on external trade. Thus, the means by which the six countries individually used to protect their farmers have been or will be replaced by a joint system. Similarly, a common policy for exporting certain products is necessary; joint financing has been agreed for exports of such products, and also for supplying surpluses of them as aid to developing countries. Thus the Community will jointly finance not only commercial exports, but also its share (23 per cent) of the 4½ million tons of grain to be provided as aid for the developing countries under the agreement concluded in GATT on May 15, 1967.

Th instrum nts of the common farm policy

	Grains	Durum wheat	Rice	Milk and milk products	Beef and veal	Pigmeat	Eggs, poultry	Sugar	Olive oil	Oil-seeds	Fruit and vegetables	Wine
Liberalization of trade	●	●	●	●	●	●	●	●	●	●		1
Quotas between member states												1
Unlimited price guarantee	●	●	●	●					●	●		
Limited price and marketing guarantee								●				
Reserve price										●		
Common financing	●	●	●	●	●	●	●	●	●	●		
Levies	●	●	●	●		●	●	●	●			
Customs duties					●					● 2		
Supplementary levy[3]					●	●	●					
Refunds[4]	●	●	●	●	●	●	●	●	●	●		
Measures in case of shortage[5]								●	●			
Intervention on the market	●	●	●	●	● 6	● 6		●	●	●		
Direct Community aid to producers		●		● 7					●	●		
Direct national aid to producers[8]				●				●				
Community compensatory measures[9]	●	●										
Consumer subsidies at national level	● 6			● 10								
Quality standards												
Producers' organizations												

1 Liberalized in Benelux.
2 Exemption for raw product.
3 Calculated on the basis of: sluice-gate prices for pigmeat, eggs and poultry; reference prices for fruit and vegetables; guide prices for beef and veal.
4 At present the member states frequently refrain from paying refunds.
5 Export levy; for sugar there is an import subsidy as well; in the case of olive oil, buffer stocks are provided for.
6 Financed by the member states until the single market stage is reached.
7 For skimmed milk for cattle feed, and a small number of products bound in GATT.
8 Until the 1974–75 season, milk in Luxembourg; until the 1978–79 season, sugar in Italy.
9 During the transition period, for Germany, Italy and Luxembourg.
10 During the transition period, butter and cheese in Germany; butter in the Netherlands.

TWO KEY ELEMENTS

1. Community financing: the Fund

On January 14, 1962 the Council of Ministers decided to set up the European Agricultural Guidance and Guarantee Fund (EAGGF) – the body empowered to carry out the financial provisions of the common agricultural policy. On February 5, 1964 the machinery of the Fund was complete (the rules applied retroactively to the operations of the common agricultural policy since its inception for certain products in 1962).

The Fund is divided into two sections:

the Guarantee Section, which is responsible for the cost of price support on the internal Community market and for the cost of subsidies on exports to non-member countries;

the Guidance Section, which finances expenditure on structural reform in farming (consolidation of holdings, land drainage, re-afforestation, etc.), the alteration and improvement of production and marketing conditions (e.g. the construction of silos, slaughterhouses, buildings for fruit and vegetable auctions, refrigeration plants).

The Fund's contribution to expenditure under both these headings is rising by stages. The Guarantee Section contributed one sixth of the eligible expenses in 1962–63, one third in 1963–64, one half in 1964–65, three fifths in 1965–66 and seven tenths in 1966–67 (the rest being financed by the member governments themselves). As soon as the common organization of the market is completed for any product – that is to say, generally speaking, between July 1, 1967 and July 1, 1968 – the Fund will start to defray all the eligible expenses. After the end of the transition period, i.e. from 1970 onwards, the full cost of the common agricultural policy will be borne by the Community.

Up to the end of the transition period, a variety of methods has been used for calculating the member states' contributions to the Fund's financial resources.

Until the end of 1965, the member countries made their contributions to the Fund in two parts: the first followed the scale laid down in Article 200 of the Rome Treaty (see first column of table below) and the second was proportionate to each country's net agricultural imports from outside the Community. In this way, account was taken of the fact that the proceeds of the levies on these imports would accrue to the national treasuries until 1970. However, for this initial period (1962–65) a ceiling was set for each country's total contribution (see second column of table).

Percentage contributions to Agricultural Fund 1962–65

	Article 200 scale	1962–65 ceiling
Belgium	7·9	10·5
Luxembourg	0·2	
France	28	28
Germany	28	31
Italy	28	28
Netherlands	7·9	13

For the periods 1965–66 and 1966–67 the Six reverted to fixed scales of national contributions. (See first and second columns of table below).

Percentage contributions to Agricultural Fund 1965–67

	1965–66 Total contribution	1966–67 Total contribution	1966–67 Non-l vy part of contribution
Belgium	7·95	7·95	8·1
France	32·58	29·26	32
Germany	31·67	30·83	31·2
Italy	18	22	20·3
Luxembourg	0·22	0·22	0·2
Netherlands	9·58	9·74	8·2

From 1967 to 1970 the contributions are again being calculated in two parts: one part, covering about 45 per cent of total expenditure, will consist of 90 per cent of the amount received by the member countries as levies on imports of agricultural products from non-member countries; the remainder is once more being provided proportionately by the member countries according to a fixed scale (see third column of table, page 8).

The details of how the Agricultural Fund is to be financed after 1970 have not yet been decided, except that the full proceeds from the levies on imports of agricultural products will accrue to it from January 1, 1970. This means that by 1969 the Community must decide what other resources will be used to cover that part of the Community's expenditure which will not be covered by the levies. The main possibility envisaged by the Rome Treaty is the use of the proceeds from import duties on manufactured products.

During its first three years of operation, expenditure by the Fund increased as follows:

$ millions	**1962–63**	**1963–64**	**1964–65**
Guarantee Section	28·7	49·9	175·7
Guidance Section	9·1	17·1	58·6
	37·8	67·0	234·3

The increase has been mainly due to the higher proportion of eligible expenditure covered by the Fund and to the extension of the common agricultural policy to new sectors (milk and milk products, beef and veal).

It is estimated that the budget for the Fund from 1968–69 onwards may reach $1,500 million; much of this amount will, in fact, involve a transfer from the national budgets of the member states, rather than new expenditure.

In the Guarantee Section the bulk of expenditure to date has been for export subsidies, which involved 77·3 per cent of this section's expenditure in 1962–63, 81·8 per cent in 1963–64, and 79 per cent in 1964–65. Price support for the Community's internal market (mainly for wheat and feed-grains) took up the remaining expenditure.

Th rol of the Guidance Section

While the Guarantee Section accounts for the bulk of Community agricultural expenditure (over three quarters of the annual total will be on this section) and has been the first to get under way, the long-term prosperity of Community farmers depends equally on the Guidance Section. About one sixth of the Community's 180 million people still gain their livelihoods from the land – the proportion is even greater if ancillary trades and professions are included – although this proportion is declining year by year. Moreover, farmers as a whole are relatively poorly off compared with industrial and service workers. The Guidance Section of the Fund aims at raising the efficiency of farming throughout the Community, and consequently at raising incomes in farming.

The Section's functions are defined in very wide terms, covering all measures to improve the structure of farming and of agricultural marketing. It helps with this by tackling one of the chief causes of backward and inefficient farming – shortage of capital.

Among the conditions governing aid from the Guidance Section, the most important is that requiring each modernization project to form part of Community Programs which are, in effect, indicative coordination plans. The Commission in June 1967 published proposals for ten such programs with a total value of $672 million. The Guidance Fund will contribute up to 25 per cent of the cost of carrying out any particular project, while the remaining cost is to be divided between the government of the member country in which it is situated and the immediate beneficiary of the improvement. The Fund's contribution may be increased to 45 per cent in special cases.

The ten programs, and the amounts involved, are $130 million to develop backward farming regions; $100 million to improve quality and rationalize distribution in the dairy industry; $90 million for the meat sector; $80 million for fruit and vegetable marketing; $70 million to encourage better use of farm labour; $50 million each for irrigation, drainage and olive oil production; $40 million for production of better-quality wine; and $12 million to foster the use of marginal farming land for forestry.

The expenditure of the Guidance Section is subject to a provisional annual ceiling of $285 million. No decision has yet been reached on financial conditions for the Guidance Section after the end of the transition period.

2. Uniform price levels

Free trade in agricultural products between the Six, with the total removal of intra-Community levies, could only become possible if price levels on the national markets were brought into line for those products where a single price level was the aim. Thus common prices are the second key element in the common agricultural policy; and, since price levels largely determine the need for support buying and the scale of the external levies, they are closely linked with Community financing and with commercial policy towards non-member countries.

In 1962 the Council of Ministers decided that national prices for grains should be brought gradually into line in the course of the transition period. Each year the Council would set upper and lower limits within which national target prices would be fixed, and the gap between these limits would be narrowed each year.

The first two years' experience of this system showed that, for political reasons, the governments of countries with high agricultural costs would never agree to an annual drop in the prices paid to their farmers. If the common price levels were to be achieved, other measures were needed. These measures were embodied in the "Mansholt Plan", proposed by the Common Market Commission to the Council in December 1963 and finally adopted on December 15, 1964. Under this proposal uniform price levels for grains would take effect from July 1, 1967; and on the same date intra-Community levies on grains, pigmeat, eggs and poultry (the prices of which depend on the level of feed-grain prices) would disappear.

The basic target prices which came into effect on July 1, 1967 throughout the Community are as follows, in US dollars per metric ton:

Wheat other than durum	\$106·25
Barley	\$91·25
Maiz (corn)	\$90·65 with a minimum intervention price of \$77
Rye	\$93·75
Durum Wh at	\$125 with a minimum price of \$145 guaranteed to the farmer

These prices are calculated for one of the areas of greatest grain shortage (Duisburg, Germany); and the target prices for other Community areas are derived from this, after making allowance for differing transport costs.

Compensation

The decision to make an earlier move to a common price level for grains (the original deadline was December 31, 1969), has meant a sudden drop in prices for some Community farmers (in Germany, Italy and Luxembourg). The Council therefore agreed to the Commission's proposal to allot Community funds for compensation on a falling scale over the three years 1967–70, for the farmers affected. The sums involved are as follows:

		\$ millions	
	1967–68	**1968–69**	**1969–70**
Germany	140	93·5	46·75
Italy	65	44	22
Luxembourg	1·25	0·75	0·5

The expenditure will be recorded in a special department of the Agriculture Fund and financed by the member countries according to the ordinary scale of the Community budget (see above).

The establishment of the common grain price was a step of major significance. It enabled the common market for grains and livestock products to come into existence two-and-a-half years earlier than is provided for in the Rome Treaty.

Oth r common prices

One of the lessons of the Community has been that integration is indivisible; just as agricultural integration could not lag behind industrial integration without destroying the balance of advantages among the Six, so it would have been undesirable to set up a common market for, say, grains without simultaneously unifying the markets for other farm products. For this would favour grain-producers at the expense of the rest, by expanding their market and giving them extra compensation. It would also unduly favour certain countries – for instance France, which is especially interested in grains, whereas the Netherlands are more concerned with dairy produce, Belgium is eager to see Community financing for sugar, and Italy's main interest is in horticultural products. Finally, the price policy is also very important for establishing the degree to which Community products are to be protected against imports from non-member countries. If progress was to be made with the Kennedy Round negotiations at Geneva to increase world trade, the Community's negotiating partners had to know where they stood.

Therefore the Commission in March 1966 put forward further proposals for common price levels for milk and milk products, beef and veal, rice, sugar, oilseeds and olive oil.

In fixing the grain price, the Commission and Council took as a base level a price between the highest German and the lowest French price: the farmers' income had to be as high as possible, though on the other hand consumer prices had not to rise too much, and no great increase in the area under grain was to be allowed, in order to prevent surplus production.

There was not much room for manoeuvring in establishing the other prices either. Not only was it necessary that the common price should lie between the highest and lowest of the national prices, but the relationship of the prices to each other also had to be taken into consideration, and their relationship to the grain prices already fixed. Obviously the level and mutual relationships of prices can influence the pattern of production, and hence also the Community's degree of self-sufficiency in a particular product.

Finally, the total cost of the agricultural policy to the Community has to be kept within reasonable bounds.

At the end of July 1966, only a few months after the Commission submitted its proposals, the Council fixed the common prices as shown in the table overleaf.

Further details can be found in the sections below on the market organizations for the various products. The prices for the subsequent marketing years will be fixed annually for the coming year by the Council on a proposal by the Commission. In the Kennedy Round, the European Community offered, on a basis of reciprocity, to freeze for three years the support levels, and consequently the prices, of some products which are important to world trade, but this offer was not accepted in the final package deal.

The decisions on the common prices were important for the following main reasons:

In the Community, a single, free market for farm products could now go ahead unhampered by national restrictive measures;

- By the fixing of common prices for all important farm products, and the maintenance of those prices within the framework of the general price pattern of farm products, guidance is provided for medium-term planning of farm production;

Knowledge of the common prices and their implications were a vital element in the Kennedy Round negotiations.

Common prices for farm products

	In force	$ per standard quality
Milk and milk products	1–4–68	
Target price for milk		9·75 per 100 kg
Intervention price for butter		176·25 per 100 kg
Beef and veal	1–4–68	
Guide price:		
mature cattle (live weight)		66·25 per 100 kg
calves (live weight)		89·50 per 100 kg
Sugar	1–7–68	
Minimum producer price for sugar beet (within basic quota)		17·00 per metric ton
Minimum producer price for sugar beet (above quota to 135%)		10.00 per metric ton
Target price for white sugar		22·35 per 100 kg
Rice	1–9–67	
Target price		18·12 per 100 kg
Threshold price in Benelux		17.78 per 100 kg
Colza and rapes d	1–7–67	
Target price		20·25 per 100 kg
Olive oil	1–11–66	
Target price		115·00 per 100 kg

The policy-making machinery

Major policy measures in the agricultural field are adopted by the same principles as apply for other Community activities. Responsibility for making proposals lies with the European Commission, and before drawing up a major proposal (such as a basic regulation extending the common policy to a new sector), the Commission's staff consults all those in a position to advise it: experts in the national administrations and, through the organizations representing them at Community level, farmers, farmworkers, traders, food manufacturers, and others involved in agricultural trades and industries.

A draft proposal, approved by the Commission itself, is then sent to the Council of Ministers. Before the Council debates it, it is submitted for an opinion to the Economic and Social Committee (on which employers, trade unions, farmers, traders and consumers are represented). After that, it is examined in committee and in plenary session by the European Parliament.

The European Parliament also renders a detailed opinion on the Commission's proposals. Before they are examined at ministerial level, technical points are thrashed out by national experts called together by the Council in the Special Committee on Agriculture. Finally, a Council discussion takes place, during which the Commission can put forward amendments to its own proposals in order to enable the six countries to reach a compromise.

Once adopted by the Council, the provisions are published in the Official Gazette of the European Communities, and are then directly applicable throughout the member states. All major policy-making, such as the annual fixing of the target prices for the various products, is done by the Council on the basis of proposals by the Commission, and usually after the European Parliament has given its opinion. Until recently, such Council decisions had to be unanimous; but since January 1, 1966 weighted majority decisions have been possible in this field.

For day-to-day implementation of the agricultural policy the European Commission is primarily responsible, acting within the rules laid down by the Council and in close liaison with the member states. It is the Commission, for instance, which selects the most favourable c.i.f. price for supplies on the world market, to be used by the governments in calculating the rate of levies to be applied. The appropriate national authorities collect the levies, pay out export refunds, or buy up products to support the market. The Commission is aided by two sets of committees. For each major product or group of products there is a Management Committee, consisting of senior national officials, which must be consulted on all measures. This, like the other committees, works by weighted majority, using the same formula as for majority voting in the Council of Ministers.* In order that the Commission may apply the agricultural policy effectively from day to day, its decisions are final, unless the Management Committee rejects the Commission's proposal by qualified majority. If it does so, and the Commission stands by its proposal, the Council of Ministers can amend the proposal within a month, again by a weighted majority. However, this seldom if ever happens.

There is also a Fund Committee, which uses the same procedures as the Management Committee and which must be consulted on all measures involving expenditure by the European Agricultural Guidance and Guarantee Fund. There is also a Standing Committee on Agricultural Structures, which must be consulted on any action under the program for modernizing the farm economy. Finally, the Special Committee on Agriculture assists the Commission and member governments with the exchange of information on market development and similar studies.

In addition, the Commission has called into being a series of Consultative Committees – one for each commodity or group of commodities – composed of representatives of the groups affected by the common policy, farmers, farm workers, traders, manufacturers, butchers, consumers, etc. These committees are consulted on problems arising over the development and implementation of the common agricultural policy.

Lastly, any dispute arising over the common agricultural policy can be submitted to the national courts and, as a last resort, for a definitive ruling, to the European Communities' Court of Justice.

*France, Germany, Italy 4 votes each;
Belgium, Netherlands 2 votes each;
Luxembourg 1 vote.
Weighted majority requires 12 votes out out of 17.

What remains to be done

1. Timetable for remaining products

As a result of the decisions of July 1966, the greater part of the common agricultural policy has been established. Measures governing more than 90 per cent of agricultural production have now been laid down, and almost 85 per cent of that production is covered by common financing.

However, a large number of provisions must be adopted before the new policy can be applied. For instance, new basic regulations are being worked out for all commodities except oils and fats. A policy decision has been taken regarding sugar and fresh milk, but the text has not yet been given the legal form of a regulation. In addition, over a hundred implementing regulations are being drafted by Council and Commission. They will not, however, affect the main lines of policy, which have already been laid down.

The Council has drawn up the following timetable for completion of the market policy:

	Proposal by the Commission before	Date to com into effect
Tobacco	January 1967	July 1968
Non-edible horticultural products	July 1967	July 1968
Hops	July 1967	July 1968
Fish and fish products	July 1967	July 1968
Wine (including common financing)		November 1969

For non-edible horticultural products the Commission submitted an initial proposal in January 1966.

Some of the member states have also asked for a common policy for the following products, but no decision has yet been taken on them: potatoes, textile plants (flax, hemp), mutton and lamb, and cork.

2. Emphasis on external trade

As a result of the agreements reached in the first seven months of 1966, the emphasis shifted during the second half of 1966 to the Community's external trade policy, and primarily to the Kennedy Round, where the Community's decisions enabled the negotiations to go forward with renewed momentum.

3. Modernizing Community farming

In addition, more attention can now be paid to the modernization of production and marketing. One quarter of the expenditure of the Agricultural Fund has already been devoted to this task. Modernization policy is usually adapted to local circumstances, and therefore frequently varies from one region to another within any one country. Thus, as often as not, it is a matter of coordinating national and regional policies rather than of developing a common policy. In a sense, this coordination has been taking place ever since 1963 in the Standing Committee on Agricultural Structures, in which projected national laws, long-term structural plans, and regional programs are discussed. The Community will plan an even more important role in modernization policy once the Community programs, the preliminary drafts of which are already finished, have been adopted by the Council.

The supplementary arrangements adopted for fruit and vegetables by the Council in July 1966 introduced the concept of "producers' associations" (cooperatives and similar organizations) into the common agricultural policy as a means of improving efficiency. The creation of these farming associations is a suitable means of getting farmers to accept a certain discipline which will enable them to make the necessary adaptations, to concentrate the supply of agricultural products and to widen progressively the responsibility of farmers in agricultural markets. The Commission means to extend this development to other sectors, and has submitted to the Council proposals for encouraging the formation of these associations. Under the Commission proposal, such associations may, after official recognition, be aided by member governments for the first three years of their existence; aid may continue for up to five years for investment necessitated by the application of common rules for improving the conditions of production and sale, together with storage, sorting, packaging, etc.

In the farm sector, too, the problem of concentration of horizontal and vertical integration is so important that sooner or later the Community is likely to have to define its standpoint on this subject. Community competition policy applies to agriculture as well as to industry, but in agriculture it will often have to be adapted to special circumstances. The more trade between the Six is liberalized, the more evident the consequences of an unharmonized competition policy will become. Hitherto, most progress has been achieved in the harmonization of legislation, especially as regards foodstuffs, veterinary regulations, plant control, etc. No genuine common market can exist so long as goods cannot be traded freely because of differing provisions on the permitted colouring matters in foodstuffs, or because measures to control tuberculosis or foot-and-mouth disease are not only used but even abused as a means of protecting domestic production.

Much of this harmonization work is technical and not very spectacular. One matter of greater political impact is the harmonization of turnover tax, since the special tax systems, for example, for the agricultural sector, will have to be harmonized. In January 1967 the Council adopted a Commission proposal for a common turnover tax system on an added-value basis. The Commission will now have to submit a further proposal on the application of this tax system to agriculture.

Another aspect of the Community's competition policy deals with subsidies by public authorities. The urgent need for a common policy on subsidies in agriculture was explicitly recognized by the Council in July 1966 when it decided that support measures linked to prices, quantities or production units for those commodities covered by a common organization of the market would have to be adjusted or abolished by the member states before free movement of goods in the Community took effect. During 1967, the Council hopes to achieve a broad settlement of the question of competition in agriculture.

In October 1966 the Commission submitted an amended and amplified proposal which included a list of support measures that are or may be compatible with the common market, and defined the measures that must be regarded as incompatible with it. Among the latter are those support measures in which the amount of support is based on area cultivated, price, quantity, or production unit (e.g. per milch cow or fruit tree). It remained for the Council to decide on this proposal. The proposed regulation on producers' associations lays down precise conditions to which state aid granted to these groups must conform. This aid is to be considered compatible with the Common Market, and it is therefore proposed to exempt aid granted under this regulation from the general rules on state aids.

4. Social progress

The general provisions of the Rome Treaty apply to social policy just as much as to competition policy, but in social affairs the Treaty assigns few specific powers to the Community Institutions. However, the Commission's 1964 Action Program aims at giving people employed in agriculture equal status with workers in other branches of industry. In view of the size of the task confronting both employers and workers in the social sphere, the Commission has set up two consultative committees, one for the social problems of farmers, and a joint committee (representing employers, workers and the authorities) for the social problems of farmworkers. Most of the results achieved so far concerns freedom of establishment, occupational training, and retraining for other work.

5. An independent Community revenue

At the end of the transition period, all levies on agricultural imports into the Community will be paid direct into the Agricultural Fund, in accordance with the Council's decision of December 1962. This move, however, will have to be approved by the national parliaments; and, moreover, the yield from the levies will not be enough to meet the full cost of the common agricultural policy.

In March 1965 the Commission, at the request of the Council, put forward proposals for common financing not only for the years 1965–67, but also for the stage following the completion of the full common market. The Commission's proposals also provided for the replacement of the member states' financial contributions by the Community's own resources, viz. the yield from the levies and customs duties on all imports from non-member countries. Since, in this way, some thousands of millions of dollars would be withdrawn from the control of the national parliaments, the Commission also proposed an amendment to the Common Market's budgetary procedure. This amendment provided for the expansion of the budgetary powers of the European Parliament and of the Commission itself. These proposals were the immediate cause of the crisis of July 1, 1965, when France absented herself from meetings of the Council until January 1966. At the end of that month, the Ministers met in Luxembourg and took a policy decision on the institutional problems at issue and also on a working program for the Council. This program had been largely carried out by the end of July 1966.

At the January meeting the financing of the agricultural policy was settled up to 1970, but no provision was made for financing after that date. Accordingly, the question of the Community's own resources and of Parliamentary ratification will have to be raised again before that time.

How prices are affected by the common policy

How the previously current prices for leading products in each member country compare with the common prices being introduced.

In national currencies per 100 kg.	Belgium Bfrs.	%	Germany DM	%	France FF	%	Italy Lire	%	Luxembourg Lfrs.	%	Netherlands Fl.	%
Milk (over period 1965–9)												
target prices	− 0·3	− 0·1	+ 1·30	+ 3·4	+ 5·01	+10·9	− 447·50	− 6·5	− 5·0	− 0·9	+ 4·14	+12·9
market prices for butter	−1000	−10·1	+33	+ 4·8	+24·68	+ 2·9	n.s.c.	n.s.c.	+312·5	+ 3·6	+162·90	+34·2
all cheeses	+ 700	n.a.	+51	neg.	+24·68	n.s.c.	n.s.c.	n.s.c.	+700	n.a.	+147·51	+34
Cattle (over 1964–9)												
market prices[1]	+ 62·5	+ 1·9	− 5·0	− 1·9	+19·75	+ 6·0	−1562	− 3·8	−137·5	− 4·1	+ 22·62	+ 9·4
Rice (over 1964–9)												
producer prices	n.a.	n.a.	n.a.	n.a.	− 1·93	− 3·4	+ 825	+12·3	n.a.	n.a.	n.a.	n.a.
threshold prices	+ 179	+25·2	+14·32	+25·2	−17·67	− 6·0	+2237	+ 8·9	−179	+25·2	+ 12·96	+25·2
Sugar (over 1964–9)												
basic sugarbeet prices (ton)	+ 7	+ 0·8	− 4·52	− 6·2	+19·29	+29·8	+ 305[3]	+ 2·6	n.a.	n.a.	+ 2·70	+ 4·6
sugar ex-factory[1]	+. 39	+ 3·8	− 3·77	− 4·3	+12·20	+13·2	+ 236[3]	+ 1·6	n.a.	n.a.	+ 2·55	+ 3·4
consumer prices[2]	+ 39	+ 2·8	− 3·77	− 3·2	+12·20	+10·5	(+1500)	(+7·0)	n.a.	n.a.	+ 2·55	+ 2·2
Oil-seeds (over 1964–9)												
producer prices			+ 5·48	+ 8·2	+ 9·33	+11·6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Notes. neg. = negligible
n.s.c. = no significant change expected
n.a. = figures not available

(1) intervention prices without levies
(2) provisional figures
(3) estimated regional prices inclusive of subsidies

II. THE MARKET ORGANIZATION FOR THE MAJOR AGRICULTURAL PRODUCTS

Grains

Regulation No. 19 "on the gradual establishment of a common organization of the market in cereals" has set the pattern for the Community's agricultural market organizations. Since grains form one of the chief elements in the whole trade of the Community, the operation of this Regulation is of considerable importance to the Community's trading partners.

The first Regulation came into effect in August 1962: all national protection measures, in particular quantitative import restrictions, were abolished. The sole protection against imports both from other member countries and from outside the Community is an import levy. The levy system prevents cheaper grain imports from non-member countries from disrupting internal prices.

The levy is a variable charge, which can be adjusted from day to day to offset differences in supply prices. It is calculated as the difference between c.i.f. price if the exporter is a non-member country (or the free-at-frontier price of the exporting Community country) and the threshold price of the importing Community country. The latter is so fixed that the selling price of the imported product is equivalent to the target price set for the marketing centre of the main deficit area. (However, if he wishes, the importer need not pay the levy valid on the day of import, but may pay a fixed amount determined in advance on the day he requests an import certificate.)

The method of calculating the levy on imports from both member and non-member countries is essentially the same. In the case of the non-member countries, it is the c.i.f. price in the *importing* country (calculated on the basis of the most favourable offer on the world market). In trade between member countries the levy is reduced by a fixed amount in order to ensure a margin of preference to Community grain producers over non-Community producers. Trade with non-member countries is not only characterized by a system of import levies, but also, as regards exports, by a system of uniform refunds. The latter are the counterpart of levies: they bring the price of Community exports down to the level of world market prices. On July 1, 1967 levies were abolished between member countries. At the same time the common market in grains came into full existence as the common prices took effect. Levies and restitutions are the same throughout the Community.

Until 1970 the levies will be collected by the six countries and not by the Community. Producers in the member countries also have the advantage of a guaranteed *intervention price*, which is usually about 7 per cent lower than the target price. In each country, the official intervention agency is obliged to buy up at this intervention price any home-grown grain which the farmers cannot sell on the market at better prices. In addition, the target price may be increased each month in order to take account of storage costs. At the end of the marketing year, prices may therefore drop; compensation for the difference in prices due to this transition may be granted by the Agricultural Fund for grain held in stock. Besides the seasonal differences, there will be regional differences in price caused by the cost of transport from the production areas.

Accordingly, at the beginning of the marketing year, the prices for non-durum wheat will be as follows:

Intervention prices – July 1967

$ US per metric ton

Non-durum Wheat	Rye	Barley	Maize
Mannheim 98·75	Mannheim 87·50	Mannheim 85·00	—
Rotterdam 98·13	Rotterdam 86·88	Rotterdam 84·38	—
Marseille 98·75	—	Marseille 85·00	—
Rome 98·75			
Palermo[1] 98·75	—	Genoa[1] 83·25	—
Bologna 95·07	—	—	77

(1) In Italy, until the end of the 1971-72 marketing year, the levy on barley and maize can be reduced by $7.50 per metric ton for imports from overseas countries. This concession is made owing to the long waiting periods in Italian ports. In addition, the levy can be further reduced by $3.125 per metric ton during 1967-68 and by $2.50 per metric ton during 1968-69 and 1969-70.

These prices were decided in December 1964. In future, prices will be fixed annually by the Council on the basis of a report by the Commission. According to a proposal by the latter all agricultural prices should be fixed at the same time one year ahead – before August 1 of each year – and after the European Parliament has given its opinion.

Average producer prices[1] in 1964–65

$ US per metric ton

	Non-durum Wheat	Rye	Barley	Maize
Belgium	97·20	73·6	80·8	
France	82·9	66·52	66·58	86·08
Germany	107·0	97·375	106·575	
Italy	111·18	91·025	85·12	82·305
Luxembourg	108·0	105·0	—	
Netherlands	98·645	88·59	87·18	

(1) The intervention price is a wholesale price, and is consequently not comparable with the producer price.

Special measures are laid down for
- durum wheat (production aids)
- starch made from cereals or potatoes (production refund).

The expenses resulting from market intervention by the public bodies, export refunds and production aids will in principle be charged to the Agricultural Fund.

In 1965 the Six imported about 19 million tons of grain from non-member countries (17 million tons in 1964), but they themselves exported eight million tons (10 million tons in 1964). Trade in grains between the Six amounted to only 3·6 million tons (1·6 million tons in 1964), of which three quarters was exported by France (as in 1964).

Since 1962 when the common policy for grains came into effect, Community net imports of feed grains have been higher than in any year since 1958; wheat imports, on the other hand, have been falling. The rise in feed-grain imports is due to the expansion of Community livestock production, especially in Italy. The increase was mainly attributable to additional maize and barley imports from the United States. Production of food grains is also increasing at the expense of bread grains.

Grains
'000 tons

1964–5	Wheat production	Wheat consumption	Feed grains production	Feed grains consumption
G rmany	5,047	5,813	11,006	14,238
Franc	13,838	10,120	12,086	10,629
Italy	8,586	9,362	4,792	9,231
Neth rlands	737	1,143	1,277	3,997
Belgium-Lux.	950	1,153	1,112	2,505
Community	29,158	27,591	30,273	40,600

Rice

When the former EEC Commission and the Council of Ministers came to work out the common organization of the market for rice, they were able to draw on their experience in the grains sector. There was a major difference between the two sectors, however, in that there are only two rice producers in the Community – France and Italy.

Like the grain market, the common organization of the market for rice is based on target prices, intervention prices and threshold prices. However, under the common arrangements for the transition period, this system is applied only in the two producer countries, the other four member states being treated as one market with a common threshold price.

In the final stage, beginning September 1, 1967, all member states will form a single market with the following prices:

1. The target price for husked rice throughout the Community, fixed at $18·12 per 100 kg.

   This applies to bulk rice, not unloaded, delivered for wholesale purchase to the warehouse at Duisburg, the marketing centre having the greatest deficit in the Community.
2. The threshold price for husked rice throughout the Community, fixed at $17·78 per 100 kg.

   Both prices are applicable to bulk rice of standard quality (round-grained).
3. The intervention prices for rice in the husk (paddy), fixed at $12·30 per 100 kg for Arles (France) and $12·00 per 100 kg for Vercelli (Italy). Provision is made for monthly increases with a view to ensuring a balanced marketing throughout the year.

Grains: production and net imports
million tons

		1957–60 average	1961–62	1962–63	1963–64	1964–65	1969–72 estimated
Wheat	production	24·9	23·1	29·5	24·3	29·2	30·2
	net imports*	1·3	3·5	−0·3	0·6	2·1	—
Ry	production	5·1	3·5	4·0	4·1	4·7	
	net imports	0·2	0·6	0·8	0·3	0·2	33·2
Other coarse grains	production	20·4	23·0	24·3	20·6	25·6	10·0
	net imports	7·4	9·2	9·2	10·1	9·2	
Total grains	production	50·4	49·6	57·8	49·0	59·4	63·4
	net imports	8·9	13·3	9·7	11·0	7·3	10·0
D gre of self-sufficiency (%)		85	78	89	84	87	86

*Including flour in grain equivalents

Until September 1967, an import levy is imposed on intra-Community trade between producer and non-producer countries. Trade in rice between the non-producer countries of the Community is subject to neither import levies nor export refunds; to this extent a common market already exists.

In trade with non-member countries, imported husked rice is subject to an import levy equal to the difference between the most favourable price offered on the world market and the threshold price of the importing member country. Exporting member countries may grant export refunds to bridge the gap between Community prices and world market prices. After September 1967 a single levy and a single refund will be fixed for the whole Community.

In the case of rice which has been further processed, the levy on husked rice is augmented by a fixed amount to protect Community millers. The Commission has proposed reducing the levy on rice or paddy imported from Madagascar and Surinam by a certain standard amount in order to give these two Community associates' produce some preference.

Ric

'000 tons

1964–5	Production	Consumption
Germany	—	129
France	99	124
Italy	494	324
Neth rlands	—	35
Belgium-Lux.	—	9
Community	593	621

Community net imports in 1965: 175,072 tons; value \$17·6 million

Pigmeat

The Regulation "on the gradual establishment of a common organization of the market in pigmeat" covers live pigs and all other pork products, including sausages, tinned meats, offal, etc. The market organization is based on a system of levies, a sluice-gate price and export refunds.

The Regulation came into force on August 1, 1962. It completely freed trade in the products concerned by abolishing all import restrictions both within the Community and on trade with the outside world. Trade within the Community enjoys a certain preference.

Levies on intra-Community trade have been gradually reduced, and disappeared completely on July 1, 1967, when the common grain price also took effect. The levy system will continue to apply to imports from non-member countries, with uniform levies throughout the Community and a single refund in respect of certain products subject to import licensing. The levy may be altered every three months. There are no target or intervention prices for pigmeat. However, up till the end of the transition period each country can request authorization to intervene in its home market to support pigmeat prices.

To prevent dislocation of the market by imports at abnormally low prices from non-Community countries, a sluice-gate price is fixed by the Council of Ministers. This is, in effect, a minimum import price: as soon as imports are offered below it, the amount of the levy is correspondingly increased. This "supplementary levy" has not often been applied to imports from outside the Community.

The levy system for pigmeat is slightly different from that laid down for grains, because pigmeat is a "processed"

Pigmeat

'000 tons

1964–5	Production	Consumption
Germany	1,925	1,974
France	983	1,072
Italy	400	413
N th rlands	398	225
Belgium-Lux.	220	219
Community	3,926	3,903

Community net imports of pigs and pigmeat in 1965: 76,398 tons; value \$19·9 million product based on feed-grains. The levy is made up of two main elements: the more important of the two cancels out differences in the cost of food grains in the exporting and the importing countries. A third element ensures a margin of preference to Community pig-farmers set at 7 per cent of the sluice-gate price applied in the previous year.

Generally speaking, the market organization has worked smoothly, and has also had a favourable effect on what is called the "pig cycle" (the tendency for supplies to fluctuate excessively). When supplies are short, and prices therefore relatively high, the levy is reduced. When, on the other hand, supplies are abundant and the farmer's prices lower, special measures can be taken to protect domestic production through the supplementary levy.

Up to July 1967 there were no common target or intervention prices for pigmeat. However, each member country could request authorization to intervene in its home market to support prices. France and Germany have taken this step.

Since July 1, 1967 a market intervention system has been provided but does not have the same automatic feature as the system for grains. For pigmeat two possible interventions are foreseen: aids for private stocks and/or purchases by the public intervention bodies. For this purpose a basic price is fixed annually by the Council, acting on a proposal by the Commission and after advice by the European Parliament.

This price acts as the trigger for an examination of the market situation before any intervention measure is decided upon. It will be fixed at DM294 per 100 kg deadweight for the 1967–68 marketing year. If the mean of the prices of pigmeat in the Community reaches a level equal to or below the basic price and is likely to remain at or below this level, public interventions may be decided. The maximum and minimum purchasing prices applicable in this event are fixed at 92 per cent (DM271) and 85 per cent (DM251) respectively of the basic price.

The Regulation also provides that certain Community measures may be taken in order to encourage initiatives by farmers to facilitate the adjustment of supply market requirements.

Eggs and poultry

As with pigmeat, the Community marketing system for eggs and poultry is based on an import levy which leaves the regulation of supply and demand to market prices. There is no provision for guaranteed prices, market intervention or quotas. This presupposes a liberal import policy, such as existed already in the main importing countries, Germany and Italy, before the Community Regulation came into force.

The levy system is similar to that for pigmeat. Intra-Community levies on eggs and poultry disappeared completely on July 1, 1967. The levy on imports from non-member states is made up of two elements: one to cancel out difference in the cost of food grains in the exporting and the importing countries, the other element – 7 per cent of the sluice-gate price applied in the previous year – to ensure a margin of preference to Community farmers.

Export refunds may be given in order to enable the producers of the Six to sell to non-members at world market prices.

A sluice-gate price system protects Community producers against low-priced imports from non-member countries. If offer prices fall below the sluice-gate price, supplementary levies are charged on imports of poultry and egg products. This has happened regularly, in contrast with the case of pigmeat. However, no supplementary levy is charged for imports from countries which bind themselves not to supply products lower than the sluice-gate price.

A common system of grading for eggs is to be applied from January 1, 1968. Imports from non-member states will also have to comply with the common rules and their origin be marked on the containers.

The Community measures have so far not reduced the degree of protection enjoyed by some big import markets before 1962. This is particularly the case with Germany, where, however, a trend towards greatly increasing domestic output also continued. As a result, egg production had to be reduced, especially in the Netherlands, since increased consumption did not keep pace with the increase in production. Imports from the countries of the Eastern bloc have also remained important.

On the other hand, poultry consumption has increased very greatly, and consequently exports of poultry from Benelux to other Community countries have risen also.

Imports from outside the Community, which declined somewhat after the common policy came into effect, later showed a partial recovery.

During the last years industrial production of eggs and poultry has increased on the Continent. No interventions in the market were provided for, either before or after July 1, 1967 when the common market for eggs and poultry was realized. But the new basic regulations for this sector do provide for certain Community measures to be adopted by the Council, acting on proposals by the Commission after the European Parliament has expressed its views, in order to encourage trade initiatives to adjust the supply to market requirements, so long as this does not involve the withholding of supplies from the market.

Eggs
'000 tons

1964–5	Production	Consumption
G rmany	661	785
Franc [1]	540	538
Italy	491	497
N therlands	266	151
Belgium-Lux.	177	132
Community	2,135	2,103

Community net imports in 1965: 54,855 tons; value $29·6 million
[1]Average in 1964 and 1965

Poultry
'000 tons

1964–5	Production	Consumption
Germany	146	350
France	550	527
Italy	368	377
N th rlands	135	46
B lgium-Lux.	94	76
Community	1,293	1,376

Community net imports in 1965: 64,559 tons; value $43 million

Beef and veal

These products have been covered by a common marketing organization since the autumn of 1964. The Regulation provides for two domestic prices, a guide price and an intervention price.

The guide price is not a guaranteed producer price; it is an average price which is considered desirable for farmers to receive for all their output in a normal year. Accordingly, the provisions of the Regulation are intended to prevent market prices from varying too much from guide prices.

With effect from April 1968, the following guide prices will apply throughout the Community:

Mature cattle	$66·25 per 100 kg live weight
Calves	$89·50 per 100 kg live weight

Before October 1, 1967, the Council, on the basis of a report by the Commission, is due to examine these prices and adjust them, if necessary, in the light of developments that have taken place in the meantime.

Imports of beef and veal are subject to customs duties. These will entirely disappear in intra-Community trade by April 1, 1968, while duties on imports from outside the Community will then be aligned on 16 per cent ad valorem for live cattle and 20 per cent for meat.

As with pigmeat imports from outside the Community, provision is also made for extra protection in the form of a supplementary levy. When domestic prices are under pressure, importing member countries may charge a supplementary levy equal to the difference between the world price, plus import duty, and their guide price.

The application of these supplementary measures is conditioned by the relation of market prices to the guide price for mature cattle and calves, viz.:

When the weighted average of domestic prices exceeds the guide price by 5 per cent, customs duties only are applicable;

When the weighted average of domestic prices falls below the guide price, the supplementary level is charged;

When the weighted average of domestic prices is at any intermediate level between these two, i.e. between 100 per cent and 105 per cent of the guide price, only half the supplementary levy is charged.

Domestic intervention prices for mature beef cattle and the corresponding butcher's meat are 4 per cent to 7 per cent lower than the guide price; if domestic prices fall to that level, various measures of support may be taken. In the final stage of the common market for beaf and veal, i.e. after April 1968, only a common intervention system will apply to help stabilize both producer and consumer prices.

During the transition period, up to 1970, governments may also impose a supplementary levy over and above customs duties on imports from other member countries.

Imports of frozen meat from non-member countries are subject to special rules. The Community tariff quota of 22,000 tons, bound in GATT at a duty rate not exceeding 20 per cent, has been maintained, and one or more supplementary quotas subject to reduced or nil customs duties are opened every year for frozen meat for processing.

The Community is a net importer of beef. The first years of the common organization of the market were marked by shortage, on both the Community and world markets. As a result, the supplementary quotas could not always be fully taken up. The Community's price policy is designed to encourage production by adapting the guide price to the actual market price. Now, the market situation seems to be becoming somewhat easier.

B f

'000 tons

1964–5	Production	Consumption
Germany	1,014	1,220
France	1,502	1,465
Italy	436	775
Netherlands	224	209
Belgium-Lux.	181	216
Community	3,357	3,885

Community net imports of cattle and beef in 1965: 821,932 tons; value \$529·9 million

Milk and milk products

Milk and milk products are a very important source of income for Community farmers: they provide some 25 per cent of total farm income, and the closely related income from beef and veal accounts for another 15 per cent. The simultaneous entry into force of common rules for these two groups of products, on November 1, 1964, was thus a significant step towards the common organization of all the agricultural markets.

The three main elements of the grains system – import levies, guaranteed prices and market intervention – are also applied in the common marketing system for milk and milk products.

The system is based on a common target price which comes into effect in April 1968. The common policy aims at enabling producers to obtain this target price, which was fixed in July 1966 at \$10·30 per 100 kg ex-dairy for milk with a fat content of 3·7 per cent. National arrangements for making up the difference in price between fresh milk and milk used for processing must be abolished by April 1968. Member states must fix their retail prices for fresh milk so that the yield does not exceed the price of milk used for processing by more than \$0·50 per 100 kg.

The various measures envisaged, both on the internal market and at the Community's frontiers, to guarantee the target price to farmers will be determined nationally until 1968; they must, however, satisfy certain rules in order to be eligible for the partial compensation paid by the Agricultural Fund. But from April 1968 onwards the following common measures will take effect:

1. Support buying for first-grade fresh butter, and simultaneous fixing of an intervention price of \$176·25 per 100 kg. This price makes it possible for milk to be marketed at \$0·31¼ below the target price.
2. A grant of \$1·37½ per 100 kg to support the price of liquid skimmed milk and of \$15 per 100 kg for skimmed milk powder, when these products are used for animal feed;
3. Support for some types of cheese (Cheddar and Emmental) and for skimmed milk processed into casein.

Under certain conditions, consumption of cheese and butter may be subsidized; such consumer subsidies must be on a falling scale and must end by January 1, 1970. They will enable the member states to offset any adverse effects on consumers of the abolition of aids to producers in Germany and the Netherlands.

The amount of import levy is equal to the difference between the threshold price and the c.i.f. price at the frontier of the importing country. Reduction of this levy by a standard amount in intra-Community trade will provide a certain degree of Community preference until the final stage of the Common Market is reached, when the internal import levies will, of course, disappear.

For imports from non-member countries the c.i.f. prices are fixed on the basis of the most favourable terms obtainable on the world market. (It must be borne in mind that the world butter price depends more on the price of margarine than on the production costs of butter in the country with the lowest cost-price, i.e. New Zealand.)

Threshold prices cannot be fixed for each individual dairy product (there are more than 400 kinds of cheese alone). The products were therefore classified into groups and the threshold price was fixed for each main or "pilot" product (on the basis of the average costs and yields for milk products in the Community).

From April 1968 onwards the following threshold prices (per 100 kg.) will apply:

	$
1. Lactoserum powder	21·50
2. Whole-milk powder	103·25
3. Skimmed milk powder	54·00
4. Condensed milk, unsweetened	46·00
5. Condensed milk, sweetened	61·75
6. Blue-veined cheese	132·25
7. Parmesan cheese	204·00
8. Emmental cheese	149·25
9. Hard cheese (Gouda)	123·50
10. Semi-hard cheese (St. Paulin)	119·75
11. Soft cheese (Camembert)	123.50
12. Lactose	43·00
13. Butter	191·25
14. Cheddar cheese	134·25
15. Tilsit cheese	123·50

In no other field of agriculture have national governments assisted producers so generously and consistently as in the milk market. Throughout the Community, total milk subsidies paid out amount to $500 million per year, and it is estimated that the cost to the Agricultural Fund will be similar.

Production of milk and of most milk products in the Community is continuing to rise, except in Italy. In 1965 it was impossible to market all the butter produced; consequently large quantities were put into storage, and some Community countries were authorized to sell their butter under special conditions. Internal and external trade both remained at a high level. Large quantities of skimmed milk powder were imported from non-member countries.

Dairy products
'000 tons

	BUTTER	
1964–5	**Production**	**Consumption**
Germany	412	413
France*	371	334
Italy	48	74
Netherlands	84	46
Belgium-Lux.	70	70
Community	985	937
	CHEESE	
	Production	**Consumption**
Germany	358	460
France*	565	520
Italy	398	431
Netherlands	216	95
Belgium-Lux.	33	59
Community	1,570	1,565

Community net exports of dairy products in 1965: 448,686 tons; value $158·1 million.

*1963–64

Fats and oils

Products in this sector are partial competitors with butter. Accordingly, when the common policy for milk and milk products was adopted, it was found necessary to lay down at the same time the main lines of the oils and fats policy. In July 1966, the Council adopted the basic Regulation for these products and, at the same time, fixed common target prices. These took effect from the 1966–67 marketing year: olive oil was the first product, on November 10, 1966, to come completely under a common marketing organization; other fats and oils are covered by a common policy from July 1, 1967. Thus no transition phase has been needed in this sector, and intra-Community trade has been free of all restriction from these dates.

In the Regulation, a distinction is made between olive oil and other oils. A system of levies has been set up for olive oil, which is of particular importance to Italy. That country and France between them meet between 70 per cent and 80 per cent of the Community's needs of olive oil.

The Community produces only 5 per cent to 10 per cent of its consumption of other vegetable oils. Production is concentrated in Germany and France. Since imports of vegetable oils and fats are subject to customs duties alone, measures have been devised to maintain the necessary production in the Community without restricting the purchasers' freedom of choice among these products, which are highly interchangeable.

The market system for these other oils and fats is based on free entry, target and intervention prices and, in addition, direct support to producers, if need be; this provision had been previously made only for growers of durum wheat.

The market arrangements cover all oils and fats of vegetable origin, including oilseeds and margarine, and fats from fish and marine mammals. Other animal fats come under the regulations for milk products, pigmeat, and beef and veal.

For colza, rape and sunflower seeds, the following prices are fixed each year: a single target price; a basic intervention price; and derived intervention prices, laid down in advance for each intervention centre, in order to ensure free trade in oilseeds within the Community on the basis of natural price conditions and market requirements.

For the first marketing year in which the regulation is in force, the target price in the Community for rape, colza and sunflower seed will be \$20·25 per 100 kg.

For oilseeds harvested and processed in the Community, aid is granted amounting to the difference between the target price and the world market price (at Rotterdam). The amount of aid granted will be equal throughout the Community. Aid is payable in respect of the actual processing of oil seeds into oil. The amount payable may, in certain circumstances, however, be fixed in advance.

Imports from non-member countries will be subject to the common customs tariff; customs duties between the member states were abolished with effect from July 1, 1967 for oilseeds, oil fruits and other oils and fats coming under the Regulation, including margarine and oilcakes. These duties, bound in GATT, are nil for most oilseeds and fruits, and for oil cakes. Customs duties on manufactured products are also bound in GATT and range from 3 per cent to 8 per cent on vegetable oils for technical and industrial use, and from 9 per cent to 15 per cent on those for use in food. The duty on margarine is 25 per cent.

When oilseeds grown within the Community are exported to non-member countries, a refund not exceeding the difference between Community and world prices may be made.

Under certain conditions, countervailing charges can be imposed on imports of oils and fats from outside the Community. But these charges have to conform with the international commitments of the Community and of the member states.

There is a comparable system of subsidies for olive oil, which also receives extra protection at the frontier in the form of a levy and refund system. For this purpose, two prices are fixed, a "norm" price for producers and a target price for the market. An intervention price guarantees producers a price as close as possible to the target price. For 1966–67 the target price has been fixed at \$80 per 100 kg and the intervention price at \$73 per 100 kg.

Fats and oils
'000 tons

1964–5 (provisional)	**Production**	**Consumption**
Germany	590	809
France	422	544
Italy	579	785
Netherlands	264	308
Belgium-Lux.	111	156
Community	1,966	2,602

Community net imports in 1965: 8·67 million tons; value \$1,227·4 million

Sugar

The first proposals for sugar were submitted by the Commission in 1960 together with the plans for the other commodities. But it was not until 1966 that the Council decided on the basic principles of the common sugar market. The delay was due partly to the transformation of the international sugar market in the 1960s owing to the political changes in Cuba, and partly to the intricacy of the sugar problem. At the moment, intra-Community trade in sugar is small.

All the member states except Italy meet their sugar requirements from their own production, and France (including the Overseas Departments) and Belgium are traditional exporters. Except in the French Overseas Departments all Community sugar production is from beet. The cost prices for sugar-beet and sugar vary widely from year to year and from country to country, and even from one area to another within a country.

In July 1966, the Council laid down the basic principles for the sugar market and fixed the prices which are to come into force in July 1968. It also decided on a quota system for the adaptation period and on state aids in Italy. During 1967–68 there will be a simplified transitional arrangement for the common sugar market, with quotas for each member country in order to limit production, and also the financial responsibility of the Community. A levy system with Community preference through adjudication and rebates for sugar used by some processing industries (mainly chemicals) are also foreseen. The difference between national prices and the future common price should not be increased.

The sugar market comes under the joint financing regulations. The market also embraces the French Overseas Departments (Guadeloupe, Martinique and Réunion) which are therefore eligible for assistance from the Guarantee Section of the Agricultural Fund. However, since these departments are able to benefit from the European Development Fund, they may not receive any help from the Guidance Section of the Agricultural Fund.

A uniform Community price system will come into force on July 1, 1968. This system comprises a target price for refined sugar, intervention prices for white sugar and raw cane sugar, and threshold prices for white sugar, raw sugar and molasses. For 1968–69 the target price for white sugar in the Community area with the greatest surplus (Northern France) will be $22·35 per 100 kg and the intervention price $21·23 per 100 kg. For the other areas, derived intervention prices have been established. Intervention arrangements have also been made for raw beet-sugar until the end of 1969. Prices are regionalized; the basic price applies in the area of greatest surplus, derived intervention prices being calculated for the other areas, according to the natural conditions of price formation.

For sugar-beet, minimum prices are fixed on the basis of the intervention prices for a standard quality of sugar and 16 per cent sugar content.

Because of an intricate system of basic quotas and levies and two minimum prices, sugar manufacturers and beet-growers can theoretically obtain three different prices for their output, according to the quantity they produce; in actual fact, both will obtain a price averaged over their total quantity. The price falls in proportion to the amount by which the basic quota is exceeded, and ultimately only the most efficient producers can bear such a fall in the price obtained. Hence this system ensures freedom of production and of intra-Community trade, but it also means that only the most efficient growers are encouraged to increase their output.

The system works as follows: Each sugar factory in the Community is allotted a quota based on the previous five years' output, to which the Community price and marketing guarantee is to be applied without restriction up to and including the marketing year 1974–75. For these beets the growers receive a minimum price of $17·00 per metric ton. A maximum is fixed for the common price and marketing guarantee to each sugar manufacturer. For the first three marketing years this maximum will be 135 per cent of the quota. Quantities produced above this 135 per cent maximum must not be sold on the Community's internal market, nor are they eligible for refunds on export. Hence, they must be sold abroad at world market prices and beet growers do not receive any minimum price for this quantity.

The marketing guarantee applies without restriction to production between the basic quota and the fixed maximum. However, a production levy is imposed on all beet that the factory produces above its basic quota and below the maximum of 135 per cent. This levy must not exceed a maximum amount, which is fixed every year. The sugar manufacturers can claim 60 per cent of it back from the beet sellers. However, the growers have to receive a minimum price also for these beets; for 1968–69 this second minimum price has been set at $10 per metric ton. Any difference between the $10 and the selling price will be made good by the Agricultural Fund.

Each of the member states is also allotted an overall basic quota, for allocation as described above among the various sugar factories. The basic quota for the entire Community has been fixed at 6·48 million metric tons of refined sugar, which is 200,000 metric tons more than the expected consumption for 1968–69. It is divided among the member states as follows:

	metric tons
Belgium-Luxembourg	550,000
France	2,400,000
Germany	1,750,000
Italy	1,230,000
Netherlands	550,000

The output to be fully financed by the European Agricultural Fund for 1968–69 is somewhat higher, viz. 6·59 million metric tons for that year, corresponding to 105 per cent of expected sugar consumption. However, the basic quotas will apply unchanged up to and including the 1974–75 season. Thereafter, under the final arrangements, there will be no discrimination whatever between producers in the Community.

At the Community's external frontiers, a threshold price gives support to sugar production in the Community. When sugar is imported into the Community, a levy is imposed which is equal to the difference between the c.i.f. price on the world market and the threshold price. For the products of the sugar-processing industry (which include many forms of preserved fruit), the import levy is calculated on the basis of sugar content plus an element to protect the industry.

A refund system is being introduced to enable sugar to be exported from the Community at world market prices.

Sugar
'000 tons

1964–5	**Production**	**Consumption**
Germany	1,970	1,824
Franc	2,209	1,573
Italy	929	1,285
N therlands	598	523
Belgium-Lux.	523	341
Community	6,229	5,546

Community net exports in 1965 (beet and cane sugar) 193,437 tons; value $48·9 million

Fruit and vegetables

Fruit and vegetables have been subject to a common marketing system since the autumn of 1962. It involved the liberalization of trade between the member states through the application of Community quality standards and a system of reference prices for imports from non-member countries.

In July 1966 the Council approved supplementary arrangements for the common market organization for fruit and vegetables. Three new items were added: producers' associations; market intervention; and trade with non-member countries. Common financing of this market started in January 1967; during a three-year transition period it is partly limited by a ceiling.

Intra-Community trade in fruit and vegetables is substantial – especially in dessert grapes, apples, pears, lettuce, tomatoes, cucumbers and cauliflowers. The main Community imports are citrus fruits, apples and bananas. Community exports to non-member countries (especially from Italy and the Netherlands) are also important – in particular exports of tomatoes, lettuce, lemons, grapes, apples and peaches.

In five of the member states, stockbreeding is the most important agricultural activity; in Italy, fruit and vegetables are the primary sources of agricultural income.

As fruit and vegetables are more perishable than other crops, the market cannot be regulated in the same way as, for instance, the market in grains, sugar or dairy produce.

In 1966 no member state had a system of guaranteed prices and government intervention on the domestic market.

This made the drafting of the new regulation a particularly delicate matter, and it was decided that transitional arrangements lasting three years should precede the final phase.

From the outset, trade liberalization has been linked to quality requirements. The Community therefore applied quality standards, most of which had already been laid down in other international organizations. Since the beginning of 1966 internal trade in the most important fruits and vegetables has been free for products in quality classes Extra, I and II. However, a rarely-used safeguard clause can enable the member countries to impose temporary restrictions in times of glut according to a specific Community procedure.

Community standards for quality, size and packaging have been just as useful to consumers as to producers and dealers. Only products subject to the common rules which satisfy the quality standards are acceptable in intra-Community trade and as imports from non-member countries, and this has greatly simplified trade. Since January 1, 1967 the quality standards have been applied also to the most important products grown and marketed within the member countries. For such produce a "minimum" quality classification is being added to the existing ones. Quality, variety and origin have to be displayed too when the produce reaches the shops.

By July 1, 1968, intra-Community customs tariffs and other obstacles to trade will have been abolished for products coming under the new supplementary regulation; for some important products duties were abolished by January 1, 1967. On July 1, 1968 the common customs tariff will also apply fully to fruit and vegetables imported from outside the Community. For vegetables the tariff is between 10 per cent and 20 per cent and for fruit between 7 per cent and 25 per cent, depending on the product and the season.

In May 1965 the Council supplemented the fruit and vegetable Regulation by instituting a reference price, which plays a similar role to the sluice-gate price in protecting Community producers against cheap imports. A supplementary levy can now be imposed on imports of these products; up till the summer of 1967, however, it had very seldom been imposed.

The measures required to coordinate and harmonize the member states' provisions on imports from non-member countries have still to be agreed. Generally speaking, the products to which Community quality standards apply are eligible for export to non-member countries only if they are in categories Extra, I and II.

Other important decisions taken in this field in July 1966 concern producers' associations and a system of market intervention and export refunds adapted to the individual product. The aim of the producers' associations is to improve product quality and the growers' position in the market, and to adapt supply to market requirements.

The member states can give limited financial support to the associations during the first three years of their existence; this support must not amount to more than 3 per cent of the value of the output marketed via the association in the first year, 2 per cent in the second and 1 per cent in the third year. Half this expenditure will be reimbursed by the European Agricultural Fund. The members of each association are generally bound to sell their entire output of the relevant product through the association.

The associations can fix a reserve price, below which the products supplied by their members will not be sold, and the members are reimbursed for any quantity left unsold. To finance these provisions, each association will set up an "intervention fund", to which the members contribute in proportion to the quantities they offer for sale. During the first five years of each fund, the member states can support the associations by means of loans to cover part of the cost of the intervention measures. The member states can also give similar support to distributors' associations established with the same aims.

In contrast to the support measures for the other crop products, those for fruit and vegetables are not intended to guarantee a price to the growers, but to avoid a deterioration in price levels which could lead to a serious crisis. The system applies to cauliflowers, tomatoes, apples, pears, peaches, dessert grapes, oranges, tangerines and lemons.

A distinction is made between a "crisis" and a "serious crisis". In the first case, the producers' associations intervene at their reserve price; in the second case, the national authorities intervene by purchasing the product at the "buying-in price", which is the basis for determining the price-level below which intervention is decided on, and for the amount of compensation to be paid to producers. This buying-in price is derived from a basic price, which is the average of the prices during three preceding marketing years in the surplus-producing areas of the Community with the lowest prices.

During the transition period, which ends on December 31, 1969, the member states will fix the buying-in prices for their own market. Subsequently, the buying-in price will be fixed by the Council on the basis of average market prices in the three previous years. For cauliflowers and tomatoes, it must be between 40 per cent and 45 per cent of the basic price; for apples and pears, between 50 per cent and 55 per cent of the basic price; and for sub-tropical fruits, peaches and dessert grapes, between 60 per cent and 70 per cent of the basic price. These prices may vary according to season, but intervention must not take place before or after the normal season.

A crisis is declared if the prices on three consecutive marketing days remain below the buying-in price, plus 15 per cent of the basic price (i.e. the maximum during the transition period is 85 per cent of the basic price). During this period the member states may (but need not) give financial compensation to growers' associations intervening on the market. Government compensation may not exceed 90 per cent of the associations' payments to growers.

A serious crisis is declared if prices are lower than the buying-in price on three consecutive marketing days. Immediately after such a declaration the member states may (but need not) buy-in the products offered to them.

Provision is also made for a limited system of export refunds covering such products as citrus fruits, grapes, peaches and some processed products, such as processed tomatoes and fruit juices. Products obtained by processing apples and pears are excluded.

The amount of refund must not exceed the duty in the common customs tariff. The refund arrangements are applicable until December 31, 1969, when the Council may review them.

Fruit and vegetables

'000 tons

VEGETABLES[1]

1964–65	Production	Consumption
G rmany	2,200	3,529
France	4,815	5,180
Italy	10,437	9,170
Netherlands	1,817	1,097
Belgium-Lux.	1,100	955
Community	20,369	19,931

NON-CITRUS FRUITS[1]

1964–5	Production	Consumption
G rmany	2,423	4,741
Franc [2]	2,573	2,658
Italy	6,521	5,483
N therlands	837	663
Belgium-Lux.	356	433
Community	12,710	13,978

[1]Tinned products and fruit juices are expressed in terms of fresh-fruit weight
[2]Calendar year 1964 figures

CITRUS FRUIT

1964–5	Production	Consumption
Germany	—	1,202
France	4	886
Italy	1,804	1,010
Netherlands	—	305
Belgium-Lux.	—	134
Community	1,808	3,537

Community net imports of fruit and vegetables in 1965: 1·85 million tons; value $332·3 million

Wine

As producer of 60 per cent of the world's wine, and of an even greater proportion of its fine wines, the Community has a vital interest in the maintenance of a healthy viticulture. France and Italy together produce 90 per cent of all the Community's wine.

As with fruit and vegetables, the common organization of the wine market will come about in successive stages. The first Community rules for both sectors came into force in 1962, but the rules for wine have not yet been supplemented by arrangements for a managed market as were the rules for fruit and vegetables in 1966. The organization of the wine market must be completed not later than November 1969. Until then, the wine policy is not Community-financed, and trade is not free of restrictions either between the Community countries as a whole or with non-member countries.

In addition, trade in wine is still subject to a quota system. Quotas are fixed for both wine in bulk and wine in bottle, and are increased each year. In France and Italy, only quality wine may be imported in bulk.

The proposed Community marketing organization aims at stabilizing markets and prices by adapting supply more closely to demand; this in turn calls for a policy of quality control.

As a first step, a complete picture of the supply situation was needed, and to this end the Six agreed to prepare a viticultural land register giving the type of product, size of vineyard, cultivation method, etc. Each year, producers and wholesalers are obliged to declare their stocks and the quantities produced or bought during the year. With this information, the Commission draws up a forecast of the Community's wine resources and requirements, including foreseeable imports from non-member countries and exports to them.

The Council's Regulation of January 1962 on the stage-by-stage establishment of a common organization of the market in vine products defined, among other things, the factors to be taken into account in working out a Community Regulation on quality wines produced in specific areas of the Community. Accordingly, the Commission prepared a proposal which defines common standards for appraising wines of different origin for which the appellation of quality wine is claimed. The Commission does not compare the merits of existing national quality-control measures, nor does it suggest that they should adapt themselves to its proposal; instead it has proposed a common system which makes careful allowance for all factors which in any member country contribute to the virtues and distinctive properties of quality wines. The Commission's proposal is designed also to eliminate the possibility of fraud or error.

The proposal therefore first lays down rules for the demarcation of production areas, for admissible vine stocks and for methods of cultivation. Any wine named after a given area must in fact come from that area, be from the right vine stock and made by the correct method. The Commission's proposed prohibition of sugaring and blending has encountered strong opposition from wine producers and the trade. However, to allow for differing practices in the different member countries, the Commission proposed that in certain cases the alcohol content of the wines may be raised by three degrees and their volume by 8 per cent.

Win

'000 hl[1]

1964–5	Production	Consumption
G rmany	7,185	10,175
France	60,170	65,662
Italy	66,105	62,425
Neth rlands	6	357
B lgium-Lux.	166	842
Community	133,632	139,461

Community net imports in 1965: 8·47 million hectolitres; value $64·6 million

[1]Hectolitre = 10 litres

Non-edible horticultural products

The Commission in February 1967 submitted to the Council a draft regulation setting up a common market system for plants, flowers and bulbs, etc. Like the first market system for fruit and vegetables, this proposal envisages a system of Community standards for quality and trade.

The Council may fix standards for quality, size, packaging and presentation, with rules on marketing. Together with the basic draft regulation, the Commission proposed standards for flower bulbs, which will apply both in the retail trade and in exports to non-member countries, and also standards for cut flowers and fresh foliage which would apply in production centres and in trade with non-member countries.

These standards would prevent exports of inferior products to non-member countries and offer guarantees for Community consumers. The standardization of market prices by quality categories would also help towards the unification of Community markets.

In intra-EEC trade the following would be forbidden:

1. All quantitative restrictions or equivalent measures;
2. All charges equivalent in effect to customs duties;
3. Recourse to the system of minimum prices.

From July 1, 1968 customs duties would be eliminated.

In trade with non-member countries from 1967 onwards, the Commission may fix minimum export prices for dormant bulbs and tubers. From July 1, 1968 onwards, the system would involve full application of the common external tariff and a ban on all charges equivalent in effect to customs duties; and a ban on all quantitative restrictions or measures with equivalent effect.

The proposal includes a safeguard clause similar to the one for other organized markets.

Community output of non-edible horticultural produce, which is rapidly expanding, is worth over $600 million a year. This is roughly equal to one third of the value of table-poultry and egg production, and to one fifth of grain output.

Trade between the member countries in plants, flowers and bulbs amounts to $90 million a year, and exports to non-member countries are worth $80 million a year. Imports from the rest of the world total only $10 million. The Netherlands occupy a leading position with 68 per cent of both internal and external Community trade.

III. COMMUNITY AGRICULTURE AND WORLD TRADE

The European Economic Community is not only the world's largest importer of agricultural produce but also an important exporter. Between 1958 – the year the Community was founded – and 1965, its imports of agricultural products rose from $7,356 million to $10,576 million – or by 44 per cent – while exports increased from $1,921 million to $2,803 million – or by 46 per cent. This meant that imports from non-member countries increased over the period by an amount – $3,200 million – approximately equal to the entire volume of intra-Community trade in food-stuffs. The percentage increase in intra-Community trade was, however, much higher: by 158 per cent, from $1,246 million in 1958 to $3,324 million in 1965. Economic expansion in the Six (to which the removal of tariffs contributed) largely explains this growth in demand for farm products from non-member countries.

When the planned common external tariff was submitted to GATT, it was found to be impossible to retain some of the old duties and commitments to certain non-member countries which the Community countries had assumed, jointly or separately, before the signing of the Rome Treaty. In subsequent negotiations, the Community therefore agreed to adjust its common external tariff to compensate the countries concerned. Immediately afterwards in the Dillon Round, the Community agreed to make further tariff cuts on agricultural products. In the case of some important commodities covered by the common agricultural policy and for which variable Community levies had been introduced instead of fixed import duties, the Six also undertook to negotiate with the main supplying countries should their exports to the Community be adversely affected by the implementation of the common agricultural policy. Agreements of this nature were signed with the USA (for maize, sorghum, non-durum wheat, rice and poultry) and with Canada (for both durum and non-durum wheat). The United States invoked these agreements in 1962 when it became concerned over the decline in its exports of frozen poultry to Germany. In retaliation for the difficulties being met by its exports to the Community, the United States increased import duties on commercial vehicles, cognac, potato starch, and some other products.

The leading role played by the Community in world agricultural trade has repercussions on Community exports in general. One of the duties imposed on the Community by the Rome Treaty is to contribute to the harmonious development of world trade. Hence, as early as 1958, the Common Market Commission proposed the drafting of international rules in GATT for agricultural policy and trade in farm produce, with a view to improving the world market situation.

Technical advances are greatly increasing food production, but the economic limits to greater consumption make demand inelastic, and produce an imbalance between supply and demand. Each major food-producing country consequently tries to place its agricultural surpluses on the international market by means of subsidies and similar measures; and this again causes sharp fluctuations in world prices. The Community therefore replaced the old national system of specific or *ad valorem* duties and other protective measures by a system of variable levies on imports for a number of agricultural products. The levy brings the price of imported products up to internal price levels. The system as such is "neutral", for the degree of protection depends on the internal price level. (The British system has operated in reverse fashion, subsidies being paid to farmers so that they can sell their produce at prices as low as those paid for imported produce.)

The traditional exporters of food to the Community feared at first that this levy system would have a bad effect on their trade. Britain, in the course of the 1961–63 negotiations for membership, sought guarantees for the entry of agricultural imports from Canada, Australia and New Zealand. An enlarged Community which included Britain – after the Community the world's largest importer of agricultural produce – would bear even greater responsibility for the state of world trade. So the Six contended that it would not be enough to take account of the marketing interests of these three Commonwealth countries only, and suggested that the problem, which also concerned other non-member countries, could best be settled by means of world-wide agreements. Such agreements would lay down policies on prices, production, imports and exports for a whole range of agricultural commodities, with special

Community share in world agricultural trad
(Excluding intra-Community trade) per cent

1963	**Imports**	**Exports**
Grains	22	8
Fruits and vegetables	31	16
Fats and oils	41	5
Dairy and eggs	20	22
Sugar	10	12
Meat	9	7

emphasis on the position of the developing countries. This proposal was accepted by Britain, but was not pursued after the breakdown of the negotiations.

A new approach

The Dillon Round of trade negotiations was followed some years later by the Kennedy Round; in 1964 it was decided to include agricultural products in these talks. The food-surplus problem had again come to the fore.

Using the experience gained during the British negotiations, the Community drafted entirely new proposals for the regulation and liberalization of world trade in foodstuffs. The Commission's mandate to negotiate was established by the Council of Ministers in December 1963 on the recommendation of the EEC Commission; as in all multilateral tariff negotiations, the Commission acted on behalf of the Community on the basis of a mandate approved by the Council.

The Community's basic premise is that every country uses its agricultural policy as a means of support for its farmers, though with varying methods. Support may take the form of subsidies to producers, export subsidies, import duties or levies, monopolies, quantitative restrictions, obligatory blending, and so on. All these forms of support are reflected in the price the producer receives for his produce. The Community proposed that all countries should undertake to "bind" (i.e. not to increase unilaterally or without compensation) the value of all forms of agricultural support granted by them. This would have ensured that production would not continue to rise under artificial stimulation, and equilibrium between supply and demand would have been maintained or restored. In the Community's view, the degree of support provided in each country should be calculated as the difference between the world-market price and the value received by the producer for his produce in his own country. To measure this difference, the normal world-market price would have to be stabilized in the form of an international reference price.

Just as customs duties on industrial products can be bound in GATT for three years, so these support amounts should be bound for the same period, the Community proposed; the margin of support could only be increased if counterbalanced by a reduction elsewhere – on some other commodity, and of the same commercial value. After three years the period of binding could be extended, though first it would be necessary to see whether the object of the scheme had been achieved or not.

In the Community's view, such a system should be supplemented by the signing of world agreements for farm products important in world trade, and for those where an imbalance between supply and demand exists or can be expected. The aim of such world agreements should be to promote the widest possible multilateral cooperation, which would in the long term restore the balance between supply and demand, and in the short term would help to avoid excessive price fluctuations by increasing existing demand and the capacity of world markets and, where necessary, by limiting supply and possibly production also. Agreements of this kind are desirable in the Community's view, for grains, beef and veal, dairy produce, sugar, and vegetable oils and fats.

In the context of the Kennedy Round the Community therefore declared its willingness to accept certain commitments about its farm policy, provided other countries did the same. The margins of support it submitted for negotiation were of course those resulting from its common agricultural policy, and not from the national policies of the member countries.

Once the Council of Ministers had fixed common prices for grains in December 1964 and for other important agricultural commodities in July 1966, the Community was at last in a position to put forward its proposals for bound margins of support, and for world agreements on grains, beef and veal, and some milk products, in the Kennedy Round negotiations.

However, as seasonal influences make it difficult to calculate the margin of support for some farm products, the Community's proposal for these products provided for the reduction or binding of existing import duties and of any other current protection measures imposed at the frontier.

Naturally, the draft international agreements would have varied according to the product. All of them, however, would prescribe:

- The fixing of international reference prices as guidelines for international trade and as a basis for calculating national margins of support;
- The binding of margins of support;
- The respecting of international reference prices in implementing present import and export policies;
  Cooperation in disposing of surpluses by supplying them to developing countries.

The Community further proposed that, in the event of a world agreement on grains being signed, each country would bind (i.e. stabilize) its present degree of self-sufficiency, i.e. the relationship between its production and consumption. For exporting countries, production is over 100 per cent of consumption; for importing countries it is less than 100 per cent. The binding of the degree of self-sufficiency would have strengthened the favourable results expected from the binding of support margins. It would have meant that a party to an agreement would have undertaken to pursue a price and production policy which would meet both the legitimate claims of its own producers and its responsibilities in world trade. If, in the course of one year, the bound degree of self-sufficiency was exceeded in a particular country, that country would be obliged to refrain from placing the surplus on the international market. The country would have either to store the surplus grain or make a gift of it to developing countries. In this connection the Six agreed that the cost of such aid in the Community would be reimbursible by the European Agricultural Fund.

In the event, the outcome of the Kennedy Round in the agricultural sector did not live up to the Community's hopes. Although it was agreed to raise the minimum world price for hard winter wheat by 21½ cents to $1·73 a bushel, the negotiating countries did not succeed in concluding a world agreement on grains – which could have served as a pilot scheme for extension later to other products of major importance in international agricultural trade.

World export prices for farm products
(excluding USSR, Eastern Europe and China)
Averag annual prices in US $ per ton

	1958	1964	1965[1]
Wheat	62·20	66·10	61·50
Barley	51·30	55·90	62·50
Maize	50·60	54·70	56·70
Raw sugar	99·80	138·30	105·60
Oranges and mandarins	127·90	112·80	119·10
Copra	167·70	167·80	189·70
Shelled groundnuts	171·70	173·80	180·10
Soya oil	303·30	239·30	295·70
Groundnut oil	361·80	322·30	353·30
Beef and veal	503·80	685·20	739·40
Bacon, ham, salt pork	706·10	773·20	746·30
Cheese	636·70	782·90	855·70
Butter	641·10	910·20	898·30
Condensed and evaporated milk	311·20	326·20	335·90
Powdered milk	372·80	306·60	386·40
Raw tobacco	1,280·50	1,304·80	1,285·40

[1]Provisional figures
Source: FAO

This increase in the wheat price (which will mainly benefit the exporting countries at the expense of the importing countries) was coupled with a novel form of food aid to developing countries. The industrial countries – including the Community – agreed to finance the giving of 4·5 million tons of wheat a year to developing countries. The Community will contribute 23 per cent of the annual cost of this scheme, compared with 42 per cent by the USA, 11 per cent by Canada, and 5 per cent each by Britain and Australia.

In addition, the Kennedy Round negotiations brought agreement to lower import duties on tropical products, including coffee and cocoa. The Community maintained – at a narrower margin, however – its preferential treatment for the African states associated with it under the Yaoundé Convention, which are not yet able to stand up to full-scale international competition.

While the overall results in the agricultural sector were relatively disappointing in the Community's view, the EEC Commission hoped that the clarification of issues which occurred would lead to an improvement in world productive and trade conditions for agricultural products. But it believed that further efforts needed to be made, especially with regard to commodity agreements. It is possible that the negotiations will be taken up again in the near future, either in GATT or in some other international forum. To the Community the main result of the Kennedy Round in the agricultural field has been that it greatly helped to define its own common policy.

Agreements with associated countries

Another feature of the Community's common external-trade policy for farm products is the need to take into account the competitive position in the Common Market of products imported from the countries associated with the Community. The association agreements all contain arrangements for trade in various farm products, between the Community on the one side and the associated states on the other.

The Yaoundé Convention of 1963, linking the Community with 18 independent African countries, assures these countries increasingly free access to Community markets. Under the Convention, this is to be achieved by removing all Community customs duties and quantitative restrictions on trade with these countries at the same rate as trade is being freed between member countries. For commodities produced in both areas and tropical products which compete with European products, the Community undertook to take account of the interests of the associated states when drawing up its common agricultural policy. For instance, after the common policy for grains and rice entered into force, rules were fixed for exports to the Community of tapioca and rice from the associated states.

The Yaoundé Convention also provides for economic and financial aid to the Eighteen to a total of $730 million over the five-year period 1964–69 in addition to the very much larger sums provided by the six member states individually. Of this amount, $300 million is to be used to rationalize production and marketing methods, and thus encourage diversification of production; this should enable these countries to offer their produce within the Community at competitive prices as soon as possible. Loans can also be made to soften the effect of temporary fluctuations in world market prices.

Similar rules were drawn up for the Community's own associated overseas territories – for instance Surinam (e.g. rice exports) and the Dutch West Indies. Overseas possessions of some member countries still coming directly under the mother country – for example, some French overseas departments – have the same rights and obligations under the Rome Treaty as European producers. This fact is of special importance to the common policy for sugar.

The Association Agreement with Greece, signed in Athens in 1962, looks towards full Community membership for Greece and consequently provides for the harmonization of Greek agricultural policy with that of the Community. As a preliminary step, Greece (like the associated African states) is accorded the same customs treatment as that applied between the Six. Special provision has been made for certain products which play a major part in the Greek economy – for example, tobacco, raisins and wine. In view of the great importance to Greece of tobacco exports, the Community undertook to consult Greece and to take account of its interests in the common policy on tobacco.

In the Association Agreement with Turkey, signed in 1963, the Community granted that country special tariff quotas for raisins, raw tobacco, dried figs and hazel nuts for a special five-year preparatory period. Tobacco and raisins receive the same tariff treatment as in the case of Greece.

The agreement signed in July 1966 with Nigeria, the first Commonwealth country to apply for association with the Community, provides for duty-free Community quotas for a range of tropical products and free entry for all other goods. Current negotiations with three East African Commonwealth countries – Uganda, Kenya and Tanzania – also involve special trading arrangements for farm produce.

Finally, agreements being negotiated with Austria, Morocco and Tunisia are also certain to contain special arrangements for farm produce. The possibility of negotiations with Algeria, Spain and Israel is also envisaged, while the British, Irish and Danish applications for Community membership will again focus attention on agriculture.

Other agreements

The trade agreements concluded with Iran in 1963 and with Israel in 1964 included provisions for reducing common external tariff duties for specified agricultural commodities which are particularly important for these countries.

To facilitate trade with developing countries, and with India in particular, the Community in 1963 independently reduced or abolished the duty on about 25 tropical products. Among the products for which the duty was abolished entirely were tea, maté and tropical hardwoods; on cocoa and coffee it reduced its tariffs by 40 per cent.

Finally, arrangements have been made with various other countries on the Community's sluice-gate price for eggs. Poland, Finland and South Africa gave suitable guarantees in this regard, and as a result no supplementary levies are charged on imports of eggs from these countries.

Community trade in agricultural products

$ million

1965	Intra-Community trade	Community imports	Community exports
1. Sectors for which a common policy has been established			
Grains	367·1	1,239·3	542·8
Rice	13·0	31·7	14·1
Beet, sugar and cane sugar	93·6	44·7	93·5
Fruit and vegetables	518·9	542·7	210·4
Milk and milk products	258·4	157·8	315·8
Cattle, calves, beef and veal	194·8	567·4	37·5
Pigs and pigmeat	180·8	183·4	163·5
Eggs	72·0	42·9	13·2
Poultry	108·3	60·2	17·2
Oils and fats	105·5	1,360·6	133·2
Total 1	1,912·5	4,230·7	1,541·4
2. S ctor for which a common policy is t be established			
Wine	94·2	201·9	137·3
Unmanufactured tobacco	30·7	302·2	8·8
Non-edible horticultural products	127·6	16·9	95·4
Hops	4·7	13·2	14·7
Fishery products	82·0	298·9	41·9
Total 1 and 2	2,251·7	5,063·8	1,839·4
Textile plants (flax, hemp)	42·2	9·9	39·2
Potatoes	78·6	26·2	41·8
Miscellaneous*[1]	319·4	2,186·5	259·7
Grand total	2,691·8	7,286·3	2,180·0

[1]*For intra-Community trade includes fodder beet, residues and waste from food industries, various preparations of vegetables and fruit; for trade with non-member countries includes coffee, tea, cocoa, various vegetables and fruit preparations, cork.

Community Topics

An occasional series of documents on the current work of the three European Communities
Asterisked titles are out of stock, but may be consulted at the London and Washington offices of the European Community Information Service.

*1. **The Common Market 1960–61** (July 1961)

*2. **Economic integration and political unity in Europe, by Walter Hallstein** (August 1961)

*3. **A guide to the study of the European Communities** (November 1961)

*4. **The Common Market and the law, by Michael Gaudet** (November 1961)

*5. **French industry and the Common Market** (December 1962)

*6. **The right of establishment and the supply of services** (November 1962)

*7. **Euratom's second five-year research program 1963–7** (January 1963)

*8. **Ten years of ECSC 1952–1962** (January 1963)

*9. **Energy policy in the European Community** (June 1963)

*10. **The Common Market's Action Program** (July 1963)

*11. **How the European Economic Community's Institutions work** (August 1963)

*12. **The Common Market: inward or outward looking, by Robert Marjolin** (August 1964)

*13. **Where the Common Market stands today, by Walter Hallstein** (August 1964)

*14. **ECSC and the merger, by Dino Del Bo** (September 1964)

*15. **Initiative 1964** (December 1964)

16. **The Euratom joint nuclear research centre** (January 1965; revised May 1966)

17. **Some of our "faux problèmes", by Walter Hallstein** (January 1965)

18. **Social security in the Common Market, by Jacques Jean Ribas** (May 1965)

19. **Competition policy in the Common Market, by Hans von der Groeben** (June 1965)

*20. **Social policy in the ECSC** (January 1966)

*21. **Agriculture in the Common Market** (November 1965)

22. **Social policy in the Common Market 1958–65** (July 1966)

23. **Euratom's second five-year program** (Topic 7 revised October 1966)

24. **Regional policy in the European Community** (December 1966)

25. **Towards political union** (November 1966)

26. **Partnership in Africa: the Yaoundé Association** (December 1966)

27. **How the European Economic Community's Institutions work** (Topic 11 revised December 1966)

28. **The common agricultural policy** (Topic 21 revised July 1967)

Enquiries about these and other publications of the Information Service should be made to:

European Community Information Service

London: 23 Chesham Street, SW1

Washington: 808 Farragut Building, 900 17th Street, NW, Washington D.C. 20006.

New York: 2207 Commerce Building, 155 East 44th Street, New York N.Y. 10017.

Printed for the European Community Information Service by Edwin Snell & Sons, Printers, Yeovil, England