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NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

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POSITION ADOPTED IN THE COUNCIL OF MINISTERS
BY THE EEC COMMISSION ON THE QUESTION OF
TRADE WITH NON-MEMBER COUNTRIES

On 22 October Vice-President Mansholt of the EEC Commission, who has special responsibility for agricultural matters, made an important statement on the issue of trade with non-member countries during the discussion which followed the statements by the two German State Secretaries, M. Lahr and M. Huettebraeuer, concerning Germany's conditions in connection with the further implementation of the common agricultural policy.

The German State Secretaries had made known the conditions under which the Federal Government is prepared to co-operate in the completion of the EEC's common agricultural policy. These conditions related to a review of the agricultural regulations already in force, to the removal of distortions of competition, certain requirements connected with the proposed regulations on dairy produce, beef and rice, and in particular to certain anxieties concerning the injurious effects of the common agricultural policy on trade with non-member countries.

Since these declarations touch upon some of the cardinal points of the present situation, we will quote M. Mansholt in extenso:

Vice-President Mansholt said that it was not his intention at this stage to go fully into the problems raised earlier by State Secretaries Lahr and Huettebraeuer.

It was, however, his view that the Council of Ministers should adhere to agreements reached. He pointed out that when the Programme of Work of 9 May 1963 was adopted, it was agreed that the Council of Ministers should discuss the experience gained so far with the working of the agricultural regulations; this discussion was to be based on a report by the Commission, which was at present being prepared at top speed. Nevertheless he would make some comment on the two statements, which he felt should be considered in their context.

It must first be recalled that, as the Italian Minister of Agriculture, M. Matarella, had already stated the Community would have to complete the outstanding agricultural regulations as quickly as possible.

Experience has shown that the development of the common market in agriculture is badly behindhand. Despite all the Council's work and despite all good intentions the fact remained that industrial tariffs amongst the Member States had shrunk to a residual 40%, but that in agriculture there had been practically no reduction of the internal protection maintained by Member States; this protection was virtually the same today as it had been in 1958.

All that the Community had done was to replace a number of national protective measures by a common system, but no contribution worth mentioning towards reducing agricultural protection within the Community had been made. The figures mentioned by M. Lahr showed this with the greatest clarity. They showed, for instance, that as a result of the introduction of internal protection within the Community there had been no increase of agricultural trade between the Community countries and the Federal Republic of Germany.

M. Mansholt said that he could well understand M. Lahr's grave anxiety at the fall of exports from non-member countries to the Federal Republic of Germany, which was the Community's most important market for agricultural products. The first conclusion to be drawn from this was that there was some imbalance. State Secretary Lahr had in fact pointed this out. But there was also another imbalance, which was represented by the continuous rise of agricultural production in the Federal Republic of Germany, caused by high agricultural protection. If in order to restore balance use were made of the means which State Secretary Huettebraeucker had recommended, and to which M. Lahr had also pointed, that is to say establishing a balance between the opportunities for both Member States and non-member States to supply the German market, then the suggested increase of intra-Community protection would be tantamount to putting the cart before the horse. If external protection were reduced, the horse could at least be put before the cart. Vice-President Mansholt reminded the Council of the negotiations with non-member countries, especially the United States, which would involve discussion on lower customs tariffs, and so of a reduction in the external protection given to farm products. M. Mansholt informed the Council that the EEC Commission was considering the possibility of submitting proposals to the Council shortly on how agricultural negotiations with non-member countries should be handled.

In reply to a statement by the Netherlands representative, Ambassador Spierenburg, M. Mansholt said he felt that in these negotiations the question of grain imports in particular would play an important role. It would certainly be possible to adopt methods for these negotiations which would fit in well with the agricultural regulations which we had devised in the Community. The method of negotiating with non-member countries must be based entirely on the common agricultural policy adopted by the Community. That policy must not be endangered by the negotiations with non-member countries. Naturally price problems could not be left out of account in these negotiations, and therefore the Six would have to decide as quickly as possible on the price policy they should adopt. Meanwhile, it had become more than clear that the uncertainty about the Community's agricultural price policy, which our farmers had been feeling for years, must be removed.

M. Mansholt said that he was glad that as a result of the action of the President of the United States the Community was now called upon to deal with the external aspect of these problems; for one thing, this would help the farmers in the EEC, and for another, the Community would now have to make clear its intentions concerning price policy in relations with non-member countries.

He could therefore not share State Secretary Lahr's point of view that we should keep putting off this problem until the end of the transitional period. In the existing political circumstances this might be the easiest way out, but would certainly not help matters in the long run.

From recent discussions with members of agricultural organizations in the Community he had gained the impression that anxiety concerning the Community's future price policy was growing daily. This was one more reason why the Council could not evade its duties in this matter.

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DECISIONS AND REGULATIONS

The following is a summary of the work of the EEC Council of Ministers:

At their session in Brussels from 21 to 24 October the Ministers of Agriculture of the six EEC countries passed a number of important implementing regulations.

- 1) The gentleman's agreement on reducing refunds in poultry exports from France and Belgium to Germany by DM 0.12 per kg was extended to 31.12.1963. At present the French refund on poultry exports to the Federal Republic amounts to DM 0.73 per kg, and to DM 0.85 per kg on exports to other member countries. Belgium does not at present grant any refund on poultry exports to the Federal Republic. In view of France's readiness to reduce its refund for the German market by DM 0.12, the Netherlands has declared that for its part it would not introduce a refund on poultry exports to the Federal Republic.
- 2) Adoption of amendment to Regulation No. 54. The purpose of this regulation is to enable the EEC Commission to fix a higher premium for forward business in the case of international difficulties and to restrict the period of advance fixing so as to prevent speculation as far as this is possible. A special provision was made in the Management Committee's rules of procedure to cater for this specific case. The Commission may not directly implement its measures if the Management Committee does not approve the Commission's proposals by the required majority; in that case the matter must be submitted to the Council. Since "international difficulties" are a political issue, the Council has reserved its rights in this respect.
- 3) Approval of amendments to certain provisions of Regulation No. 55 on various products processed from cereals.

In intra-Community trade it has not proved possible to adapt the prices of the basic products in the exporting Member State to those obtaining in the importing Member State or in the world market through the refund arrangements applying to exports from a high-grain-price Member State to a low-grain-price Member State.

The reason for this failure lay in the limitation of the amount of the refund for these products processed from cereals to the amount of the variable element in the levy. This inhibited the growth of certain flows of trade from high-price countries to low-price countries.

It is the purpose of the amendment to introduce a refund by which price differences between Member States can be taken more adequately into account and a higher refund paid.

Arrangements in trade with non-member countries have been adapted to the new arrangements amongst the Member States. For various reasons the facilities offered by the amendment are for the time being used in respect of malt only.

4. The Council extended to 30 June 1964 the validity of Council Regulation No. 156 of 18 December 1962 laying down derogatory measures with respect to flour and starch of manioc (tapioca) and other roots and tubers originating in the associated African States and Madagascar.

From the development of prices for denatured manioc flour in the world market it had become apparent that the levy on tapioca flour imports from non-member countries was too high. (The rules governing levies on products processed from cereals, including tapioca flour, are set out in Council Regulation No. 55.) The Council therefore decreed a reduction in the levy on tapioca flour. Since tapioca roots are grown in the African countries associated with the EEC, the Council decided on a similar arrangement for imports from associated African countries, so as not to put these countries at a disadvantage.

It has now, however, become clear that this relief is not sufficient to assure the associated African countries a real chance of marketing their tapioca flour in the EEC, and the whole question of tapioca in the EEC therefore still needs to be finally settled.

Meanwhile, the period of validity of Council Regulation No. 156 of 18 December 1962 laying down derogatory measures with respect to flour and starch of manioc and other roots and tubers originating in the associated African States and Madagascar has been several times extended, although the regulation was originally intended to be only provisional. It is now hoped that a final solution may be found by 30 June 1964.

Most of the tapioca imported goes to the Federal Republic of Germany (more than 300 000 tons per annum). The great demand for tapioca in this Member State has something to do with the relatively high coarse-grain prices there, which are an incentive to farmers to use tapioca flour as feed, although its nutritional value is not as high as that of grain.

- 5) The Council also issued an amendment to its Regulation No. 37 concerning criteria for fixing the threshold price of certain categories of flour, cereal groats and cereal meal, where a subsidy is paid for these products in a Member State.

When the EEC Commission originally made a proposal to settle this matter, it appeared that this proposal would lead to difficulties because several threshold prices would have had to be fixed for flour, cereal groats and cereal meal in cases where the Member State concerned granted the subsidy for the basic type of cereal only if it was used to make specific basic products for domestic consumption.

A modification of the threshold price under Article 23(4) of Regulation No. 19 (the basic regulation on grain) would have meant that a Member State which did not normally grant export refunds would be forced to do so in the case of exports to the importing Member State concerned, in order to gain any access at all to the market supported by the subsidy. The proposed regulation, which the Council has now passed, avoids this difficulty. From now on a Member State paying subsidies under Article 23(4) to a type of cereal used in the manufacture of flour, cereal groats and cereal meal must apply these provisions under the same conditions to imported flour, cereal groats or cereal meal.

In this way neither the levy nor the threshold price for flour, cereal groats or cereal meal is changed, but a Member State granting a consumer subsidy must grant, and itself pay, the same subsidy for imported flour, cereal groats and cereal meal.

EEC COMMISSION DECISIONS AND REGULATIONS

1. The EEC Commission has addressed a letter to the French Government in which it declares the freight subsidies paid in France for some types of fruit and vegetables to be incompatible with Article 92(2 and 3) of the EEC Treaty.
2. The Commission has authorized the Federal Republic of Germany to continue applying a reduced levy on imports of egg products used in the manufacture of pastes.
3. The EEC Commission has also complied with an Italian request to apply until further notice a reduced levy on the import of egg products.

4. The EEC Commission has decided to maintain the additional amount which may be allowed on the export of bacon to non-member countries.
5. Complying with a request of the French Government, the EEC Commission agreed to the closure of some frontier crossing-points for fruit and vegetable imports. This was done to improve the execution of the quality checks required under the Fruit and Vegetables Regulation and to render the checks more efficient.
6. In two identical decisions the EEC Commission has authorized France and the Federal Republic of Germany to levy equalization charges on the import of some types of feeding-stuffs containing milk. This is intended to protect the markets of these countries against low-price offers.

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SPOTLIGHT ON AGRICULTURE IN THE EEC

Towards unification of the common egg market

In Article 3 of EEC Council Regulation No. 21 on eggs it is laid down that the calculation of the quantity of feed-grain required in the production of eggs shall for the time being be made on the basis of the differing laying performance of hens in the Member States, and that every eight months an adaptation must be made until the feed-grain quantity is the same in all Member States - as it must be from the beginning of the third year of application of the levy system. In this way account is being taken, during a clearly defined transitional period, of differences in the progress made by the various Member States in technical and breeding matters. Those Member States which are at present least advanced must use this transitional period to raise their level to that of the most efficient Member State.

In Council Regulation No. 104/63/EWG of 25 September 1963 on the fixing of feed-grain quantities required to produce 1 kg of shell eggs from hens for consumption, or the production of 1 kg of breeding eggs of domestic poultry, the Council, acting on a proposal of the EEC Commission, has laid down the quantity of feed-grain for the various Member States for the period from 1 November 1963 to 30 June 1964. This new regulation is published on page 2407/63 of the official gazette of the European Communities, No. 140, dated 29 September 1963. (Earlier figures are also given for purposes of comparison.)

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1 August to 31 December 1962

Belgium	3.38 kg	per	1 kg	of	eggs
Germany	3.70 kg	"	1 kg	"	"
France	3.89 kg	"	1 kg	"	"
Italy	4.09 kg	"	1 kg	"	"
Luxembourg	3.82 kg	"	1 kg	"	"
Netherlands	3.22 kg	"	1 kg	"	"

1 May to 31 October 1963

Belgium	3.38 kg	per	1 kg	of	eggs
Germany	3.62 kg	"	1 kg	"	"
France	3.72 kg	"	1 kg	"	"
Italy	3.85 kg	"	1 kg	"	"
Luxembourg	3.69 kg	"	1 kg	"	"
Netherlands	3.22 kg	"	1 kg	"	"

1 November 1963 to 30 June 1964

Belgium	3.38 kg	per	1 kg	of	eggs
Germany	3.52 kg	"	1 kg	"	"
France	3.57 kg	"	1 kg	"	"
Italy	3.62 kg	"	1 kg	"	"
Luxembourg	3.55 kg	"	1 kg	"	"
Netherlands	3.22 kg	"	1 kg	"	"

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