

# COMMON MARKET FARM REPORT

BELGIUM, FRANCE, GERMAN FEDERAL REPUBLIC, ITALY, LUXEMBOURG, THE NETHERLANDS

## AGREEMENT REACHED ON FARM POLICY REGULATIONS

Agreement has been reached by the Common Market Council of Ministers on regulations within the framework of the Common Agricultural Policy for rice, beef and dairy products.

The Community's position in the so-called Kennedy Round trade negotiations in the General Agreement on Tariffs and Trade (GATT) was also set for the approaching preparatory meetings in Geneva, Switzerland.

The decisions regarding the GATT session and the rice regulation were final, but technical details must still be ironed out in January on dairy and beef regulations. Measures for financing the Common Agricultural Policy must yet be resolved.

In summary, the decisions - made in a December marathon meeting - are as follows:

**RICE** - The rice regulation was patterned after the 1962 grain regulations allowing for a supplementary levy to be applied when the import offer price falls below the Community's threshold price (see Glossary). The rice regulation goes into effect at the same time as does a system to protect rice imports from developing countries associated with the Community. Before application of the rice regulation, however, the EEC Commission (see Glossary) is to submit proposals to the Council - made up of foreign and agriculture ministers of the six member countries - on

policies which will coordinate the Common Agricultural Policy with the Community's trade policy.

**DAIRY** - The new dairy regulation calls for a levy system based on the differences between the established market prices in member states and Community supports for butter and cream production. Dairy prices in the EEC will be adjusted toward a common level beginning in 1966. Producers not receiving the income expected at the target price for milk will receive subsidies from their governments. The Council has also decided to draw up a regulation for fats before November 1, 1964. This regulation will protect food oil production and export by the associated states of Africa and Madagascar together with Community olive oil production. Olive oil subsidies will be financed by the Community's Guidance and Guarantee Fund (explained inside) plus an estimated \$87-million annual tax on margarine. In 1965 and 1966 - the scheduled beginning of the regulation - member countries, particularly the Netherlands, will be able to make direct budgetary appropriations rather than levy the margarine tax.

**BEEF** - A target price for beef and veal is to be established and member countries are to use price supports, together with a levy system, for intra-Community trade. Tariffs and levies are to be set to control imports from non-member countries. In the case of frozen meat, import certificates will be

### Community's Grain Policy Pending

The Council of Ministers - in its December decision-making session - agreed that grain prices for the 1965-66 period will be set before April 15, 1964.

For purposes of better organizing the grain

market, the Common Agricultural Policy calls for the establishment of base target prices in each of the member states --- target prices (See Glossary) on wheat and feed grains which will give Community farmers the benefit of guaranteed prices while allowing for imports, under a levy system, from efficient foreign producers.



issued and quotas will be applied, but the Council of Ministers, by a majority vote, may increase quotas beyond those assured non-member exporters under GATT. The one exception to the Community regulation will be the long-term German-Danish meat trade agreement.

**KENNEDY ROUND POSITION** - The Council of Ministers gave instructions to the EEC Commission regarding agricultural bargaining in the Kennedy Round. These directives call for permitting such outside exporters as the United States to gain reasonable access to the Community's importing markets. The Commission was also advised to work toward a balanced flow of world trade, in line with the liberalization objectives enunciated by the late President John F. Kennedy when U.S. trade legislation was adopted in 1962.

**FUTURE SCHEDULE** - The new agricultural regulations need to be refined in terms of language and legal technicalities. The dairy and beef proposals are to become effective April 1, 1964. The rice regulation will not take effect until September or October of the New Year.

The Guidance and Guarantee Fund's financing provisions, when enacted, will be retroactive to July 30, 1962.

In late January, additional agricultural regulations are to be agreed upon by the Council. The European Parliament will, in the meantime, have discussed the newly projected grain price at a special session January 7-8.

The Guidance and Guarantee Fund will be available to enable farmers to make needed changes and adjustments to the Common Agricultural Policy during structural reorganization of Community agriculture. The Fund is to be financed by contributions from the member states of the EEC and from import levies collected.

The term "Guarantee" applies to the financing of measures to implement the agricultural regulations in force and "Guidance" applies to proposals designed to improve farm reorganization within the Community. In many instances, the structural changes needed to build up the common agricultural market will take several years and the Fund is constructed to by-pass the normal one-year budget restrictions to make long-term action feasible.

In connection with the new regulations, the Council has adopted a formula for payments to farmers. Under the formula, member states will contribute partly according to the scale of their contributions under the EEC treaty and partly according to their imports of given products.

The EEC Commission will be responsible for subsidy payments and grants for agricultural adjustments. The Netherlands government proposes that control of these funds be held by the European Parliament and the Council is now studying this proposal as part of a general strengthening of the Parliament's powers.

## BACKGROUND TO BEEF REGULATION

In an effort to maintain a traditional pattern of supply and demand in beef marketing, the adoption of a Common Agricultural Policy beef regulation was designed for individual EEC countries.

The key of the future market organization for beef is the "guide price" - a new term in Community agricultural regulations.

Member governments are to aim as closely as possible for the "guide price" and keep it in mind when framing beef market policies. The "guide price" is not a guaranteed price. In fact, member states will be permitted to fix their "guide prices" at different levels during the first two years after the beef regulation takes effect, to allow for country-to-country variations in beef pricing. However, maximum and minimum limits will be set to enable the member states to achieve a uniform "guide price" more readily.

To protect domestic production of beef products, the common external tariff will be used on imports from non-member countries. If this tariff is not adequate to forestall imports below the "guide price" level, a supplementary levy may be authorized. At regular intervals, the EEC Commission will

fix an import price for cattle on the basis of prices quoted on the most typical markets of non-member countries. That import price will include customs duties.

In the case of veal, animal carcasses or halves, fresh or frozen, forequarters, hind-quarters, cuts, frozen meat of all kinds and frozen cuts, the amount of the levy is to be fixed in relation to the levy on live cattle, whether they be grown animals or calves.

Protective measures for beef marketing in the Common Market are to be limited to stabilizing price levels and will extend beyond the "guide price" point only if the market situation should become critical in any of the member states.

The "guide price", fixed initially on a national basis, will ultimately become uniform during the transitional period. The chief difficulty facing the Community with respect to beef marketing is that the qualities of available beef vary greatly. In Belgium and France, for instance, most beef is produced from beef breeding stock while in other member countries it is derived principally from dairy cows. This makes it hard to establish a European quality standard for beef.





## WHAT OTHERS ARE SAYING

(Highlights of remarks made by Elmer W. Learn of the Department of Agricultural Economics at the University of Minnesota in addressing the American Farm Economic Association on the subject of "The Impact of European Integration on American Agriculture".)

"...Underlying my discussion is the belief that most of European agriculture faces price and income policy issues whose crucial economic and political bases are very similar to our own.

"There are differences of course. For example, American agriculture is not faced with a fragmentation problem. But the overriding issue on both sides of the Atlantic is that agricultural productive capacity is expanding more rapidly than demand.

"Due to the failure, or inability, to adjust resources rapidly enough to the changed conditions, agricultural incomes are depressed below those in the rest of society. They would be depressed even further if individual governments had not adopted programs to alleviate some of the income pressure.

"...I would like to make this final point. If my previous premise is correct, attainment of agricultural self-sufficiency is not an overriding goal of the Common Agricultural Policy. The Policy, in fact, may lead to the same result, but it is being adopted for reasons very similar to those underlying American policy. Our criticisms of the policy must recognize this fact if they are to be constructive and lead to ultimate rationalization of the differences between us. It is far from satisfactory merely to argue that it is foolish on economic grounds for the Common Market to strive for self-sufficiency when, in fact, that self-sufficiency is, in part, a by-product rather than a primary goal of agricultural policy.

"There is a strong temptation...to attribute all economic changes in Europe to the integration movements. This can be dangerous. For example, the European countries undoubtedly would have continued to enjoy a relatively strong rate of economic growth even if there had been no Common Market. On the other hand, the Common Market must have had some effect. Unfortunately, it is virtually impossible to measure it.

"As we look to the future in an attempt to assess the impact of the integration movement we should attempt to distinguish those changes that would have occurred in the absence of integration from those that are attributable directly to the integration movement.

"Estimation of changes that might have occurred in the absence of integration may be obtained by projecting production and con-

sumption in individual countries under the assumption of continuing present national policies.

"...The most striking changes, of course, are the very large projected increases in livestock product consumption. There is considerable variation among the different products but in total the EEC projects a 40 to 50 percent expansion between 1958 and 1970. The largest increases are in poultry and beef. Expanded needs could be met by domestic production in all cases except for beef.

"As in the United States, the poultry situation is highly unpredictable for both production and consumption, but the assumption of maintaining at least present levels of self-sufficiency does not appear unrealistic.

"Dairy surpluses would continue to grow under continuation of national policies. Some changes in policies regarding this sector undoubtedly would have been necessary with or without the Common Market.

"Grain consumption, of course, also will expand. Total consumption by livestock is projected to increase 43 percent between '58 and '70. Since human consumption of food grains will remain virtually constant, much of the increased needs can be met by feeding wheat or by shifting wheat acreage to feed grains. This is possible since the wheat and feed grain economies in Europe are much more closely intertwined than has been true in the United States. Grain production would expand, due almost entirely to increased yields.

"...I want to conclude very briefly on a somewhat more general note. The U.S.-Common Market debate has highlighted a fact that perhaps should have been apparent long ago. Price and income problems for agriculture are characteristic of all developed economies. Governments in all developed countries have adopted a variety of programs to alleviate the consequences. Such policies are inherently in conflict with a generally expressed desire for freer world trade. Yet no country appears willing or able to forego policies of agricultural price and income support.

"It would be unfortunate if we allowed animosities generated by differences in agricultural policies to rob us of the benefits from a more general free trade movement. What is needed, therefore, is better understanding of the agricultural problem on a worldwide basis and a greater effort towards finding means by which the conflict between domestic policies and freer trade may be reduced.

"As agricultural economists we have a major responsibility. There has been much talk about international commodity agreements as a possible solution. Yet there has been very little research on how such agreements might work, what their effects would be, and whether economically meaningful agreements would be politically acceptable. There has



been even less research on alternative international arrangements that might be used to resolve this conflict.

"The challenges are great in this area of research. We are being asked to deal with policy questions on an international basis that we have not yet learned how to deal with effectively domestically. But the need is there and I believe it is more urgent than many of us appreciate..."

## NEW DEVELOPMENTS

### Germany Joins in Pork Levy Reduction

The Federal Republic of Germany has now agreed with the other member countries of the Community to reduce pork import levies 75%. Earlier, the other five member states had taken the step to lower levies because of rising pork prices attributable to short supplies.

### Suspension of Duty on Molasses Extended

At the repeated request of Italy, the duty on molasses has been temporarily suspended by the Netherlands, Belgium, Luxembourg and Italy. Germany, with a bumper sugarbeet harvest and a resulting surplus of molasses, had opposed the suspension. However, since France did not suspend the duty on molasses and is a principal supplier of yeast for German molasses, the Germans withdrew their objections to the Italian plea.

### U.S. Farm Exports Set Record

Based on statistics now available, together with recent sales of wheat to the Soviet Union, the United States will set a new record for

farm exports in the fiscal year ending June 30. The U.S. Department of Agriculture now says exports will be well in excess of \$6-billion in value - 70 percent of which will be for dollars.

## GLOSSARY

**EEC COMMISSION:** The Commission (also known as the Common Market Commission) consists of nine members, one of which represents farm interests, whose task is to supervise the gradual establishment of a full Common Market in which trade restrictions will be abolished and all goods, services, capital and labor will circulate freely.

**TARGET PRICE:** The base price for grains, determined in the marketing center of the region of the Community with the least adequate domestic supplies. During the transition period through December 31, 1969, target prices are fixed for each member country separately and, subsequently, for the Community as a whole. They are fixed before the winter sowing and come into force at the beginning of the marketing season for the crop.

**THRESHOLD PRICE:** Used for calculating levies, a threshold price is fixed at a level that will bring the selling price of imports up to the target level in the Community region with least adequate domestic supplies.

### NOTE

A new brochure of background on the farm production and trade comparisons of the United States and the Common Market is now off the press and being distributed.

A copy of this material is filed with the Department of Justice, where, under the Foreign Agents Registration Act of 1938, as amended, the required registration statement of the Information Office, European Community, 808 Farragut Building, Washington, D.C., as an agent of the European Economic Community, Brussels, the European Atomic Energy Community, Brussels, and the European Coal and Steel Community, Luxembourg, is available for public inspection. Registration does not indicate approval of the contents of this material by the United States Government.



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