

COMMON MARKET FARM REPORT

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

SIGNIFICANCE AND SCOPE TO U.S. FARMERS OF COMMON MARKET DECISIONS ON AGRICULTURE

Completion, in December, of the organization of a Common EEC Agricultural Policy not only accelerated development of farm markets in the European Community, but fixed a common policy for the Community's external relationships with such important world trading partners as the United States.

Back in January, 1962, the EEC Council of Ministers - representing the six member countries - reached agreement on policies for pork, poultry and eggs, grains, fruits and vegetables. These commodities represent 53 percent of the Common Market's farm production and 23 percent of its total farm imports.

The December, 1963, decisions by the EEC Council, covered rice, beef and dairy products, accounting for 32 percent of the Community's agricultural output and 14 percent of its total farm imports.

This means the foundations have been laid for a common policy covering 85 percent of the Community's agriculture but affecting only 37 percent of the EEC's import total of \$9.0 billion annually in farm goods, much of which comes from the farms and ranches of the U.S.

These foundations provide a framework for all farm products, together with a uniform system for the future conduct of trade both within the Community and with non-member countries. Still needed, of course, are uniform farm prices which must be established by the Council.

It was also decided in December that, on those farm products where no common price has been fixed by the time the so-called "Kennedy Round" of negotiations begins in the General Agreement on Tariffs and Trade (GATT), only a theoretical price will be set. This will enable the United States and other important farm-exporting countries to engage in a full discussion of liberalizing agricultural and industrial trade with the Community.

Furthermore, it has been agreed by the EEC that, in implementing the new agricultural regula-

tions, consideration must be given both to the protection of Community agriculture and to countries that export to the EEC.

At the same time, it has been decided that no additional refunds on grain price differences among the Community member states will be permitted. This will enable non-member countries to enjoy a uniform competitive position in trading with the EEC --- a position more like the preference member states grant each other under the Common Market Treaty.

ADDED DETAILS OF RICE REGULATION

The rice regulation adopted in December is based on much the same formula as the grain regulation which has been in force since August, 1962. However, the economic effects of rice and grain regulations are somewhat different.

The EEC rice trade is much less important than the trade in wheat and feed grains. Also, unlike grains which are produced in all the Member States of the Community, rice is grown only in France and Italy. The Community's trade in rice is shown by the following table:

('000 metric tons)	1959	1960	1961	1962
World exports	6,772	6,969	6,138	5,780
EEC exports to non-member countries	195	196	238	218
EEC's % of world exports	2.88	2.81	3.88	3.77
EEC imports of rice from non-member countries	353	394	279	322
EEC imports from the United States	87	63	95	107

It is significant that from 1959 to 1962 EEC imports from so-called developing countries declined while imports from the United States increased substantially.

Under the common organization of the rice market, a uniform levy will be applied to trade with non-member countries that amounts to the world market price for husked rice, plus five percent. Target (see Glossary) and intervention (see Glossary) prices will apply only in the two rice producing countries, France and Italy. In the other four countries - Belgium, Federal Republic of Germany, Luxembourg and the Netherlands - a uniform threshold (see Glossary) price will be set.

It should be noted that since rice prices have not yet been established, it is impossible to determine, at this time, the amount of protection which will be provided EEC producers.

As soon as the levy comes into force, all other protective measures on rice will be abolished. Threshold prices will be aligned so that there will be a uniform price by the end of the transitional period (Dec. 31, 1969)

It is likely that prices in EEC rice-consuming countries (i.e., the four which do not

produce rice) may rise slightly, but not enough to affect adversely the present per capita consumption of five and a half pounds per year.

Incidentally, the levy on long-grain rice, which comes primarily from non-member countries including the U.S., will be no higher than on round rice.

Rice from non-member countries designed for re-export from the Community may be imported duty free.

Some slight increase in Italian production, coupled with the new rice regulation, may result though available land and climate are not favorable to any major increase in Italy's output of rice. Since 1957, EEC production of rice has been on the decline and U.S. production has risen sharply.

Noting a record high rice crop in the United States in 1963 and prospects for another "bumper" crop in 1964, the U.S. Agriculture Department expresses some "uncertainty" regarding the export outlook in its January Rice Situation report. However, USDA says the new European Community rice regulation "probably will have little effect on U.S. exports during the current marketing year".

EEC Commission Outlines 1964 Agenda

The EEC Commission has released details of an extensive agenda relating to matters which will be given consideration during coming months.

The Commission's work program covers the period of January 1, 1964, to December 31, 1965. It is estimated some 30 directives will be issued during this time, including regulations affecting agriculture.

Work is also proceeding on removing obstacles to the movement of goods, particularly with respect to the quality, composition, packaging, marking and inspection of foodstuffs.

In terms of specific commodities, the EEC's Council of Ministers has abolished minimum prices and quantitative restrictions on fruits and vegetables. By June 30, the Council is expected to draw up Community rules for the operation of the markets and for commercial transactions in fruits and vegetables.

By July 1, target prices for grains are to be fixed and the EEC Commission proposes that this be done in one step for the 1964-65 marketing year. The grain portion of the levy on processed products, such as flour, meal, malt and starch, is revised to be compatible with the common level of grain prices. Protection of the processing industry will be thus reduced to 2/5ths of the initial price level.

For pork products, eggs and poultry, intra-Community levies are being gradually reduced. The portion of the levy geared to variations in feed grain prices is to be reduced in line with the level of common grain prices. By July 1, the part of the levy on imports from non-member countries, established to maintain Community preference, will be raised from 1 percent to 4 percent.

Steps are also being taken this year to assure the free movement of workers of all member states within the Community. In addition, the EEC is organizing a conference in the second half of 1964 to study problems of vocational training.

Consideration is also being given to proposals for setting a uniform rate structure for the transportation of all goods within the Community.

The termination of discrimination between men and women workers with respect to pay scales is also being examined.

In 1964, measures will be sought to provide - within the framework of the Common Agricultural Policy - for the interests of the associated African states and Madagascar with regard to products similar to or compatible with European products.

The Community will participate in the United Nations Conference on Trade and Development which opens in Geneva, March 23. The EEC will also participate in the GATT conference - the "Kennedy Round" - due to begin May 4 in Geneva.

Also on the agenda for this year are negotiations and exploratory talks with a number of non-member countries. The terms of possible association with Austria are to be studied and the association agreement with Turkey is

to come in force during the year after ratification by all signatories.

Negotiations for the conclusion of a commercial treaty with Israel are to be resumed and the same applies to Nigeria. Talks with Tunisia are now in progress and preparatory discussions are to be held with Morocco and Algeria. Applications for some type of association with the Community have been submitted by Kenya, Uganda and Tanganyika and will be considered in 1964.

Fats and Oils Policy Encourages World Trade

Among the key decisions made by the Council of Ministers December 23, 1963, was one to pursue a common fats and oils policy on the basis of world market prices for the raw materials concerned, while giving direct subsidies to producers in the Community.

Production in the Community covers only 20 percent of the six countries' requirements of oil seeds and olive oil. If olive oil is omitted, oil seed production covers only 7 percent of the Community's needs. With respect to fats and oils combined (excluding butter) the Community currently meets only about 45 percent of its needs.

The December decision calls for the free import of oil seed and oils at the duty rates laid down in the common external tariff. The tariff rates which will be applied under the common policy are zero percent for oil seed and 8 to 10 percent for the oils and fats derived from such seed. These are identical with rates already agreed to by the Community in GATT negotiations.

The EEC will provide direct subsidies to producers of rapeseed and linseed who must compete with world market price levels. Subsidies of this type are already being granted producers in the Federal Republic of Germany, France and Italy.

An intervention price will be fixed and import levies established on olive oil, which is primarily produced and consumed in Italy and constitutes the only agricultural activi-

ty in some regions of that country.

The Community has been producing some 200,000 to 300,000 metric tons of olive oil and importing 130,000 tons, of which 80 percent has been going to Italy. The common fats policy now compels Italy to abandon its high price on vegetable fats, since neither the present high consumer price for olive oil nor the present producer price can be maintained.

An estimated \$67.5 million will be needed to carry out the new fats policy. It will be obtained by a charge on fats used for human consumption. Consumption in the Community now amounts to about 2.5 million metric tons of pure fats, implying a charge of 1.6 cents per pound. For margarine, this would mean a charge of 1.3 cents per pound.

In France, Germany and Belgium, the charge will approximate only 5 percent and in the Netherlands about 8 percent of the sale price. Italy has kept the margarine price artificially high, and the common fats policy will force Italy to reduce that price to a level approximating prices in other Community countries.

In terms of trade with non-member countries, the new policy will not favor butter at the expense of consumption of imported vegetable fats, 80 percent of which are supplied from outside the Community. Consequently, the maintenance or expansion of imports will keep pace with increasing vegetable fats consumption.

NEW DEVELOPMENTS

Danish-German Cattle Agreement

In adopting a beef policy regulation, the Council of Ministers made special provision for the importation of Danish cattle into the Federal Republic of Germany through 1965.

The Federal Republic will buy 16,000 head

annually in this period, provided the cattle do not reach the German market at a price lower than the "guide price" (see Glossary) laid down in the new regulation.

Milk Subsidies

The EEC Council of Ministers has accepted the abolition of milk subsidies.

However, Member States are permitted to grant

direct aids to producers where market prices would not guarantee dairymen the income which should result from the target price for milk.

The system is to be gradually brought into line so that Member States - particularly the Federal Republic of Germany and Luxembourg - may eliminate such direct aids by 1966-67. The target price for milk will be fixed for the first time in 1966.

Consumer Protection

The EEC Commission has asked the Council of Ministers for a directive on sanitary regulations and legal problems affecting meat products.

The objective of the request is the establishment of uniform provisions to replace a confusing variety of veterinary and food rules and regulations in each of the member states.

Harmonization of health regulations under one standard would assure consumers of meat products a better degree of protection.

Cost-Price Ratio Analyzed

At the direction of the EEC Commission (see Glossary) an analysis is being made of the ratio between the costs of items Community farmers buy in order to produce and the prices they receive for the commodities produced. A pilot survey led to this order for a detailed analysis.

Completion of this survey will enable the Common Agricultural Policy to reflect an understanding of the cost-price ratio in agriculture. Calculations may thus be made in fixing both farm prices and the prices of production equipment and the level of wages for farm labor.



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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.

GUIDE PRICE: The price level to be sought for beef. Member governments are to aim as closely as possible at the guide price and keep it in mind when framing their domestic policies on the beef market. However, it is not a guaranteed price.

INTERVENTION PRICE: The support price level to be guaranteed producers by the Community.

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.

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