



COMMON MARKET FARM REPORT

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

COMMON FARM POLICY EXTENDED TO DAIRY PRODUCTS ON NOVEMBER 1; TOP INCOME PRODUCING COMMODITIES NOW COVERED BY COMMON RULES

The EEC extended its Common Agricultural Policy to milk and milk products on November 1. Beef and veal production and trade were also brought under the common policy at that time.

Common Market organizations have now been created for 85 per cent of Community agricultural production. Grains, poultry and eggs, port, fruits and vegetables, and wine have been covered by common rules since August 1962 and rice since September 1, 1964.

Cattle and dairy production are the most important source of farm income (35-42 per cent) in five of the six member countries. More labor-intensive crops predominate in Italy. The 1962 EEC production was valued at \$4.7 billion for dairy products and \$3.5 billion for cattle, beef and veal.

BASED ON GRAIN REGULATION

The dairy products regulations are based on the grain regulations. The system includes levies on imports and refunds on exports, target prices, market intervention (purchase of first-quality butter at the support price and aid for storage) and a safe-guard clause. Imports will be liberalized, but import and export licenses will be required for certain products including butter, in order that Community institutions will have a precise idea of the market situation.

This issue of the Common Market Farm Report is devoted entirely to the EEC Dairy products policy which went into effect on November 1. This policy is closely tied to the beef and veal policy featured in the last issue of the Farm Report. Additional information including the texts of the regu-

The perishable nature of dairy products, the importance of processing, and the large-scale supports currently given production required modifications of the grain system. Because of the great number and diversity of milk products (over 400 types of cheese alone), products have been classified into groups. To facilitate the calculation of levies, pilot products have been designated for each group. This group system has already been used by the Community in the pork regulation.

Products coming under the common market organizations set up in the dairy products regulations are: fresh, unsweetened or uncondensed milk and cream, preserved, or concentrated milk and cream, butter, cheese and curd, lactose and lactose syrup, sweetened forage and other feeds containing milk or milk products (except feeds already under the grain regulations).

The regulations which went into effect on November 1 do not cover the fresh milk market. The EEC Council of Ministers will adopt a regulation for the fresh milk market by July 1, 1965. This regulation will come into effect no later than December 1, 1965. Fresh milk and cream are, however, subject to controls on prices and on supports under existing regulations.

The milk marketing year in the EEC runs from April 1 to March 31.

lations (in French) may be obtained by mail or phone from the European Community Information Service Washington office (see last page for address; phone 202 296-5131) or New York office (2207 Commerce Building, 155 East 44th Street, New York, N.Y. 10017; phone 212 MU 2-0458).

LEVIES USED IN DAIRY TRADE

The levy system for dairy products governs both intra-Community trade and trade with non-member countries. Levies are set each week by the EEC member states and are collected by them. The Commission may authorize any member state to reduce the levies applied.

The levy is based on the threshold or import prices set by the member states. For the 1964/65 season, these threshold prices are equal to the reference prices plus a "standard amount" and, in special cases, an "additional amount" not exceeding 2 per cent of the reference price. The "additional amount" may be no higher than 5 cents per kilogram (2.2 lbs.).

Import quotas and customs duties will not be used on imports from non-member countries. The only charges on imports are levies. They represent the difference between the most favorable world market offer price at the Community frontier and the threshold price (the domestic marketing price less marketing costs).

The Community has made certain commitments in the framework of the General Agreement on Tariffs and Trade which limit the use of the levy system for certain products. On imports from non-members of Emmental, Gruyere, Sbrinz, Cheddar and Glaris herb cheese, the amount of the levies will equal the specific duty bound under GATT or the amount which results from using the ad valorem duties bound under GATT.

The reference price for each product and for each member state is calculated on the basis of market offer prices averaged for 1963. A flat-rate amount is added to this price to allow for transport costs to the wholesaler and to adjust for a changed market and reduced supports to producers. Reference prices have been set by the Council acting unanimously on a Commission proposal. A standard amount is added to the reference price to obtain the threshold price. The standard amount is set to assure that intra-Community trade can develop evenly.

On imports from member states, the levy equals the difference between the importing state's threshold price and the frontier offer price less a standard amount. The frontier offer price is determined on the basis of producers' selling prices at the factory in the exporting state. A flat-rate amount is added to this price which represents transport costs to the frontier of the importing country and the frontier costs. Finally, aids to exports are deducted.

QUALITY STANDARDS, LICENSES FOR IMPORTS

National food laws on butter are to be harmonized by the member states. Until laws are harmonized and prior to 1970, any member state may stop imports of butter which do not meet domestic standards for first quality butter in effect on November 1.

All imports of milk and cream, preserved, concentrated or sweetened, and of butter, excluding whole milk powder in sealed packages smaller than one kilogram, are subject to licensing. Licenses will be authorized by the dairy products management committee, composed of representatives of the Commission and the member states.

The Community is a net exporter of dairy products. Imports from non-member countries in 1963 were valued at \$136 million and exports at \$260 million. Under the regulation, member states are permitted to make refunds to exporters so that exports can be made at world market prices. Refunds are also possible for intra-Community trade.

TARGET PRICE IS KEY TO POLICY

The target price is the key element in the common policy for dairy products. This price will determine the level of other dairy price levels, including the reference price, the support price and the threshold price.

The national target price is the price milk producers should receive for their sales during a given year. Until January 1, 1970, each member state will set the target price for milk with a 3.7 per cent fat content by February 15 of each year. The Council has set the upper limit for these national target prices at 10.5 cents per liter (1.057 quarts) and the lower limit at 7.95 cents per liter. Member states must set their prices within these limits taking into account only the receipts of dairy product sales. However, they retain their right to grant subsidies.

A common target price for milk sold by the farmer will be set by the Council each year starting with 1965/66. The Council will decide each year the measures member states must undertake to align their prices during the EEC transitional period ending December 31, 1960. Upon the creation of a single market, only the common target price will be used in all member states. Threshold prices will be brought into line on the basis of the common target price. Uniform costs and yields for each product will be the basis for this calculation.

Member states giving aids to production must increase their market prices during the

DAIRY REFERENCE PRICES

Product for which reference price is fixed		Reference price in \$ per kg					
		Belgium	Germany	France	Italy	Luxembourg	Netherlands
<u>Pilot product for Group:</u>							
Whey powder	1	.17	.17	.21	.26	.15	.15
Milk powder, unsweetened (26%)	2	.64	.75	.85	.99	.58	.59
Milk powder, unsweetened (1.5%)	3	.34	.29	.41	.53	.26	.32
Condensed milk, unsweetened	4	.45	.36	.52	.72	.40	.43
Condensed milk, sweetened	5	.76	.76	.68	.88	.51	.51
Blue-veined cheese	6	1.04	1.04	1.16	1.20	1.04	1.19
Parmesan	7	1.70	1.70	1.70	1.70	1.70	1.70
Emmental	8	1.16	1.05	1.35	1.20	1.05	1.05
Whole cheeses (1)	9	.91	.76	1.05	1.15	.73	.73
Whole cheeses (2)	10	.98	.87	1.06	1.12	1.22	.88
Whole cheeses (3)	11	.99	1.04	1.12	1.11	1.02	1.11
Cheese with a fat content of 60% by weight (4)	12	1.40	1.67	1.43	1.50	1.40	1.39
Refined lactose	13	.33	.40	.43	.49	.32	.32
First quality butter		1.95	1.71	1.72	1.57	1.63	1.21
Cheddar cheese with a fat content of 50% by weight of the dry matter		.86	.79	1.22	.83	.77	.65
Tilsit cheese with a fat content of 45% by weight of the dry matter		.86	.80	1.05	1.15	.88	.73

- (1) With a maturing period of six weeks, with a fat content of 45% by weight of the dry matter and a water content of 47 to 62% by weight of the non-fat matter, excluding packing.
- (2) With a fat content of 45% by weight of the dry matter and a water content of up to 68% by weight of the nonfat matter, including normal packing.
- (3) With a water content of 68 to 73% by weight.
- (4) With a fat content of 60% by weight of the dry matter and a water content of 73 to 80% by weight of the nonfat matter, in packs of .5 kg or less.

transitional period. At the end of this period, these market prices must equal the common target price. The target price will be set at a level which guarantees to producers a predetermined income for the total quantity of milk marketed each year.

SUBSIDIES TO BE REDUCED

Member states may provide subsidies for milk production during the transitional period. These direct aids would be tied to certain

products and would correspond to the amount of milk actually sold. Member states must keep the Commission informed of all subsidies granted. Subsidies must be reduced gradually if they cause prices to fall below the lower limit of the target price set by the Council for 1964/65.

The common dairy policy provides that farmers' incomes will be solely derived from sales. The Council, acting on a Commission proposal, will determine the amount of sub-

sidy reductions required to meet this objective. Member states will continue to make payments when the producers price for all milk sold falls below 1963 levels. After the transition period, these payments cannot be linked to the amount of milk sold, but must be tied only to total income.

Common rules govern supports for butter, Member states set a support price for first quality fresh butter and will purchase all first quality domestic butter offered to them at this price. The support price is based on the reference price, but it may be lowered by 7.5 cents per kilogram. Butter purchased to support the market cannot be disposed of in a way which would disturb the sale of other types of butter. The member states may also grant aid for the private storage of butter and frozen cream.

The member states will be able to provide support for other dairy products during the transitional period. For the later period, the Council will determine the products and the ways that supports may be provided.

Safeguards may be used by member states when their national markets are "seriously disturbed." The application of safeguard measures is subject to Commission approval. The Commission's decision can be appealed to the Council of Ministers. At the end of the transitional period, the issuance of import licenses for products from non-member states can be suspended in the event of "serious disturbances" in the Community market.

SPECIAL RULES SET FOR FEEDS

The regulation on milk and milk products also establishes a new system for compound

feeds. The products affected are preparations containing grain, milk powder and, in some cases, sugar and molasses.

The levies on animal feeds are made up of three components. The first is a variable amount corresponding to the effect on production costs of the materials used (milk and/or grain). The second component, the same for all member states, equals \$2 per 100 kg for compounds containing more than 50 per cent of milk products and 90 cents for other compounds. An additional amount may be included in the levy for products containing sugar or molasses.

DAIRY POLICY TIED TO BEEF, VEAL

The dairy products regulations are closely linked to regulations for beef and veal which also went into effect on November 1. A relation exists between the number of dairy cows, the number of calves produced and the possibility of increased meat production. The Community is a net importer of beef and veal and will seek to increase its production. It already produces more than enough dairy products for its own needs and may reduce the dairy herds.

The final shape of the Community market for dairy products and for beef and veal is not yet clear. Important price decisions -- on grain and on beef and veal -- have not yet been made. The dairy regulations, the most complicated rules of the common farm policy, have just begun to be applied. Thus the short-run outlook is for a continued market for U.S. dairy products. U.S. exports to the EEC of dairy products were valued at \$15 million in 1963.

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