



COMMON MARKET FARM REPORT

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

EEC COUNCIL DEBATES COMMON GRAIN PRICE; CALLED ESSENTIAL TO KENNEDY ROUND SUCCESS

The EEC Council of Ministers is now debating the setting of a common grain price for all six Community countries. The decision on a grain price is considered essential for the successful completion of the Kennedy Round of trade negotiations.

The Common Agricultural Policy now covers more than 85 per cent of Community farm production. Regulations for most commodities, including grains, provide that there will be a single Community-wide target price. The Community support price and hence the amount of domestic production is determined by the grain price. The grain price also influences the operation of the variable levy system for imports. Finally, the level of the grain price will affect price levels for such conversion products as poultry, pork, dairy products, beef and veal and even rice.

The Rome Treaty provides that the common farm policy, including a single grain price, must be in operation by January 1, 1970. The EEC Commission and the member states have agreed, however that the rapid pace of economic integration in other sectors called for earlier progress in the farm sector. In addition, Kennedy Round negotiations on both industrial and agricultural goods could not take place without a Community agricultural negotiating position.

MANSHOLT PLAN PROPOSED IN NOVEMBER 1963

The EEC Commission proposed in November 1963 the adoption of a single grain price for the 1964/65 season. The proposal, bearing the name of the Commission Vice President pri-

marily responsible for farm affairs Sicco Mansholt, called for a price level between the high German prices and the low French prices.

The price proposed by the Commission was aimed at encouraging efficient production in the Community and provided for payments to inefficient producers whose income would be cut by the new price. They would thus be able to seek new sources of income during the period the compensatory payments were being made.

French producers would have received higher prices for their grain production. The Commission considered, however, that the price proposed would not result in an increase in French acreage used for grain production. The price proposed was \$106.25 per metric ton (2200 lbs.) for soft wheat -- about mid-way between the French and the German prices. The Council, in its agricultural "marathon discussions" in December 1963 did not act on the Commission proposals.

TALKS CONTINUE IN 1964

The Mansholt plan was discussed in Council meetings held in the first half of 1964 but no decision was reached. The Commission's proposal was acceptable to Belgium, France,

The EEC Council of Ministers are meeting during the second half of December in an attempt to reach final agreement on the common grain price. The next Common Market Farm Report will include details of these meetings.

Italy, Luxembourg and the Netherlands, but the Federal Republic of Germany considered the proposed price level too low. On June 3, the Council decided to maintain the 1963/64 upper and lower target price limits for grains during the 1964/65 season. A decision on the single grain price, presumably to be applied in 1966/67 was deferred until December 15, 1964.

The price range for soft wheat is set from \$89.43 to \$118.92 per metric ton. The price ranges for barley from \$72.17 to \$103.07 a ton. The limits for rye are \$67.71 and \$108.17. The lower limit for corn is \$65.60. All member states set their prices for 1964/65 well within these limits.

EEC Commission President Walter Hallstein addressed a letter on June 4 to each of the foreign ministers of the EEC member governments, urging strongly that the Six reconsider their decisions postponing agreement on the common Community grain price. He wrote that the delay would slow the development of the entire common agricultural policy. The Kennedy Round would be jeopardized, he continued, since certain parties in the General Agreement on Tariffs and Trade (GATT) insisted that negotiations on industrial products could not proceed without progress in the agricultural sector.

DECEMBER NEGOTIATIONS PLANNED

The Council of Ministers did not agree on the common grain price during the summer and fall. France, supported by other member states, indicated that it would press for agreement on the basis of the Mansholt plan by December 15 as the Council had decided in June. Discussions were held on November 16-19 and November 30-December 1.

In the first round of December talks, the German delegation stated that the German grain price would be lowered in order to bring about a common grain price. This statement means that at the final Council meetings of 1964, scheduled for the week of December 14, the representatives of the member states will seek to resolve these outstanding issues:

- 1) What will be the level of the common grain price?

The Mansholt proposal was \$106.25 per metric ton for soft wheat. The current German price is \$118.90. The French price is \$100.20.

- 2) When will the common grain price be applied?

The current proposal is for the price to be used in the 1966/67 season. In its "Initiative 1964," the Commission has asked that the common farm policy be in effect no later than January 1, 1968.

- 3) How much compensatory assistance will be paid to less efficient grain producers?

The Mansholt plan provides for \$140 as compensation to German farmers. The German government has reportedly estimated the loss of income to German farmers at \$200 million.

CALENDAR OF THE COMMON AGRICULTURAL POLICY

January 14, 1962 -- Agreement on the basic outline of the common farm policy and adaptation of first regulations. Community moves to second stage of transition period.

August 1, 1962 -- Common policy applied to grains, fruits and vegetables, wine, pork, poultry and eggs--50 per cent of Community farm production.

December 23, 1963 -- Agreement on extending farm policy to additional commodities after "marathon negotiations."

September 1, 1964 -- Rice brought under common policy.

November 1, 1964 -- Dairy products, beef and veal under common policy; 85 per cent of Community farm production now covered.

Remaining on the EEC agenda during second stage -- Common grain and other common prices; fats and sugar to be brought under common policy.

January 1, 1966 -- Community moves to third stage of transition period. Most farm policy decisions to be made by qualified majority (12 votes out of 17; France, Germany, Italy with 4 votes each, Belgium, Netherlands with 2 each, Luxembourg 1).

On the EEC agenda during third stage -- Creation of single market with common prices, uniform Community protection and Community-wide guidance and guarantees.

January 1, 1970 -- Deadline for full application of the common policy. Transition period ends.

- 4) What arrangements will be made for the special Italian situation?

Under the Mansholt plan, Italian farmers would receive about \$65 million in compensatory assistance. This assistance is financed by the Guidance and Guarantee Fund to which Italy is a major contributor on the basis of its farm imports. Italy has asked that a more equitable balance be made in its favor so that the Italian economy would benefit fully from the compensatory payments.

- 5) What will the relation be between the wheat price and the barley price?

The Mansholt plan sets barley prices at 87 per cent of wheat prices. The Italian

government favors using a lower percentage for feed grains such as barley, rye and corn.

The settlement of these six major questions will mean that the last important obstacle to the full application of the Common Agricultural Policy would have been surmounted. Forecasts about the level of Community farm production and the amount of production for grains, pork, poultry and eggs, rice, dairy products, and beef and veal could be made. These are the principal commodities under the common farm policy. A farm policy including the grain price would mean an improved outlook for the Kennedy Round and a new impetus to European integration. Thus the December 1964 talks may mark a significant step forward for the EEC.

COMMISSION PROPOSES MEASURES FOR USE DURING FARM PRODUCE SHORTAGES

The Commission has proposed to the Council of Ministers a regulation on measures to be taken in the event of shortages of agricultural products. The proposal is in line with Rome Treaty provisions on a common agricultural policy assuring reasonable prices for consumers, stabilization of markets, and guaranteed supplies.

Recently disturbances on the potato, sugar, and pork markets have made it difficult for these objectives to be fulfilled. Supplies have fallen and higher prices have occurred on the Community market, the world market or both.

The Commission suggests that levies and customs duties be reduced or suspended, import subsidies be granted and a charge placed on exports when supplies of beef, pork, eggs, poultry and fruits and vegetables are reduced.

For dairy products, grains and rice, provided the cif price for frontier price for trade with non-members is above the importing state's threshold price, charges could be made on exports and import subsidies could be granted. For all other farm products, customs duties would be suspended or reduced and charges levied on exports by a member state to another member state or to a non-member.

AUTHORIZATION GRANTED BY COMMISSION

A member state would submit to the Commission a request to use one or more of these mea-

asures. The Commission would decide, within two weeks, what measures this state and possibly other member states should take. The Commission would consult with the member states through the management committee established for each commodity under the common agricultural policy. Once decided, a measure would go into effect immediately. Any member state could appeal against the Commission's decision to the Council, which could amend or revoke the measures within one month. The Council would vote on such questions by a qualified majority.

Measures having the least impact on the operation of the common market and on the application of the common farm policy are to be the first used by the Commission. Community preferences would still be applied when charges were levied on exports to member or non-member countries. When subsidies are granted on imports from non-member countries, they must also be granted on imports from other member states unless such payments would disturb their markets. Subsidies are eligible for financing under the Agricultural Guidance and Guarantee Fund.

The measures proposed would only be applied temporarily during periods of shortage. The regulation itself could only be used until the common farm policy was fully applied, and, in any case, no later than the end of the EEC transition period on January 1, 1970. Measures affecting trade among member states cannot be applied in a unified agricultural market.

PURITY STANDARDS FOR PRESERVATIVES PROPOSED

The EEC Commission has proposed a directive setting the purity standards to be maintained in food preservatives beginning on November 7, 1965. These standards are to be applied to foods produced in the Community and imports, but not to foods produced solely for export.

The Council has already issued a directive containing a list of permitted preservatives. Member states are now bound to amend national pure food laws in accordance with this directive and put the new rules into effect no later than November 7, 1965.

Under the proposed directive, member states would have to apply the purity standards to all preservatives permitted.

The proposal was prepared by scientific and governmental experts who together form the Working Party on Food Additives. Advice was also sought from the Committee on Agricultural and Food Industries of the Union of Industries of the European Community and the European Community Consumers' Liaison Committee.

FIRST EEC DIRECTIVE ON ANIMAL FEEDS STUDIED

A proposed directive on Community methods of analysis in the examination of animal feed is being considered by the EEC Council. The aim of the Commission proposal is to require member states to conduct official checks on the composition of feeds according to Community methods.

Additives, such as vitamins or bacteriostatic agents are not covered by the directive. Later all additives will be covered by national rules harmonized in line with Community policy.

EUROPEAN COMMUNITY PUBLICATIONS

The following publications of general interest are available in English free of charge from the European Community Information Service, Washington:

Uniting Europe: The European Community 1950-1964

The historical evolution of the three European Communities.

The Facts

Basic information on the three European Communities.

Community Topics series

No. 10 - The Common Market's Action Program

No. 11 - How the EEC Institutions Work

No. 12 - The Common Market: Inward or Outward Looking

No. 13 - Where the Common Market Stands Today

The European Community in Maps

Set of twelve maps in color on population, land utilization and main crops, livestock and fishing, trade, other sectors.

Feed for export must be analysed according to the rules in force in the importing country; it is not covered in the proposed directive.

Representatives of Community trade associations and member state representatives worked with Commission experts in drawing up the directive. All parties have already agreed on the need for this directive and standards of analysis to be used and the directive is expected to enter into force immediately after it is issued.

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