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COMMON MARKET FARM REPORT

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

EEC ADOPTS COMMON GRAIN PRICE

The Council of Ministers of the European Economic Community agreed on December 15 in Brussels on a common target price for grains.

The common grain price will be applied in the six member states, Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands, no later than July 1, 1967.

This agreement marks the first time that a group of states have combined their national agricultural policies under a single common-price system. It also creates the most important agricultural trading area in the world.

"This success cannot be overemphasized," EEC Commission President Walter Hallstein said, following the agreement. "It is difficult to find, throughout the history of the EEC, an event of such importance."

Commission Vice President Sicco Mansholt, whose proposals were the basis for the agreement, stated: "Thanks to the political will of all concerned, we have shown that our Community is a force necessary for the creation of Europe. There is no turning back. The great decisions on agricultural policy will henceforth be made in Brussels."

AGREEMENT FOLLOWS COMMISSION PROPOSALS

The Council of Ministers accepted the basic price proposals (the Mansholt Plan) made by the Commission in November 1963. The target price for soft wheat is set at $106.25 per metric ton (2200 lbs.). The current German price -- highest in the Community -- is $118.90. The French price -- lowest in the Community -- is $100.20.

The price set for rye is $93.75; the hard wheat price is $125. Both prices are at the level proposed in the Mansholt Plan.

Target prices for barley and corn are lower than originally proposed by the Commission. The barley target is $91.25; the price for corn is $90.63. These reductions were requested by the Italian government, which imports a large part of its feed grain supply. Italy was also authorized to lower its levy on barley and corn imports arriving by ship from non-members by $7.50 per metric ton until the 1971/72 season. The levy may be reduced an additional amount, averaging $2.50 per metric ton, through the 1969/70 season on barley and corn imports from non-members into Italy.

The Commission proposals for compensatory payments to German, Italian, and Luxembourg farmers suffering losses of farm income were adopted by the Council. These payments will be made over the three seasons 1967-1970 and

EEC FARM CALENDAR

The decision on a single grain price will mean that the European Community can make the additional decisions needed to complete the common agricultural policy. The following calendar has been proposed by the French for 1965:

February 15	Single prices for beef and veal and for dairy products.
February 28	New regulation on fruits and vegetables based on price and levy system.
May 1	Regulation on financing the common farm policy.
June 1	Regulation bringing sugar under the common policy.

A regulation bringing fats under the common farm policy is also foreseen for 1965.

will be entirely phased out by the end of the 1969/70 season. Germany is to receive $280 million, Italy $131 million and Luxembourg $2.5 million. All six member states will contribute to these compensatory payments.

Agreement was also reached on financing the Community's Agricultural Guidance and Guarantee Fund, which will provide support payments and aid toward efficient farm production.

The Council of Ministers may only change the target price levels on the basis of a Commission proposal prior to July 1, 1966. The Rome Treaty provides that after January 1, 1966 no single member state may veto the adoption of a Commission proposal. There is no provision for changing any of the other decisions made today.

GRAIN PRICE IS KEY ELEMENT OF FARM POLICY

The adoption of the common grain price makes possible the creation of a common price for conversion farm products by July 1, 1967. Free intra-Community trade and single prices will be established for pork, poultry and eggs. The grain price level will also be vital to the price levels for dairy products, beef and veal and rice.

The target prices set for grain and other farm products are used for calculating support and minimum import prices. For example the minimum import price for soft wheat would be $105 per metric ton according to the Mansholt Plan.

The utilization of common farm prices on July 1, 1967 will mean the full establishment of a common farm policy three years ahead of the schedule provided in the Rome Treaty.

GRAIN DECISION VITAL TO KENNEDY ROUND

The adoption of the grain price will enable the Community to negotiate on both agricultural and industrial products in the Kennedy Round of trade negotiations now in progress. The Commission proposed in November 1963 a negotiating plan for agriculture in the Kennedy Round closely tied to its price proposals. The EEC plan calls for all Kennedy Round participants to bind the amount or "margin" of support they provide for farm production.

The EEC Commission, which negotiates on behalf of the six member states, considers that the binding of the Community's support margin would be an important trade concession. It would curtail the scope of the EEC levy system in the future and would, as a result, curb the natural tendency of its output to expand. Such increased output will be due to greater productivity rather than the placing of more arable land under cultivation.

The common grain price and other farm prices to be based on it will indicate the margin of support the Community provides to its farmers. The Community proposals for agricultural negotiations in the Kennedy Round deal only with the amount of support rather than the kinds of support given. They stress the overall effect of all measures; each participant would be free to choose the methods of support it prefers.

The Community has also proposed that the Kennedy Round participants should conclude world agreements for the most important farm products in international trade. The agreements would cover products for which a permanent imbalance between supply and demand exists. The Community has suggested agreements for wheat and feed grains, beef and butter. All of these are products directly affected by today's decisions.

EEC Commission Expects Grain Import Needs to Remain Stable

The European Community will continue to import at least 10 million metric tons of grain yearly under the single price system recently adopted, according to EEC Commission estimates.

Rising grain consumption due to population growth and higher individual consumption will enable intake to keep pace with increased Community production, according to the Commission.

The key question now being asked by grain exporters is: How much additional Community production will be stimulated by the single grain price system? In a study released earlier this year, the Commission examined this question in detail in the light of its own grain price proposals. These proposals were adopted by the Council of Ministers on December 15 with only minor modifications.

France, with more than 40 per cent of the Community's arable land and grain production, will count the most in answering this question. Expansion of French production may occur through increased productivity and by bringing more land under cultivation.

Productivity trends over the last 15 years show that increased yields will occur independent of price trends. Further gains are expected since many of the most efficient farming methods have not yet been adopted.

FRENCH RESERVES NOT TO BE USED

France has a reserve of approximately 4 million acres of land which could be used for additional grains production. This land is now used for pasture and fodder crops. The single grain price will only encourage the use of the relatively small reserves now fallow or uncultivated, according to Commission forecasts.

The relation between grain prices and other commodity prices will affect land utilization more than the grain price itself. In recent years, this price relationship has been unfavorable for increased grain production, the Commission says. Cuts in land used for pasture and forage in favor of grains are largely determined by beef and milk prices. The relation of these prices to grain prices would also not be favorable to increased grain production.

The Commission predicts little or no increased production in the Netherlands, Belgium and Italy. Italian production may be oriented more toward barley and corn at the expense of wheat other than durum. German production, at least during the first years the single grain price is applied, is not expected to vary from past years.

Thus, EEC grain production is expected to remain about the same under the single price system and consumption to increase. This will mean that Community grain import needs will not be adversely affected by the grain price decision. In fact, import requirements have already risen to levels predicted for 1970.

The Community is already largely self-sufficient in many products under the common farm policy which will be affected by the single price system, so the import picture on these commodities is not expected to change. Large import needs will remain for feed grains and durum wheat.

Grain Price Decision Brought 'Day of Triumph for Europe', EEC Commission Vice President Mansholt Declares

EEC Commission Vice President Sicco Mansholt yesterday in Brussels hailed December 15, the day on which the six Common Market countries agreed on a single grain price, as "the day of triumph for Europe."

Vice President Mansholt, the principal author of the price system adopted, said also in a statement issued in Brussels: "December 15, 1964 will be a milestone not only in the history of the Common Agricultural Policy, but also in the whole development of the European Economic Community."

The remainder of the text of the statement follows:

"In our countries agricultural policy has long been one of the most sensitive areas of policy: it has perforce been a 'national' field in which each country has sought to solve its own problems regardless of those facing its neighbors. Although in the last two years we had succeeded in building up a Community structure for the organization of the agricultural markets, the keystone was still lacking: a common agricultural policy based on a Community price policy.

"On 15 December the governments of the member countries burned the individual boats in which they could have sailed home to the harbors of national agricultural policy. Henceforth, there is only a common policy, a policy of European solidarity.

"Those who still think in purely national terms have asked us which country will get most out of the decision taken at the last agricultural 'Marathon'. The question is ill-conceived. December 15 was the day of triumph for Europe.

SUPRANATIONAL SOLUTIONS FOUND FOR FARM PROBLEMS

"For the first time in the history of our continent, supranational solutions have been found to national agricultural problems. And this means that out Community is now more than ever a reality on which there is no turning back. But it would be a mistake to dwell too long on the past. Let us move on, and ask rather what we still have to do.

"Inside the Community, the common agricultural policy must be molded into its final form. The most immediate problems are those involved in working out a Community price policy for beef and veal, for milk and milk products. Other sectors will be dealt with later. In 1965 we will also have to take important decisions on how the Community intends to finance the common agricultural policy. Finally, progress must be made in shaping our policy on the structure of agriculture and our social policy in this sphere, for these are two essential elements in overall agricultural policy.

"Not all these problems will be easily dealt with, but we shall certainly resolve them. We are over the most difficult hurdle. That is the result, the outcome, of our recent agreement.

EEC MUST REMAIN OUTWARD-LOOKING

"In its dealings with non-member countries the Community must prove that it is aware of its world responsibilities. Henceforth it is in a position to embark, properly equipped, on the agricultural negotiations in the Kennedy Round. At the same time it is becoming a magnet which attracts other European countries.

"Our Community, then, must remain open to all who wish to join us, and it is our duty to build up increasingly fruitful relations with all non-member countries which wish to cooperate in establishing economic and social equilibrium in the world."

HOW IS THE COMMON FARM POLICY FINANCED?

The European Agricultural Guidance and Guarantee Fund has been established to finance:

* The Community purchase of surplus farm produce;
* Aid (refunds) for exporting farm surpluses to non-member countries at world prices;
* Building of a modern and efficient Community agriculture.

Contributions from the Guidance and Guarantee Fund will finance all expenditures for these purposes by the end of 1969.

Member states have been contributing directly to the Guidance and Guarantee Fund since its inception in 1962. These contributions have been based partly on the Rome Treaty scale for general budgetary contributions and partly on the member states' net imports from non-Community sources.

The Council of Ministers is to decide by July 1, 1965 the system for financing the Guidance and Guarantee Fund during the period ending December 1969. These rules are expected to provide that all expenses under the common policy eventually be met by receipts from the Community's levies on farm imports from non-members.

At the December 15 meeting, the Council of Ministers decided to limit the amount of Italian contributions to the Guidance and Guarantee Fund during the next two farm seasons. This decision permits Italy to proceed more rapidly with needed structural reorganization.

Compensatory payments for German, Italian, and Luxembourg farmers who suffer losses of farm income due to the single grain price, will be financed from a special guidance fund. Contributions to this fund will be made by all member states on the basis of the scale for general budgetary contributions.

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