



COMMON MARKET FARM REPORT

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

EEC COUNCIL TAKES NO DECISION ON AGRICULTURAL FINANCING PLAN

The Council of Ministers took no decision on the financing proposals for the Community's agricultural policy before the beginning of the traditional summer recess in August.

The July 26 Council meeting was marked by the absence of French representatives. France has been boycotting most Community meetings since the failure of the six ministers to reach agreement on agricultural financing at their session of June 28-30.

On July 22 the Commission submitted to the member governments a memorandum suggesting revisions in its original proposals for financing the EEC's farm policy, providing independent revenues for the Community, and increasing the budgetary powers of the European Parliament (See Common Market Farm Report, No. 20, April 15, 1965.)

The memorandum was discussed briefly at the July 26 meeting by the foreign ministers of the five governments represented, but no action was taken. The next Council session is scheduled for October 7.

PROVISIONS EXPIRED JULY 1

The original agricultural financing regulation, which went into effect on July 1, 1962, provided for partial Community financing of the common agricultural policy for a three year period, which expired at midnight, June 30, 1965. The Community payments are made through the European Agricultural Guidance and Guarantee Fund (EAGGF) and are used for market interventions to support prices, for export subsidies, and for rationalization and modernization of farms.

For the year 1964-65 the EAGGF paid half the costs of the common agricultural policy, and the member states paid the other half directly. The contributions of the Fund for 1962-63 and 1963-64 were 1/6 and 2/6 respectively.

PROPOSALS FOR FUTURE PAYMENTS

The Commission proposed in its memorandum that future expenditures be covered by the Fund in increasing proportions, dependent upon the date

when the common agricultural policy will be in full operation. If the farm policy goes fully into effect on July 1, 1967, the costs would be covered entirely by the EAGGF from that date. The Fund would cover 4/6 of total expenses in 1965-66 and 5/6 in 1966-67.

If the common market for agriculture does not begin on July 1, 1967, then all costs would not be covered until the end of the EEC's transition period on January 1, 1970. From July 1, 1965 until that date, the amount paid by the Fund would be increased by 1/10 each year, with the member states paying a proportionately declining amount.

The timetable for the financial arrangements depends upon whether the Council can follow the proposed schedule for establishment of three additional market organizations (for sugar, fats and oils, and tobacco) and of common prices for five key agricultural products (dairy goods, beef and veal, rice, sugar, and fats and oils).

The Commission's memorandum contains a detailed timetable for the work necessary to complete the common agricultural policy. The necessary decisions would be made before November 1 of this year, thus enabling the Kennedy Round trade negotiations in agriculture to proceed.

REVENUES FOR THE FUND

The EAGGF is presently financed by contributions from member states on a proportional basis, calculated partially according to a scale in the Rome Treaty and partially according to the volume of member states' net agricultural imports. The Commission has proposed that these contributions be continued until 1970 and has suggested a new scale of payments. (See table below.)

This scale takes into consideration the principle that member states importing large amounts of farm products from outside the Community would pay a proportionately larger share into the Fund. It also takes account of the fact that since payments to Italian agriculture from the Fund can be expected to remain within certain limits, the Italian

**PROPOSED SCALE
OF PAYMENTS
TO
AGRICULTURAL
FUND**

	1965/66	1966/67	1967/68	1968/69	Last 6 mos. of 1969
Belgium	8.51%	8.38%	8.30%	8.22%	8.13%
Germany	32.45	31.92	32.07	32.22	32.37
France	30.59	27.66	27.11	26.55	26.00
Italy	18.00	21.95	22.27	22.60	22.93
Luxembourg	0.21	0.21	0.21	0.21	0.21
Netherlands	10.24	9.88	10.04	10.20	10.36
	100.00	100.00	100.00	100.00	100.00

contributions to the Fund would be limited.

The scale enables payments from 1965 to 1970 to be calculated exactly, leaving no uncertainty about future contributions. The general aim of the system is to ensure a balanced distribution of the EEC's farm policy costs among the member states.

The Commission proposes that after 1970 costs of the agricultural policy be met by the Community's own revenues. The composition of these revenues would be decided at a later date and they could include, in addition to income from the agricultural levies, funds from the common external tariff on industrial products. The possibility of raising revenues from other sources may also be explored.

EFFECTS OF DEADLOCK

Although the deadlock leaves the Community for the moment without a financing system for agriculture, the functioning of the agricultural policy has not been impaired. The contributions of the EAGGF to the policy measures are paid for each preceding year at the end of the year, so a decision of the Council on financing could be made retroactive to July 1, 1965.

Decisions on such aspects of the agricultural policy as financing, common prices and market organizations can be taken only by consent of all member states at Council meetings. However, minor decisions necessary for the effective day-to-day operation of the policy may be made through a written procedure foreseen in the Council's rules of order.

FIRST STATISTICS ON OILS AND FATS PUBLISHED

The first published statistics on oils and fats in the Community show that the Common Market produced 2,992,000 metric tons of crude oils and fats in 1962-63, an increase of 486,000 tons since 1958.

Of this total, 1,919,000 tons or 64.1 per cent were vegetable oils and fats, and the other 1,073,000 tons, 35.9 per cent, were from animals including fish and marine mammals. Production of butter, margarine and other manufactured fats is not included in these figures.

Germany is the largest producer of fats and oils in the Community as well as the largest importer. Together France and Germany provide almost 60 per cent of the EEC's total production. In the case of Germany 60 per cent of its production is vegetable oils and fats and 40 per cent animal fats. In France, production is divided evenly between animal and vegetable fats.

IMPORTS OF FATS AND OILS

Of total Community imports, vegetable fats and oils make up 954,000 tons, or 55.4 per cent, and animal fats equal 767,000 tons or 44.6 per cent. EEC imports of these products vary greatly from year to year, as is shown by Table 2.

The Community is dependent for 50 per cent of its vegetable oils on imported oil seeds and for an additional 33 per cent on oil imports. Only 17 per cent of consumption is provided by Community production.

Table 3 shows that Italy is the only Common Market country which produces a considerable amount of its needs in vegetable oils and fats, mainly in the form of olive oil. Italian olive oil production in 1962-63 was about 68 per cent of total EEC production.

**Table 1.
PRODUCTION,
TRADE, AND
CONSUMPTION
OF FATS AND OILS,
1962-63
('000 metric
tons)**

Country	Total production	%	Exports	Imports	Per capita consumption (lbs.)
Germany	879	29.4	166	641	40.3
France	867	29.0	87	253	36.1
Italy	704	23.5	13	358	35.2
Netherlands	375	12.5	294	340	57.4
BLEU*	167	5.6	52	129	44.2
EEC	2,992	100.0	612	1,721	38.9

* Belgium-Luxembourg Economic Union

Table 2.
IMPORTS OF
FATS AND OILS,
1958-63
('000 metric
tons)

Product	1958/59	1959/60	1960/61	1961/62	1962/63
Vegetable oils and fats	904	1,103	1,035	895	954
Land animal fats	336	505	398	424	428
Sea animal fats	280	262	292	254	331
Prepared food fats	3	6	5	6	8
Total	1,523	1,876	1,730	1,579	1,721

In the other five countries vegetable oil is produced mainly from imported seeds. Only a minor portion of total needs is met by imported oils.

PER CAPITA CONSUMPTION

The annual per capita consumption of oils and fats in the Community (excluding butter) is 39 pounds of which 26 pounds are vegetable oils and fats and 13 pounds animal fats. Consumption of butter is an additional 11 pounds per person, approximately the same amount as margarine. Thus,

vegetable oils and fats and animal fats were consumed in about the same proportions in 1962-63.

Table 4 shows the patterns of consumption in Community countries by percentages. Due to the large use of olive oil in Italy, its consumption of vegetable oils and fats is very high, whereas in no other Community country do these make up 50 per cent of consumption. The Netherlands has a comparatively high usage of fats and oils from sea animals, as it is the only Community country with a whaling industry.

Table 3.
SUPPLY OF CRUDE
VEGETABLE OILS,
1962-63
(% of total)

	Germany	France	Italy	Netherlands	BLEU	EEC
Production of oil seeds	5	7	48	2	3	17
Imports of oil seeds	54	63	26	65	57	50
Imports of oils	41	30	26	33	40	33

Table 4.
CONSUMPTION
OF EDIBLE FATS
(% of total)

	Germany	France	Italy	Netherlands	BLEU	EEC
Vegetable oils and fats	41	45	80	43	42	51
Land animal fats	24	24	11	22	22	21
Sea animal fats	6	3	-	22	9	5
Butter	29	28	9	13	27	23

MEAT AND LIVESTOCK DIRECTIVES APPLY TO HEALTH MEASURES

Two Council directives concerning health requirements for intra-Community trade in cattle and pigs and in fresh meat went into effect on June 30.

The directives, which were passed by the Council on June 26, 1964, require member states to establish uniform rules replacing the divergent national veterinary laws. The harmonization of national laws is intended to free trade in the Community of the products concerned while preven-

ting the spread of contagious diseases.

The rules established under the directive on cattle and pigs put the responsibility for ensuring compliance with health requirements on the exporting country. A health certificate issued by a national veterinary authority and giving details of place of origin, dispatching center and means of transport must accompany the animals to their destination.

NOTIFICATION TO EXPORTER

Any member state prohibiting the entry of a shipment of cattle or pigs from another member country must notify its reasons to the exporter as well as to the appropriate authorities in the exporting country. If the exporter wishes to contest the ban, he may request the opinion of a veterinary expert, selected from a Commission list, who is not a national of either country concerned.

Annexes to the directive establish the conditions for minimum standards and for preparation and use of serums as well as methods of diagnosing contagious diseases.

The directive is based on the rules and standards of the International Office of Epizootics, the Organization for Economic Cooperation and Development, the Food and Agricultural Organization, and the World Health Organization.

RULES FOR FRESH MEAT

The directive on intra-Community trade in fresh meat also requires the exporting country to ensure compliance with Community rules through licensing of approved slaughterhouses.

Each shipment of fresh meat must be accompanied by a certificate showing that the exporting country's authorities have found that minimum standards in the slaughterhouse are enforced. The EEC Commission, on the request of a member state, can authorize a temporary interdiction on meat imports from a licensed slaughterhouse which does not comply with conditions of the directive.

If a shipment of fresh meat is found to be unfit for human consumption in spite of an accompanying certificate, the importing country can refuse or return it. As in the case of cattle and pigs the shipper can challenge this refusal by asking for the opinion of an expert on a Commission list whose word is final.

The directive on fresh meat does not apply to small internal edible animal parts such as offal or innards.

IMPORTS FROM NON-MEMBERS

Concerning imports from non-Community countries the directives stipulate that provisions of members' domestic legislation must not be more lenient than rules applicable for intra-Community trade. Community legislation pertaining to imports of fresh meat from non-members is foreseen.

The Commission has also proposed to the Council two similar directives on health requirements for intra-Community trade in poultry meat and in meat products.

Commission Submits Regulation on Husked Rice Imports

The Commission has submitted to the Council a draft regulation concerning the reduction of the levy on husked rice imports from non-member countries. This regulation would supersede the present provisional arrangement, adopted by the Commission, which expires at the end of August.

The purpose of the regulation is to prevent imports of husked rice from being affected by abnormally low prices for milled rice. Due to subsidies by some non-member countries for milled rice exports, the difference in price between husked and milled rice coming into the Community has been less than the difference normally resulting from the transformation of the former into the latter.

Under the proposal the basic EEC regulation for rice, which came into effect September 1, 1964, would be applied as long as the difference between the prices of husked and milled rice (expressed in comparable terms) does not exceed \$.35 per 220 pounds. If this amount is exceeded, the levy on husked rice from non-member countries would be reduced so as not to impair husked rice imports.

The proposed regulation would be applicable in all Community countries for third country imports, including those from EEC associates. The regulation would be effective from September 1, 1965 to September 1, 1966.

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