



# COMMON MARKET FARM REPORT

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

## DEVELOPMENT OF COMMON MARKET AGRICULTURAL POLICY CONTINUES IN 1965

The development of the EEC's common agricultural policy in 1965 was dominated by the crisis which broke out in the night of June 30 over a Commission proposal for financing agricultural expenditure, providing independent revenues for the Community, and increasing the budgetary powers of the European Parliament.

The subsequent withdrawal of French representatives from the Council and most Community committees prevented decisions on major aspects of agricultural policy. Nonetheless, considerable progress was made before the crisis arose, and much of the work on day-to-day operation of the policy and on new Commission proposals continued after the French walkout.

The coming into effect of Community regulations for rice, dairy produce, and beef on November 1, 1964 meant that 85 per cent of EEC agricultural production was covered by common market organizations at the beginning of 1965. Regulations had been proposed by the Commission which would bring two additional sectors under Community rules, sugar and fats and oils. Common policies were also drafted for tobacco and seeds.

### EAGGF OPERATIONS

The European Agricultural Guidance and Guarantee Fund began operation in 1965. \$37,780,008 was granted the member states retroactively for agricultural operations in 1962-3. Of this amount, \$28,723,086 was given for guarantee purposes, that is, market intervention and export subsidies. \$9,056,922 was granted for guidance operations such as modernization of farms.

A major step was taken on May 14 when the Council approved a proposal for a world commodity agreement on grains, which was submitted to the Kennedy Round partners in Geneva on May 17. The Community offer was made possible by the agreement in the Council on December 15 for common grain prices to go into effect on July 1, 1967. The Kennedy Round proposal included the establishment and binding of support levels for each country, stabilization of world grain prices at a fair and remunerative level, and joint efforts for disposal of surpluses,

particularly through food aid to developing countries.

The Community did not, however, submit offers for additional agricultural products on September 16 owing to the immobility of the Council which was unable to give the Commission an additional negotiating mandate.

### FRUITS AND VEGETABLES

The Council approved a supplementary regulation for fruits and vegetables in May establishing additional import protection through countervailing duties and minimum prices. The basic fruits and vegetables regulation was extended to asparagus, cucumbers, and garlic. Toward the end of the year a controversy over increased orange prices led to a proposal of the Commission to lower orange prices and grant compensation to Community producers. (See story, page 3.)

Noting the accumulation of large butter supplies the Commission permitted several member countries to sell public stocks at prices reduced below the lower limit of Community brackets. The large stocks were due primarily to sizeable imports before the common market organization for dairy produce began at the end of 1964.

Recurring fluctuations of the poultry and egg offer prices on the world market resulted in frequent changes in the supplementary amount added to Community levels to keep up import prices. For the first time a supplementary amount was added to pork imports in July, but this was removed in October.

### BEEF SHORTAGE

In order to encourage beef production in the Community, which suffered from a shortage most of the year, the Council raised the level of EEC price brackets. Tariffs on frozen meat imports were partially suspended, and customs duties on live cows and calves were totally or partially suspended in some member states.

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



establishing common rules to prevent the spread of contagious diseases. The Commission submitted a similar directive to the Council which would apply common controls and standards to imports from non-members.

### HARMONIZATION OF LEGISLATION

Activity continued in the field of harmonization of legislation among the member states in agricultural products. The Council passed in January a directive establishing common criteria for conservative agents used in foodstuffs. The Commission submitted other directives concerning jellies and related products, olive oils, and measures against placing harmful organisms in vegetable products.

In February the Commission sent two draft regulations to the Council proposing training for counsellors in agricultural extension services and vocational retraining for farmers whose farms are undergoing modernization. In May the Commission presented an action program for a common policy of vocational training in agriculture.

Also in 1965 the Council agreed to an accounting system for farm incomes and conduct of farm business in the Community to provide necessary information on incomes and markets for further progress in the common agricultural policy. The Commission suggested, in addition, a series of EEC studies on farm structures to be carried out from 1966-70.

## EEC COMMISSION ALLOTS GUARANTEE GRANTS FOR 1962-3 FROM EUROPEAN AGRICULTURAL FUND

The Commission of the European Economic Community has allotted \$28,723,086 from the European Agricultural Guidance and Guarantee Fund (EAGGF) for guarantee operations in 1962-3. This amount represents the first Community payments to the member states from the guarantee section of the Fund.

\$22,261,240 of the total will go for subsidies on agricultural exports to non-member countries in 1962-3. These export refunds are calculated on the basis of net exports and of the refund rate of the EEC member state with the lowest average subsidy.

The remaining \$6,461,046 will be given for interventions on the internal market to maintain price levels. Of this amount, \$3,241,359 will be granted for the denaturing of cereals which could not be sold at or above the intervention price levels, and \$3,220,487 will go for cereal stocks carried over at the end of the 1962-3 marketing year.

The Commission has already allotted \$9,056,922 in Fund aid for guidance operations in 1962-3. (See Common Market Farm Report, Number 24, November 1, 1965.) The fifty-seven projects approved include financial assistance for modernization and rationalization of Community farms.

### PURPOSES OF GRANTS

The amounts to be granted for guarantee and guidance operations in 1962-3 have been allotted to the following purposes:

<u>Guarantee Section</u>	\$28,723,086
Market Interventions	6,461,846
Cereals	6,461,846
Export Subsidies	\$22,261,240
Cereals	21,495,923
Pigmeat	49,743
Poultry	164,123
Eggs	551,451

<u>Guidance Section</u>	\$9,056,922
Marketing, Distribution	\$4,910,320
Cereals	103,591
Milk Products	2,100,975
Fruit and Vegetables	1,676,365
Miscellaneous	1,029,389
Improvement of Structures	\$4,146,602

### RETROACTIVE PAYMENTS

The EAGGF will retroactively reimburse member states for one-sixth of their expenditure for guidance and guarantee operations in 1962-3. This proportion will be increased to two-sixths in 1963-4 and three-sixths in 1964-5.

The installment of Community payments for 1963-4 will be allotted in 1966 and will total approximately \$70,968,700, of which \$54,351,700 will be granted for guarantee purposes and \$16,617,000 for guidance projects. For 1964-5, approximately \$332,883,000 has been budgeted for EAGGF expenditures, \$274,322,000 for guarantee operations and \$58,561,000 for guidance. The payments which member states will receive from the Fund for 1962-3 are shown in Table 1.

All of the EAGGF's expenditures for guidance and guarantee operations in 1962-3 will be provided by contributions from the member states according to a scale foreseen in Article 200 (1) of the Rome Treaty. A clearinghouse operation of the Commission, which administers the EAGGF, will determine in the next few weeks the differences between member states' contributions to the Fund and the reimbursements they receive.

### REGULATION HAS EXPIRED

The Community regulation which covered agricultural financing expired on June 30, 1965, and the Council of Ministers was unable to reach agreement on financing after that date. France has been boycotting the Council since the June meeting. In the meantime, the other five Community countries



Table 1.	Member States	Guarantee Section	%	Guidance Section	%
<b>PAYMENTS OF EAGGF TO MEMBER STATES FOR 1962-3 OPERATIONS</b>	Belgium	305,380	1.06	703,751	7.77
	France	24,479,196	85.23	1,951,487	21.55
	Germany	1,790,191	6.23	2,577,635	28.24
	Italy	1,280,606	4.46	3,069,464	33.89
	Luxembourg	3,446	0.01	-	0
	Netherlands	864,259	3.01	774,585	8.55

have reached agreement on a revised Commission proposal for agricultural financing, increased budgetary powers of the European Parliament, and independent revenues. This proposal must be approved by all six member states before it can come into effect.

The functioning of the common agricultural policy has not, however, been impaired by the crisis. Payments of the EAGGF to the member states are determined retroactively, and an eventual decision of the Council on agricultural financing could cover the current period.

## PROPOSED POLICY FOR ORANGES INCLUDES LOWER PRICES AND COMPENSATION FOR PRODUCERS

The EEC Commission has proposed to the Council of Ministers a draft regulation for oranges which would reduce orange prices and grant compensation to Community producers. The proposal was prepared after some member states expressed opposition to the increased prices which resulted from a new system of import protection established in 1965.

Oranges, of which Italy is the sole Community producer, were included under the basic EEC regulation for fruits and vegetables which went into effect on July 1, 1962. This regulation provided for common quality standards as well as for common tariffs on imports of fruits and vegetables from non-members.

During the Council meeting of December 15, 1964, Italy made its acceptance of common grain prices for the Community in 1967 contingent upon a new system of EEC assistance and protection for fresh fruits and vegetables, of which Italy is the major Community producer. The new measures proposed included a market organization, market intervention to maintain prices, promotion of growers' cooperatives, and a more effective means of import protection.

### NEW IMPORT SYSTEM

On February 24, 1965, the Council approved a supplementary regulation altering the import system for fresh fruits and vegetables (See Common Market Farm Report, No. 19, March 15, 1965). A countervailing charge is placed on imports of these products if their import price falls below a Community entry price. The minimum entry prices are derived from reference prices set to ensure Community producers a fair price on the internal market.

Included in the supplementary regulation was a detailed method for calculation of reference prices by the Commission. These prices are applied during the marketing year for Community production from November to April. Outside this period no reference price is used, and imports may enter at any price.

Reference prices and the method of their calculation were laid out in the original fruits and vegetables regulation of 1962, but countervailing charges could be applied only in the case of serious disturbances on the internal market owing to imports. The agreement of December 15, 1964

makes the application of countervailing charges automatic when import prices fall below the minimum entry price. It also allows the Commission little flexibility in determining the reference and entry prices.

### 1965 ORANGE PRICES SET

The Commission on November 10 set the reference and minimum entry prices for oranges which went into effect on December 1. The table below shows these prices for the 1965 marketing season (December, 1965 to April, 1966) and compares them with the 1964 reference prices. The higher levels are expected to increase import prices, particularly in the first two months of 1966.

The Commission judges that the prices may be 3 to 9 per cent higher than in the similar period last year. However, retail prices for oranges in the Community are often double the wholesale prices, and it is possible that importers and distributors may absorb some of the price increase.

The price increases were opposed in the Fruits and Vegetables Management Committee in November by five of the member countries with Italy supporting the Commission's action. At the Council meeting of November 29-30 the Commission was requested to suggest alternative methods of protection which would not incur price rises.

### DRAFT REGULATION EXPLAINED

The new draft regulation for oranges would reduce the level of import protection to that of last year, about \$5.95 per hundred pounds for popular varieties. Any loss to Italian orange producers resulting from the lower reference price would be

Type of oranges (\$/100 lb)	1964 reference price	1965 reference price	1965 minimum import price
Moro & Tarocco (high quality)	-	\$8.73	\$8.73
Sanguinello (popular varieties)	\$5.68-\$6.14	\$7.77	\$7.05
Biondo comune (less popular varieties)	\$3.18-\$4.09	\$3.91	\$5.14



reimbursed by the Community's Agricultural Guidance and Guarantee Fund.

The Commission estimates that the total cost of this compensation would be only about 30 per cent of the cost paid by Community consumers under the present system. Countervailing duties would still come into effect if import prices fall under the lower minimum entry price.

Under a supplementary Commission proposal Community exporters of oranges to member countries would receive subsidies from the producer countries for the marketing season 1965-6 equal to the difference between the current price and the reduced price suggested by the Commission. The new proposal was necessitated by the time period required for the compensation system in the draft regulation to take effect.

### CONSUMPTION AND TRADE

Italy produces approximately one-third of the Community's annual orange consumption, which in 1964 amounted to 2,619,000 metric tons. The Italian crop totaled 990,000 tons, of which 49,000 tons or \$9,860,000 was exported to other EEC countries and 103,000 tons or \$16,850,000 to non-members.

Italy's own consumption in 1964 was 838,000 metric tons, followed by Germany with 763,000 tons, France with 682,000 tons, the Netherlands with 209,000 tons, and Belgium-Luxembourg with 127,000 tons.

Spain supplied 52 per cent of the Community's orange imports of 1,717,000 tons in 1964, and Morocco was second with 20.3 per cent. The United States exported about 29,000 tons or \$4,759,000 to the EEC, primarily high quality summer oranges.

Major suppliers of oranges to the Community in 1964 and the amounts in metric tons were:

Spain	900,000	Brasil	53,000
Morocco	349,000	United States	29,000
Algeria	131,000	Tunisia	22,000
South Africa	120,000	Cyprus	6,000
Israel	106,000	Greece	1,000

Only about one-third of Community consumption is imported during the November-April period, the time at which the reference prices are applied.

### Reduction in Beef and Veal Tariff Proposed

The EEC Commission has submitted a draft regulation to the Council proposing a temporary reduction in the Community external tariff on imports of frozen beef and veal.

The proposal, which resulted from a supply shortage of these products, would reduce the duty to 10 per cent for the period from January 1 to May 31, 1966. From June 1 to July 31, 1966, the duty would remain at the reduced level only for frozen beef and veal imports intended for processing under customs control.

During the two periods there will be no levies on imports from non-member countries. Normally, levies are imposed when internal prices fall below a specified level. No duties or levies will be charged on intra-Community trade during the seven months.

### Common Feed Analysis Planned

The Commission has sent to the Council a draft directive for harmonizing member states' legislation on methods of analyzing and approving animal feeds.

This is the first proposal for such harmonization. The aim of the directive is to require member countries to carry out examinations on the composition of animal feed by common Community methods. At present, official checks on the composition of feeds vary greatly among the six EEC countries.

Additives, such as vitamins or bacteriostatic agents, are not covered by the directive, nor is animal feed for export included. The Commission plans to align regulations on additives as a whole, as was done for foodstuffs. Animal feed for export must be analyzed according to the rules of the importing country.

As soon as the directive is approved by the Council, the Commission will establish the methods of analysis, which have already been drawn up by a committee of experts.

A copy of this material is filed with the Department of Justice, where, under the Foreign Agents Registration Act of 1938, as amended, the required registration statement of the Information Office, European Community, 808 Farragut Building, Washington, D.C., as an agent of the European Economic Community, Brussels, the European Atomic Energy Community, Brussels, and the European Coal and Steel Community, Luxembourg, is available for public inspection. Registration does not indicate approval of the contents of this material by the United States Government.



**european  
community**

Information Service  
Washington Office: Farragut Building, Washington, D.C. 20006

BULK RATE  
U. S. POSTAGE  
PAID  
WASHINGTON, D. C.  
PERMIT NO. 41445