



COMMON MARKET FARM REPORT

BELGIUM, FRANCE, FEDERAL REPUBLIC OF GERMANY, ITALY, LUXEMBOURG, THE NETHERLANDS

THE COMMON AGRICULTURAL POLICY

Some Remarks by the Head of the EEC Commission's Directorate of Agricultural Economics and Legislation, Dr. Hans-Broder Krohn

Why does the Treaty of Rome provide for a "common policy" in the field of agriculture? Why these ambitious goals for agriculture? Why not simply exclude agricultural products from the "Common Market"?

In the EEC, 25-30% of the total population is in the agricultural business. Such a substantial percentage of the total population cannot be excluded at the outset from a Community which is expanding beyond a customs union to a full economic union.

Consequently, the objective of the EEC in agricultural policy is not limited to the realization of free trade in agricultural products between member countries and common measures of protection vis-a-vis the world market by common organizations of the agricultural markets and by common prices. In the framework of its Common Agricultural Policy, the EEC will also share responsibility for the improvement of farm incomes and for the financial burden of its agricultural policy.

Free Trade and Price Policy

The "Common Market," as envisaged by the Treaty of Rome, is characterized by two features:

- 1) free trade between member countries
- 2) common measures of protection at the "common frontier."

As far as agricultural goods are concerned, these features will definitely be put into practice by the introduction of common market organizations and common prices

- from January 1, 1967 onward for fruits and vegetables
- from July 1, 1967 onward, for all cereals, pigmeat, eggs and poultry
- from April 1, 1968 onward, for dairy products and beef
- from July 1, 1968 onward, for sugar.

At that time, free trade will have been realized for 85% of total agricultural production of EEC.

For the remaining products, such as mutton, hops, tobacco, wine, free trade will be fully realized by 1970.

What are the principles underlying these common organizations for agricultural markets?

i) Domestic markets for the basic agricultural products (cereals, milk, beef, sugar-beets) are stabilized at a certain price level by the action of the authorities, who intervene in these markets at certain conditions.

Such intervention is not foreseen, so far, for other products such as pigmeat, poultry and eggs. However, measures aiming at stable pork prices are under discussion.

ii) Domestic markets, thus stabilized at a certain price level, are protected against fluctuations and levels of world market prices by a levy system.

The levy, representing the degree of protection, is based on the difference between the world market price (CIF-Europe) and the EEC price, which is fixed by the Council.

Thus, the levy might be considered as a variable customs duty. The system is applied to more than half of the agricultural imports of EEC. Customs duties under the Common Customs Tariff will be applied to imports of the remaining agricultural products, such as beef and veal, fruits and vegetables, wine, etc.

The development of EEC agricultural imports will be determined - to a large extent - by the level of agricultural prices, since they determine the rate of increase of production and consumption. The following table shows the EEC prices fixed by the Council, to come into force in 1967/68 or 1968/69:

Wheat: Target price Duisburg (Wholesale), 1967/68,
\$10.625/100 kg

Rye: Target price Duisburg (Wholesale), 1967/68,
\$9.375/100 kg

Barley: Target price Duisburg (Wholesale),
1967/68, \$9.125/100 kg

Beef: EEC guide price for medium quality, 1968/69,
\$66.25/100 kg

Milk(3.7%): EEC target price (delivered dairy),
1968/69, \$10.30/100 kg

Sugar beet(16%): Producer price, 1968/69, \$17.00/
100 kg.

The application of these common prices will lead in some member countries to higher producer prices; in others producer prices will be considerably lowered. Thus, the economic effects on production and consumption will be different.

It is not expected that the application of these prices will alter basically the actual degree of self-sufficiency in the EEC, except for sugar and, to a lesser degree, dairy products.

EEC Responsibility for the Improvement of Farm Income

In the EEC, as elsewhere, income in agriculture is lower than in other sectors of the economy. However, it must be kept in mind

1. Level and increase of per capita income is far more relevant than that of aggregate farm income.
2. Off-farm earnings of farm people are substantial in many areas, and are probably tending to increase.
3. "Disparity" exists not only between income in agriculture and in other economic sectors, but also inside the agricultural sector between different farm sizes, regions, types of farming, etc.

The following figures may give an indication as to points which must be stressed in order to improve the income situation of the farm population. It has been estimated that during the period 1965-1970 in the EEC (taking into account common prices as decided by the Council)

gross farm output may increase	by 14%
private consumption of food	by 15%
During the same period	
net farm product may increase	by 10%
and agricultural labour force decrease	by 17%

From these figures the following conclusions might be drawn:

- i) EEC agricultural imports might continue to increase slightly
- ii) Labour productivity in agriculture will increase considerably (32%)
- iii) The main factor influencing the increase in productivity is the fact that the number of people

sharing net farm product is declining.

Therefore, a common policy aiming at the improvement of farm income should stress

1. measures to facilitate the shift of manpower from agriculture to other sectors and
2. (in this context) the economic development of backward regions.

The EEC has mainly the following instruments at its disposal for carrying out such a policy:

- i) Co-ordination and orientation of national grants and subsidies given by the Member States in order to improve the production structure and commercial structure of agriculture. In fact, national grants must be notified to the Commission.
- ii) Co-ordination of the structural policy of Member States in the framework of the "Permanent Advisory Committee on improvements to the structure of agriculture."
- iii) Grants from the European Fund for Agriculture covering as much as 25% and in particular cases 45% of total investment in individual projects which contribute to improving the structure of production and marketing in agriculture. Annually, \$285 million are available for these purposes.

Common Financial Responsibility

The European Agricultural Fund has two objectives and consequently two sections:

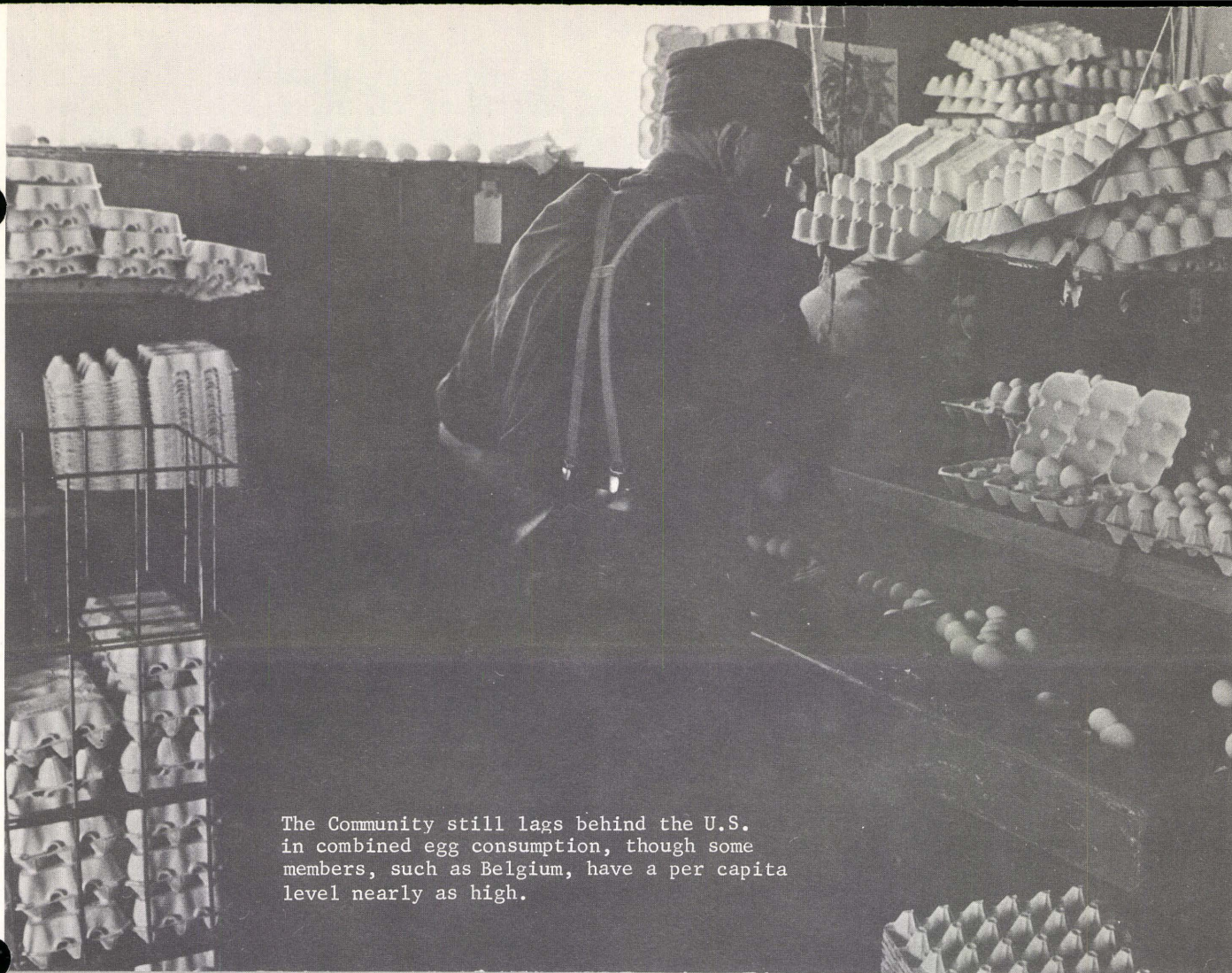
1. Grants for improving the structure of agriculture (production and marketing)
2. Reimbursement to Member States of expenditure incurred in applying the common organization of the agricultural markets in particular for intervention on the markets and refunds on exports to the world market.

In 1967, an important objective of the EEC's Common Agricultural Policy will be achieved:

Free trade between Member States for 85% of EEC's agricultural production; a large "common market" of 180 million consumers.

Common financial responsibility for the execution of the EEC agriculture policy has been decided in principle and arrangements for its application until the end of 1969 have been put into practice.

The EEC will also assume responsibility for the improvement of farm incomes, in particular through the development of a common policy aimed at improving the conditions of production and marketing in agriculture, at encouraging economic development of backward regions through common measures and thus facilitating, where necessary, the transfer of farm labor to other sectors of the economy.



The Community still lags behind the U.S. in combined egg consumption, though some members, such as Belgium, have a per capita level nearly as high.

THE DEVELOPMENT OF POULTRY RAISING AND DEMAND IN THE EEC

Eggs and poultry are valuable sources of animal protein for Common Market consumers; thanks to improved technology and breeding they are now available at prices lower than those prevailing before the Community's poultry and egg market regulations became operative in 1962.

This has allowed consumers to increase their use of these products by more than a sixth in the four years including 1965:

CONSUMPTION OF TABLE POULTRY, 1962-65
kg per capita annually

	1962	1963	1964	1965
Germany	5.4	5.6	5.8	6.2
Belgium/ Luxembourg	8.6	9.3	10.5	11.3
France	8.4	8.5	8.7	8.7
Netherlands	2.8	3.2	3.8	4.5
Italy	4.1	4.2	4.7	5.3
EEC	5.8	6.0	6.4	6.8

Eggs provide much the same pattern, though the increases seem to be leveling off. The Dutch, for example, were consuming less than 200 eggs per capita; today they consume about 230. This slower increase comes in part because a decade ago poultry was not

a regular item of consumption in most Community countries; expanded production has brought mounting consumption with it. Eggs had always appeared in European cooking, however. The Belgians take the prize here as in poultry, consuming 280 eggs per capita annually:

CONSUMPTION OF EGGS, 1965		kg per head	
Netherlands	12.4	Germany	13.4
Belgium/ Luxembourg	13.5	France	11.0
		Italy	9.7

The best of the Community still lags far behind American consumers, however, who dispose of 310 eggs and 18 kg of poultry (including turkey) per capita. There is still much room for expansion.

Poultry-Raising Revolution Comes to Europe

In the past, poultry raising was not a particularly profitable occupation; too much feed was needed to produce a pound of eggs or poultry. This situation changed entirely with the improvement of breeding and nutrition, and poultry has now gone into mass production. Poultry raising now supplies 7-10 per cent of gross agricultural income in the EEC's



Poultry raising, formerly a relatively backward sector, has adopted American methods to become a large and profitable operation in the Community.

member countries. It is admirably suited to small European farms and uses a relatively large, skilled labor input. American breakthroughs provided the impetus for the new situation in European poultry raising. The increase in production since 1962 has been considerable, as shown by the table:

POULTRY PRODUCTION, 1962-65
thousand metric tons

	1962	1963	1964	1965
Germany	122	130	148	158
France	190	220	240	247
Netherlands	61	77	114	140
Italy	190	220	240	252
Belgium/ Luxembourg	60	75	90	103

This increased concentration on poultry raising has also benefited growers of feed grains, and the production of compound poultry feeds has expanded significantly. By 1965 poultry feeds made up close to 40 per cent of the EEC total 21½-million-ton output of compound feeds.

Changing Technology Main Trade Influence

The formation of the EEC's common regulations affecting poultry raising were not the primary source of trade deterioration with outside countries in poultry products, it should be noted. This was bound up with the modernization of poultry growing, the technology of which was imported from the United States before the common regulations had come into effect and was encouraged by the newly-expanded market.

Several restrictive regulations were already in force in the member countries prior to 1962: In Germany, premiums were granted to eggs delivered via central collecting stations, and there were quantitative restrictions on imports from certain countries; France levied countervailing duties to offset differences in market prices; Belgium had provisions for minimum import prices; the Netherlands charged levies to compensate for differences in production costs due to lower feed grain prices, and Luxembourg could ban poultry imports completely.

The common systems which began on August 1, 1962, not only reconciled these varying provisions but liberalized them. The levies as now applied are largely only to offset production cost differences occasioned by feed grain prices. The Belgian notion of the minimum import price has been

adopted for the Community as a whole to protect Community farmers but not to shut out foreign imports. When their price is below a minimum, considered abnormally low, they are simply subjected to a levy to raise their price to the threshold level. By July 1 of this year the common provisions will be completed so that internal trade will be freed and a common duty system will apply to external trade.

Council Receives Proposals for Organizing Oil-Seed Market

The Commission recently submitted to the Council its proposals for common organization of the oil-seed market, scheduled to begin July 1. This proposal was the last one necessary to agree upon for the common markets to begin July 1, which also include grains, pork, poultry and eggs.

The regulation would apply to colza, rape and sunflower seeds, all important sources of Community vegetable oils. A common market for olive oil has been in force since November 10, 1966. The proposal incorporates prices formulated last July for these products--a market guidance price of \$20.25 per 100 kg and a market intervention price of \$19.25 per 100 kg. The latter determines the point below which price support operations would begin. These prices would apply during the 1967/68 season.

The price prevailing in Ravenna, Italy, is proposed as the reference point for determining the EEC intervention price; Ravenna is an important vegetable oil-processing center and deficient in oil seeds. Prices would be set for each marketing year, July 1 to June 30 for colza and rape, and October 1 to September 30 for sunflowers.

For purposes of comparison, the world reference price will be considered as that prevailing at Rotterdam, a main entry point for oil seeds. Since the world market in the three seeds is not overly large and at certain times of the year is practically non-existent, the Commission proposes deriving a world price from equivalent quantities of oil and oilcake when necessary. When Community prices exceed world prices, common aid would be given to make up the difference of processing Community seeds.

Commission Proposes Market Organization for Flowers and Bulbs

The European Economic Community Commission has put before the Council a proposal for the gradual establishment of a common organization of the market in non-edible horticultural products. The proposal would establish common standards of quality and competition for flower bulbs, all types of live plants, cut flowers and a wide variety of plant parts suitable for bouquets or ornamentation.

The proposed regulation also provides for fixing minimum prices for exports to non-member countries, which will enable the EEC to exert a stabilizing influence on world prices, owing to its strong world market position. Quantitative restrictions and equivalent charges would be prohibited in the Community's external trade, though the Council may order protective countermeasures when imports provoke severe market disturbances.

ECONOMIC AND SOCIAL COMMITTEE REVIEWS FISHERIES SITUATION

In preparation for recommendations on a common fisheries policy for the Community, the Economic and Social Committee has given the Commission a general review of the Community's fisheries situation from 1957-1963.

The Committee's report, published in the Community's March 29 Official Gazette, noted that world production of fish had risen about 50 per cent to 46 million tons during these years. In this period the Community's catch remained nearly stationary at about 2 million tons, 1.7 million tons of which were ocean fish. The report said that the European catch generally had not kept up with the advances in world fishing. Japan and Peru were cited as leaders in the rapid world increase.

EEC FISH PRODUCTION FOR 1963 (1000 tons)

	Products unloaded	Percent of EEC total
Germany	511.6	30
Belgium	55.5	3
France	593.8	35
Italy	210.3	13
Netherlands	313.6	19
EEC	1684.8	100
U.S.	2198.6	

Of this catch, herring and cod accounted for 34 per cent, mackerel and hogfish for 14 per cent. Shrimp accounted for nearly a quarter of crustaceans unloaded, while mussels and oysters together accounted for 82 per cent of mollusks, which were much more important in overall fishing for the Netherlands, France and Italy than they were for the other member countries.

During the years considered, a slightly increasing proportion of products unloaded were processed aboard ship and, in 1963, 12 per cent of fish caught were so processed.

EEC Fishing Close to Home

The Community's fishing is largely concentrated on the European continental shelf where the depth does not exceed 100 fathoms, though some specialized ships are plumbing depths to 275 fathoms in their search for fish. Sixty-six per cent of Community fishing is done in the North Sea, in the Channel and off the coasts of Brittany, Iceland, Gascony and Norway. This contrasts with the countries leading in world fishing today, most of whom range far from their own shores after productive shoals.

Presently the three-mile limit for territorial waters is accepted by all Community countries except Italy, who follows the six-mile limit. In



this they have fallen behind the practice of many other countries, who have extended the territorial waters within which local fishermen may operate.

The Community's situation concerning its fleet varied considerably by country in 1963:

	power vessels	tonnage
Federal Republic	1951	151,505
Belgium	396	28,869
France	13829	268,646
Italy	16050	142,268
Netherlands	2071	105,266
Total EEC	34297	
U.S. including 5 tons and over only	12000	
all ships	74090	

From these figures it is clear, for example, that Germany's fleet tends toward relatively larger ships, while much of Italy's is smaller. The preferred method of fishing among all the Community countries is open-sea bottom trawling. Germany and the Netherlands are far the most productive of the Community countries in terms of physical catch, though Belgium is the most productive in terms of value produced per man.

U.S. Imports Tend to Be High-Priced

During 1963 the Community imported 546,000 tons of fish, worth about \$241 million, while exporting 113,000 tons, worth about \$47 million. Most of their imports were fresh, frozen, iced and certain types of canned fish. Denmark, Japan, Norway and Iceland were the most important suppliers, furnishing in 1963 nearly 60 per cent of the imported tonnage of fishery products. The U.S. that year imported very nearly the same tonnage as the Community, but the imports tended to be much higher-priced, costing over \$490 million.

While the EEC's production has risen little over the cited years, demand rose somewhat to an average of 11.3 kg per capita, higher than the U.S.'s 5. While consumption in France and Italy has been rising, that in Germany and Belgium has been fluctuating downward.

Of total production, 42 per cent is bound for processing for human consumption and 6 per cent for making meal and fish oil. This, too, varies widely, depending on wealth, industrialization and distance to seacoasts. In Germany 71 per cent of the catch is processed, whereas Belgium processes only 24 per cent of its catch. In the U.S. in 1963 about 2/3 of the catch was processed; half the catch was for industrial use.

The Economic and Social Committee concluded its report with a set of recommendations. They noted the importance of fishing for certain regions, despite its accounting for only 2 per cent of total agricultural output. The Committee regretted the lack of comparable information but encouraged the creation of a common fishing policy for the Community. This would involve, among other things, equal rights of docking and unloading in any member country port, common prices, common intervention methods, and presenting a common front in fisheries and commercial negotiations.

FRAGMENTATION OF COMMUNITY FARMING HELD A DRAWBACK



Nearly 70 per cent of the Community's farms are smaller than 25 acres.

Small family farms are the backbone of Community agriculture and one of its problems. The Community presently includes 6½ million separate farms of at least 2½ acres. Of these, nearly 70 per cent are farms smaller than 25 acres. In the United States there are 3.2 million farms, only about a quarter of which are less than 50 acres. Agriculture is more than twice as important in the Community's economy, however, accounting for about 8 per cent of gross domestic product; in the United States only 3.4 per cent of gross national product comes from the countryside.

In view of this, the Commission believes that agriculture lacks organization and is being bypassed in the development of a modern European economy. It has thus submitted to the Council of Ministers a proposal to encourage syndicates of agricultural producers. It indicates that agriculture's position can only be improved if producers organize to have a greater voice in market operations, take a more forceful part in marketing their produce and secure their market position.

Commission Wishes to Preserve Competition

The EEC's agriculturalists face a demand which has been sharply concentrated; and common quality standards have been laid down for a number of products already; if regular deliveries corresponding to guaranteed standards are to be available, new forms of organization are needed.

The regulation proposed by the Commission, published in the March 20 Official Gazette, is designed to promote within a Community framework the establishment of farmers' groupings. The combination of agricultural holdings into larger syndicates is indispensable to any improvement of market structure if family farming is to remain the normal system.

The Commission wishes to foster concentration without injuring free competition. In the past production and marketing cooperatives suffered from

a lack of cooperation from their members. The Commission now proposes that members of producers' syndicates would be obliged to deliver the total of syndical output under contract. Cooperatives would be expected to expand their purely distributive activities into managing production and standardizing quality. There would be no need to replace existing organizations, and the proposed regulation does not aim at this; rather it aims at encouraging greater effectiveness among those which already exist.

The producer could join a syndicate voluntarily. Members who wish to withdraw must be free to do so, provided they give six months' notice. Producers' syndicates could not discriminate on national grounds, as they should be able to operate without respect to borders.

To avoid restrictive arrangements, a legal syndicate could normally market no more than 5 per cent of the EEC's total output of any given product.



Small family farms are the backbone of Community agriculture and one of its problems.

National Financial Assistance Available

The proposed regulation would make temporary assistance from public funds available to tide over capital-short agriculturalists who wish to form groupings. Member states will thus be authorized to grant subsidies up to 3 per cent of the value of product marketed during the first year of recognition as a syndicate, 2 per cent the second year and 1 per cent the third year. Payment of subsidies would take account of average output of the members in the three years before joining the syndicate and the average prices they received during that period. Also, during the first five years of recognition the Member states could grant investment subsidies to the syndicates to cover 40 per cent of new construction or modernization and 20 per cent of machinery and equipment for improving production, marketing, storage, sorting, or packing. These contributions by member states would be the only public support permitted the syndicates; no finances would be available from the Community's Common Agricultural Fund.

Public recognition of a syndicate would be withdrawn whenever it would overstep the general rules of competition laid down for syndical operation.

Council Issues Regulation on Beef Prices

The EEC Council has published officially the regulation proposed to the Council earlier (see p.6, Farm Report no. 30) concerning market guidance prices for beef for the 1967/68 season. Rather than setting a single guide price, the regulation, published in the March 24, 1967 Official Gazette, provides a price bracket. These brackets are set substantially as they were proposed, with a 25¢ reduction in the beef cattle brackets.

\$/100 kg live weight

Beef Cattle

Upper limit	66.00
Lower limit	62.25

Calves

Upper limit	89.50
Lower limit	82.75

These prices will determine the range within which national prices may fluctuate.

EEC and USA Agricultural Trade Compared by Area

The European Economic Community is the largest importer of agricultural products from developing countries, and their imports of developing countries' manufactures (\$1.206 billion in 1965) is second to U.S. imports of \$ 1.548 billion of their manufactures. Nonetheless, the figures place the EEC as the world's most important overall importer of goods from developing countries with total imports of \$11.312 billion in 1966.

The Community's agricultural imports from developing countries, though they have grown, have not kept up with its agricultural imports from industrialized countries. Agricultural imports from the latter have grown twice as fast as those from developing countries between 1958 and 1965. The U.S.'s agricultural imports, both from devel-

oping countries and overall, have shown very little growth.

Farm imports also constitute a major part of the EEC's trade with Eastern Europe, whereas less than a third of the U.S.'s imports from the Soviet bloc countries were agricultural.

In their reciprocal trade, the EEC has expanded its farm imports from the United States by nearly 100 per cent since 1958, to represent about one eighth of the total value of its imports from the U.S. The United States, more self-reliant agriculturally, has increased its agricultural imports from the EEC by less than half since 1958; farm imports are about 3 per cent of the total value of U.S. imports from the Common Market.

EEC AND US AGRICULTURAL IMPORTS

	1958		1962		1965	
	EEC	US	EEC	US	EEC	US
Total Outside Imports	16156	13208	22353	16240	28562	21282
Agricultural Imports	7356	3882	8908	3868	10577	4088
from industrial countries	3137	n.a.	4095	498*	4822	561*
USA	889	-	1299	-	1722	-
EFTA	860	n.a.	968	106	1203	128
from developing countries	3812	2976	4196	2677	4749	2806
from state-trading countries	388	82	605	39	905	48

* OECD countries n.a. : not available

Dairy Prices Set by Council for Upcoming Season



The Community plans to align its dairy prices completely by 1969.

The Council has issued a Regulation published in the Community's Official Gazette for March 24 setting threshold prices for the 1967/68 season. The prices are set with a view to aligning them completely for the 1968/69 season. The Regulation asks Germany, France and the Netherlands to raise their dairy guide prices somewhat while the other member countries hold their present prices. Germany will also reduce the support it gives to dairy milk while the Netherlands are to reduce the support given to milk for industrial use and Belgium its support to certain types of cheese. Certain Italian threshold prices are to be aligned with the corresponding French prices. The Regulation specifies that each country may set its own threshold price for powdered milk for animal feeding, but that it may not be less than \$34.25/100 kg. The intervention price and the threshold price for butter may diverge by \$10.00/100 kg.

Commission Outlines Differences in Beef Health Regulations

In response to a question from the European Parliament concerning imports of meat from Associated African countries, the Commission noted some of the differences in various member countries' import regulations.

In Italy, there is a general prohibition against imports of fresh beef. However, exceptions may be made for frozen beef from countries having good sanitary conditions, particularly against contagious diseases which could affect Italian stock.

France has a regime similar to Italy's, where exceptions to prohibition are made in the case of certain North African countries and of Malagasy. Canned beef is admitted under certain conditions to both countries.

The Federal Republic of Germany submits all fresh and frozen beef imports to prior veterinary inspection. This does not apply to cooked beef. Luxembourg, like Germany, submits imports to ve-

terinary inspection, but includes canned beef in the inspection.

Belgium prohibits imports of fresh or frozen beef, and there has been no demand for canned beef imports up to now. The Netherlands also has a general interdiction against beef imports from Africa, and canned beef may not be imported if it has not been heated above boiling.

The Community is trying to eliminate the need for these restrictions by giving aid through the European Development Fund to wipe out pathogenic agents among cattle in the Associated African countries.

U.S. regulations specify that any country exporting meat to the U.S. must have health and inspection standards comparable to the U.S.'s; no country in Africa is presently listed as qualified; Thus the United States has a general interdiction on all meat imports, fresh, frozen or canned, from Africa.

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