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THE COMMON AGRICULTURAL POLICY

The end of a chapter

The EEC Council of Ministers closed a chapter of the common agricultural policy on 5 February 1964 by its formal adoption of the proposals for common organizations of the markets in rice, beef, and milk and milk products. With the exception of sugar, all major farm products are now covered by such common organizations. Instruments applied in common ensure that the policy for these products will be adhered to in all six Member States.

The main decisions of the Council were:

1. To publish the four new regulations in the official gazette of the European Communities at the end of February 1964.
2. To prepare the necessary implementing regulations for publication by 1 May 1964.
3. To apply the new regulations with effect from 1 July 1964.
4. Regulation concerning the Fund

After publication in the official gazette of the European Communities, the regulation on the granting of aid by the European Agricultural Guidance and Guarantee Fund and the financial regulation pertaining to it will come into force with retroactive effect in respect of those farm products which are already covered by the financial regulation (cereals, pigmeat, poultrymeat, etc.).

The Fund regulation will come into force on 1 July 1964 in respect of the farm products recently added, and in respect of the "Guidance Section".

5. The four regulations form one whole. If, contrary to expectation, the implementing regulations required to enable the regulations to be applied with effect from 1 July should not be ready in respect of one or the other of these regulations, application of all four will be delayed.

Rice

In the Council's session from 3 to 5 February, only minor difficulties stood in the way of final adoption of the common organization of the market in rice. There were no longer any material differences of opinion. Basically, the regulation on the gradual establishment of a common organization of the market in rice is in line with that already adopted for cereals.

The Council considered a German request that the region of greatest deficit for rice at the final stage of the common market should be expressly defined in the regulation now. The German delegation had suggested the city of Frankfurt/Main for this.

The five other Member States and the representative of the Commission were of the opinion that the region must be fixed at the end of the transition period, in accordance with the principles on which both the rice and the cereals regulations are based. To select Frankfurt would not seem to be in line with these principles. In order to meet the German request, the minutes of the Council's session recorded that the main consumption area has not yet been geographically defined in the regulation and that, when the target prices, threshold prices and intervention prices are fixed, account will be taken of the wishes of the non-rice-producing Member States regarding rice coming from non-member countries.

This can be done either when the target price is fixed or by ensuring that there shall be only a small difference (4%) between target price and intervention price in the final stage. The text of the regulation on the gradual establishment of a common organization of the market in rice, which had been adopted at the Council's session of 23 December 1963, is therefore not amended.

World rice production: 127.3 million tons
 (incl. USA : 2.9 million tons)

Production of husked rice in the EEC (in tons)

	<u>Italy</u>	<u>France</u>
1958	732 272	137 000
1959	745 285	120 000
1960	620 000	130 000
1961	700 000	123 750
1962	652 500	120 000
1963	620 000	103 750

World exports of rice: about \$ 700 million annually

Share of EEC in world exports:	1958	0.5%
	1959	1.4%
	1960	1.7%
	1961	0.4%

EEC imports: between \$ 30 and 45 million per year
 (Average 1959/60/61 in tons)

	<u>Germany (FR)</u>	<u>Netherlands</u>	<u>Belgium/Luxembourg</u>
a) Medium milled rice	10 107	5 416	13 300
b) Paddy, husked or half-bleached rice	105 885	46 980	16 540
c) Broken rice	30 061	22 002	39 187

Re-exported rice

(Average 1959/60/61 in tons)

	<u>Germany (FR)</u>	<u>Netherlands</u>	<u>Belgium/Luxembourg</u>
Rice	4 743	23 625	13 838
Broken rice	1 034	5 644	7 856

Imported rice remaining in the EEC domestic market

(estimated quantity in tons)

	<u>Germany (FR)</u>	<u>Netherlands</u>	<u>Belgium/Luxembourg</u>
	112,820	23,508	15,850
Incl.			
Long-grain rice	45%	83%	80%
Round rice	55%	17%	20%

Producer prices 1961/62

Italy	\$ 9.60 per 100 kg. of paddy
France	\$ 12.08 per 100 kg. of paddy
World market prices	\$ 10.81 per 100 kg. of Pearl rice (husked)
	\$ 13.94 per 100 kg. of Blue Bonnet

Milk and milk products

At its session from 3 to 5 February the EEC Council of Ministers agreed more quickly than expected on the regulation for gradual establishment of a common organization of the market in milk and milk products. The Ministers of Agriculture of the six countries discussed a minor "package" of problems left over from the previous Council session that ended on 23 December 1963.

A German request resulted from a change in the article on the subsequent fixing of the upper and lower limits of the target price for milk in the Community. This change consisted in replacement of the term "preceding year" by "1963". The Council had adopted the regulation in outline at its session of 23 December 1963. Accordingly, the "preceding year" would have been 1962. But the regulation was finally adopted on 5 February 1964, and in the concluding months of 1963 the German Federal Government had raised the producer price of milk.

If the average for the whole of 1963 had been taken as basis for calculation of the later limits of the target price in the Community, the German producers would have been exposed to the risk of a drop in producer prices amounting to 1.5 pfg per litre. The German delegation therefore asked that the 1963 producer price for milk be "brought up to date", i.e. that the increase in German producer prices in the closing months of last year be taken into account. The Council agreed on the following wording (Article 18 (3)):

"If, through the application of this article, the target price in any one Member State falls below the price paid per kilogram of milk to producers in 1963 for the total quantity of milk sold - account being taken of any changes in the milk price during that period - the Member State concerned may make up the difference."

As quid pro quo, the German delegation agreed that the Council of Ministers should initially fix the common target price for milk before 15 January 1965. Originally, the Germans proposed that the initial common target price (which all Member States must work towards during the rest of the transition period) should be fixed before 15 January 1966.

Another German desideratum was that the intervention facilities in the Community's milk market be extended in order to support the producer target price and to maintain a market balance between the various milk products. The Council regulation provides for intervention in the case of first-grade butter only. The German delegation wished to be sure that, in case intervention in the Community's cheese market should prove necessary at a later stage, intervention could also occur in the case of skimmed milk powder (Article 22 (3): "where such measures concern intervention in the case of cheese, intervention must similarly take place for skimmed milk." This declaration of intention was recorded in the minutes). The request was made because the Federal Republic accounts for 45% of the EEC's butter production, so that Germany has a correspondingly large volume of skimmed milk to deal with. The Council eventually conceded this point as well, and left the door open for intervention in the case of skimmed milk powder (milk protein) at a later stage.

The Dutch support measures for milk products raised difficult problems. The milk market regulation authorizes each Member State to levy a compensatory charge on the export of milk products to other Member States, such charge being equal to any support of the domestic price of these products. At the same time such a Member State must grant an equal subsidy on imports from other Member States, so that a normal price relation is established between imported and domestic products.

Fundamentally, all Member States were in agreement on this procedure. However, the following problem presented itself: If for instance the Netherlands, being a main exporting country, grants export subsidies for Gouda and Edam cheese, must it then grant import subsidies for all types of cheese or only for Gouda and Edam cheeses? The interesting question therefore arises whether "cheese" always equals "cheese"!

The Council agreed on the principle that, where support is given to all milk products, import of all milk products must also be subsidized. But it could not agree on a uniform interpretation of the term "the same products". Belgium, for instance, constitutes a special case. Belgium supports only its cheese production. Under this article it therefore only needs to subsidize cheese imports, if it were to have recourse to Article 10 of the regulation. However, the exact application of this latter article remains to be defined in the implementing regulations still to be drawn up.

The Council of Ministers took further major decisions to the effect that the Commission shall specify the fixed amounts in respect of the individual products, which are important in trade with non-member countries and guarantee preference to Member States, and that the statutory provisions concerning first-grade butter shall be brought into line between the Member States within the next two years.

Milk production in the EEC in '000 tons (1962)

65 687 tons = approx. 6.5 thousand million litres

Average milk yield per cow per year (in kg.) 1962

		<u>Fat yield per cow per year (in kg.)</u>
Belgium	3 811	130
France	2 423	90,9
Germany (FR)	3 443	130
Italy	2 733	98
Luxembourg	3 300	121
Netherlands	4 226	162

Number of dairy cows in the Community (in '000) 1962

Belgium	1 051
France	10 032
Germany (FR)	5 895
Italy	3 435
Luxembourg	59
Netherlands	1 720
EEC total	<u>22 192</u>

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Production of cow's milk in the Member States (in '000 tons) 1962

Belgium	4 004
France	24 308
Germany (FR)	20 295
Italy	9 387
Luxembourg	195
Netherlands	7 296
EEC total	<u>65 458</u>

Liquid milk production and consumption in 1961

	<u>Production</u> (in '000 tons)	<u>Consumption in the form</u> <u>of liquid milk and</u> <u>liquid milk products*</u>
Belgium	3 907	1 072
France	24 200	5 260
Germany (FR)	20 072	6 565
Italy	10 348	3 207
Luxembourg	207	54
Netherlands	6 953	2 111

Average producer prices for milk (3.7% fat content) at farm gate per kilogram, 1963

(1 unit of account (u.a.) = \$ 1 US)

Belgium	Bfrs. 4.094	= 0.08188 u.a.
France	FF 0.3987	= 0.08076 u.a.
Germany (FR)	DM 0.374	= 0.09350 u.a.
Italy	Lit. 59.61	= 0.09538 u.a.
Luxembourg	Lfrs. 4.85	= 0.09660 u.a.
Netherlands	Fl. 0.295	= 0.08149 u.a.

*) Liquid milk products: Sterilized milk, cream, condensed milk, condensed skimmed milk, coffee cream, curd, yoghurt, etc.

EEC producer prices for dairy butter attained in 1962
in DM per 100 kilograms

Belgium	663
France	640
Germany (FR)	644
Italy	554
Luxembourg	616
Netherlands	381

Butter production in '000 tons - 1962

Belgium	55.5
France	302.0
Germany (FR)	449.0
Italy	59.0
Netherlands	101.5

Beef

The Council devoted a relatively large amount of its time to completing the regulation for gradual establishment of a common organization of the market for beef in the EEC.

The refunds for beef exported to non-member countries gave rise to a general difficulty, because the Italian delegation strongly objected to the introduction of refunds in trade with non-member countries. The Italian delegation judged the beef market in the light of its present state, that is to say from the present shortage and price rises in all six Community countries. It declared that there was no need for export refunds so long as beef was still short on the EEC market.

However, for several reasons a system of levies is hardly feasible without its counterpart, the refund system. Finally the Italian delegation accepted this, although it did not withdraw its fundamental objections; and the text of the EEC regulation, including the provisions governing refunds, was adopted by all six delegations.

The EEC Commission promised that it would submit to the Council a report on the problem of export refunds, and that it would make proposals for amendments to cover those points on which the refund system had not worked entirely satisfactorily so far.

The discussion then turned on the extent to which intra-Community duties and levies would have to be suspended in order to ensure equal chances for the Member States, if a second tariff quota for

frozen meat imported from non-member countries were granted in addition to the quota of 22 000 tons already provided for in the regulation. The Council agreed that suspension should also apply to frozen meat originating from member countries.

The French delegation pointed out that in certain cases the export refund laid down for frozen meat would not be sufficient. If intervention becomes necessary on the beef market, and fresh meat must be frozen, this increases cost but reduces the market value of the meat. The refunds would therefore not be sufficient to cover cost, so that frozen meat would have to be exported at a loss.

The Council saw this, and decreed that refunds on exported frozen meat resulting from market intervention shall be equal to refunds granted on exports of fresh meat.

A great part of the negotiations concerned the measures to be taken if supplies of beef produced in the Community were to fall short. The Council decided that, should the situation so require, the Commission could empower a Member State, on the latter's application, to reduce the duties and levies applicable under the regulation.

Great difficulty arose in connection with the turnover equalization tax levied on imports at the frontier by the Federal Republic of Germany. The purpose of this tax is to impose upon imported products the same charges as those to which home-produced products are subject.

In all the EEC's agricultural regulations at present in force the turnover equalization tax is part of the levy, and hence is therefore not charged separately. In the case of beef there is a difference because normally beef imports are subject to the current duty rate and levies are only charged in addition when market prices fall below a certain level. The Council therefore noted a statement by the representatives of the Federal Government to the effect that that Government would submit to the Commission before 1 April 1964 an application for authorization to lower the duty rate applicable to intra-Community trade in the products listed in Annex I to the beef regulation. This application envisages a lowering of the duty rate by at least 2.5% if the 4% turnover equalization tax is maintained at its present level; if the turnover equalization tax is changed, the duty rate would be reduced accordingly.

In the minutes of the session the EEC Commission stresses that the above is a provisional arrangement, since the compatibility of turnover equalization tax with the EEC Treaty has not yet been finally settled.

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Weighted average price of all types of cattle on
the Community's reference markets in the 1962/63
marketing season (June 1962/July 1963)

	<u>DM per 100 kilograms live weight</u>
Belgium	184
France	201
Germany (FR)	210
Italy	234
Netherlands	174

Duty rates at present applicable in the Member States

	<u>Intra-Community duty in %</u>	<u>Common external tariff in %</u>
<u>Benelux countries</u>		
Live cattle for slaughter	5.4	11.1
Fresh meat	7.2	14.4
<u>France</u>		
Live cattle for slaughter	-	16.0
Fresh meat	-	20.0
<u>Germany (FR)</u>		
Live cattle for slaughter	5.5	11.8
Fresh meat	11.0	20.0
<u>Italy</u>		
Live cattle for slaughter	9.6	16.0
Fresh meat	10.8	20.0

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Agricultural Guidance and Guarantee Fund

At its last ordinary session from 3 to 5 February 1964, the EEC Council of Ministers fixed the operating conditions for the Fund for the joint financing of intervention expenditure for cereals. The pertinent regulation is entitled "Regulation on the financing of expenditure for intervention in the domestic cereals market".

Under the common organization of the market for cereals, intervention in the home market, which has the same purpose and effect as refunds have on exports to non-member countries, means financing:

- (a) The losses incurred when wheat other than durum, or rye, for human consumption is sold below the applicable target price (provided such cereals have been rendered unfit for human consumption);
- (b) The denaturing premiums granted by Member States for wheat other than durum or for rye.

The Fund can also finance losses or expenditure incurred on domestic cereals stocks in passing from one marketing year to another, provided the Member States have drawn up an intervention programme for these stocks.

Such loss or expenditure is calculated in the individual Member States on the basis of the difference between the adjusted intervention price fixed for the last month of the cereals marketing year in the region of greatest surplus and the target price fixed for the first month of the following marketing year for the same product in the same region.

The Fund will not finance reserve stocks not piled up in accordance with Community rules. The regulation will take effect retrospectively from 30 July 1962, the date of entry into operation of the common organization of the market for cereals.

Council resolution on farm price decisions and their financial effects

When adopting the regulation for the European Agricultural Guidance and Guarantee Fund the Council of Ministers felt it would be appropriate to take into account the financial effect of any decisions concerning the common agricultural policy, and especially of decisions concerning the fixing of prices for farm products. In order to obtain a good picture of the financial effects, the Council adopted a resolution requesting the Commission to submit all its proposals on the fixing of prices for cereals, milk and the other farm products as nearly simultaneously as possible. A specified estimate of the probable expenditure should be added in respect of each product. So far as is practicable, the Council will then study these proposals together.

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In compliance with the wish of the German delegation it was added that probable expenditure was not to be the only criterion in fixing prices for farm products, but that the Commission's proposal on the criteria to be observed should also be taken into account.

The Council decision is based on a request by the Netherlands Government.

Expenditure of the Guidance and Guarantee Fund arranged under heads

The Council of Ministers agreed that in respect of expenditure both on export refunds and on intervention in the home market, which is to be financed in common by the Fund, a special head is to be provided in the budget for each common organization of the market (cereals, pigmeat, etc.). Such a breakdown by heads seemed appropriate because the Council, acting as budget authority, would thereby enjoy better means for controlling the financial effects of the decisions taken under the common agricultural policy.