

# COMMON MARKET FARM REPORT

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

## EEC COUNCIL DECIDES NEW IMPORT POLICY FOR FRESH FRUITS AND VEGETABLES

The EEC Council of Ministers passed on February 24 a supplementary regulation for fresh fruits and vegetables which alters the import system for this sector.

The Council had agreed to take this measure at the request of Italy during the meeting of December 15, 1964, when the common grain price was fixed. The Italians made their acceptance contingent upon action for fruits and vegetables, of which they are the largest Community producers.

The new regulation imposes the import measures comparable to those used for grains, pigmeat, eggs, poultry, and dairy products on fruit and vegetable imports from third countries. Until now, imports of fruits and vegetables from outside the Community faced tariffs imposed by the member countries which were to be gradually aligned on the common external tariff by 1970.

### COUNTERVAILING CHARGE

Under the new system, a countervailing charge - similar to the variable levy in other sectors - will be placed on these products if their free-at-frontier prices are below annual reference prices of the Community. This charge will be equal to the difference between the reference price and the entry price of the fruits and vegetables and will vary as this difference varies.

However, if products with free-at-frontier prices lower than the reference prices come from only certain third countries, the countervailing charge will be placed only on these products, not on all products entering the market.

The entry price will be determined on the basis of the lowest prices on representative import markets in the Community minus customs duties and other taxes. This procedure runs counter to the original Italian demands for use of the lowest single import price as the entry price. The other member states, notably the Netherlands and Germany, opposed this method of calculation.

The reference price will be equal to the arithmetic mean of the ex-farm prices of all the member states based on domestic prices of the preceding three years adjusted seasonally and for abnormal conditions. This mean will be increased by a standard amount in order to make the reference price and the prices of products imported from third countries comparable at a given marketing stage.

The Commission will determine for each product the reference price and the countervailing

Production of most important fruits and vegetables in the EEC, 1963 (in 1,000 metric tons)

Product	1961	1962	1963
Carrots	975	1,022	1,166
Tomatoes	3,534	3,583	3,587
Melons	865	850	1,076
Onions	887	873	899
Lettuce	918	932	858
Cauliflower	1,292	1,068	1,121
Apples	4,000	5,104	5,685
Pears	1,576	1,790	1,870
Cherries	541	565	607
Plums	1,083	510	925
Peaches	1,382	1,394	1,752
Dessert grapes	1,083	1,231	1,030
Oranges	801	714	931
Lemons	495	359	487



Production of fruits and vegetables by country in 1963 (in 1,000 metric tons)

Country	Fruits	Vegetables
Germany (F.R.)	3,486	2,655
France	2,608	7,490
Italy	8,620	9,820
Netherlands	518	1,641
Belgium	245	1,000
Luxembourg	22	15
Total	15,499	22,621

Trade in most important fruits and vegetables 1963 (in \$1,000)

Product	Imports	Exports
Oranges, tangerines, mandarins	265,440	18,179
Lemons, limes	22,640	25,357
Fresh apples	38,657	15,732
Fresh grapes	14,350	8,736
Pears	7,866	9,810
Stone fruits	12,078	18,295
Berries	5,124	3,226
Tomatoes	51,843	27,714
Other vegetables	48,578	58,737

charge, but it must consult first with the Management Committee for fruits and vegetables (composed of representatives of the member states). In case of disagreement the Council of Ministers will make the final decision.

The countervailing charge, or compensatory tax as it is called in the Council regulation, is not a new instrument for fruits and vegetables. It existed in the past but could be used only when serious disturbances or the threat of serious disturbances occurred in the national markets owing to imports from non-members. However, this measure has never been used since the original regulation on fruits and vegetables went into effect on August 1, 1962.

In contrast, the new arrangement provides for compulsory application of the compensatory tax whenever products are offered at levels lower than the reference price.

The new use of the compensatory tax may present a problem for the Community in GATT. Some of the import tariffs which existed until now for fruit and vegetables were bound (consolidated) under GATT rules, and some GATT members claim that the system foreseen would amount to deconsolidation and would permit retaliation by the EEC's trading partners.

The Foreign Ministers at the EEC Council meeting on March 2 postponed discussion on products bound under GATT rules until April.

### GENERAL CHANGE OF POLICY

The recent changes in the organization for fruits and vegetables are part of a general change of policy for this sector. The regulation just passed by the Council is known as the "minor revision" with action expected on the "major revision" later in the year. (See Common Market Farm Report, #11, October 15, 1964.)

The original regulation for fruits and vegetables of January 1962 provided, as mentioned above, for tariffs to protect Community growers, with some provisions for the use of minimum prices. Within the EEC, trade was to be controlled through common quality standards with gradual abolition of intra-Community customs duties.

In a resolution of December 15, 1964, calling for revision of the fruits and vegetables sector, the Council stated, "In view of the character of the fruit and vegetable market and the special nature of these products, the new

Trade of the EEC in fruits and vegetables under the common agricultural policy (excluding intra-Community trade) (in \$1,000).

	1958	1959	1960	1961	1962	1963
Exports	138,913	130,946	142,434	154,846	171,504	185,786
Imports	367,868	317,287	348,746	392,612	439,654	466,576
Exports to US	2,296	2,098	1,365	1,350	1,816	1,670
Imports from US	20,263	11,764	10,196	15,553	13,232	20,954



arrangements must be as effective as those laid down for the other market organizations."

No other agricultural market in the EEC is subject to such wide fluctuations in production, supply, harvesting, and, consequently, prices as the fruit and vegetable market, as the first two years of the common policy have shown. The Commission has therefore suggested more stringent measures for the organization of this market.

### MARKET INTERVENTIONS FORESEEN

The "major revision" would permit Community intervention on the market, as is the case for grain and dairy products, to restore the balance of supply and demand and keep up produ-

cers' prices. In addition, the Commission would encourage the formation of producers' cooperatives to help stabilize the market.

These cooperatives exist now in only a few of the member states and their role would be greatly expanded under the new proposals. When action by the cooperatives failed to keep up prices, the member states would intervene in common.

The "major revision" is to apply mainly to cauliflower, tomatoes, oranges, mandarins, grapes, peaches, apples, and pears, which account for about 80 per cent of EEC fruit production and 35 per cent of vegetable production. It is presently being discussed in the Economic and Social Committee and will be sent to the Council for action in the near future.

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## Supply of Services Liberalized for Agriculture; Measures Proposed for Freedom of Establishment

The liberalization of services in the European Economic Community has been extended to agriculture by a directive of the Council, December 14, 1964. This directive is part of the General Program on freedom to supply services adopted by the Council on December 18, 1961.

This directive means that nationals of the six member states will be able to carry on their activity in the agricultural service sector anywhere in the Community with no restrictions additional to those placed by each state on its own nationals.

### SERVICES LIBERALIZED IN SIX MONTHS

Under the directive the following services are to be liberalized within six months: technical assistance, pest and weed destruction, spraying of plants and soil, pruning, picking, packing, and packaging, operation of irrigation systems, hiring out of farm machinery, harvesting, threshing, pressing, and gathering. Restrictions on other activities are to be removed by the end of 1966.

In addition, all activities necessary for the supply of services in agriculture such as advertising or canvassing will be freed. Nationals of other member states may, on the same terms as nationals of the state in which they are active, buy, rent, use, or dispose of movable or immovable property necessary for their services.

Until now each of the six countries imposed obstacles to foreigners in the agricultural

service sector. In view of the implementation of a common agricultural policy and a single market, it was necessary to liberalize the supply of services in the Community.

### FREEDOM OF ESTABLISHMENT EXTENDED

Two draft directives of the Commission for enlarging the freedom of establishment in agriculture and putting nationals and foreigners from the Community on equal footing are now being studied by the Council of Ministers.

At present, farmers from any member country have the right to settle on farms in another member country provided that these farms have been abandoned or unworked for two years. Farm workers who have been in another member country for two years may settle there as independent farmers.

The first draft directive of the Commission proposes that nationals of one member country be permitted to change farms in another member country, which they cannot now do. The object is to facilitate farm purchases enabling rationalization of production.

The second draft directive provides for equal application of member states' legislation on rural leases to nationals of other member states. Such national provisions are, in general, not automatically applied to foreigners, although some member states have bilateral agreements to this effect. Since 42 per cent of the area of EEC farms is under lease, this proposal will have considerable importance in facilitating use of land by Community farmers.



Regulations and Resolutions in the Field of Agriculture Adopted by the Council on 5 February 1964 (Milk and milk products, beef and veal, cattle from Denmark, rice, cereals, fats, European Agricultural Guidance and Guarantee Fund) is available in English from the European Community Information Service, Suite 808, The Farragut Building, 900 - 17th Street, N.W., Washington, D. C. 20006 for \$1.00.

### **Aid Proposed for Retraining**

The Commission of the EEC has proposed the first steps for implementing the social provisions of the common agricultural policy.

A draft regulation sent to the Council provides for the re-training of farm workers wishing to change their occupation within agriculture. Community grants would be given to these workers to assist them through the training period. The Community also would give financial assistance for running agricultural retraining centers, amounting to 75 per cent of the cost in the first five years and 25 per cent in the next five.

A second draft regulation foresees grants for establishing specialized centers to instruct advisers in information and retraining services. These advisers would aid farm workers seeking employment outside agriculture.

### **Maximum, Minimum Prices Set for Beef, Veal, Milk**

The EEC Council, meeting February 24 with the participation of Ministers of Agriculture, approved minimum and maximum prices for beef, veal, and milk in 1965/66.

For veal, the levels were set at \$78 and \$85 per 100 kilograms (220 pounds) and for beef at \$57.50 and \$61.25 per 100 kilograms. The two levels, or the "fork," for beef were set slightly higher than the previous year to encourage beef production for which a shortage in the Community is foreseen. The veal "fork" was modified only nominally so as not to encourage the slaughtering of young cattle.

The regulation on milk and milk products establishes minimum and maximum prices at \$8.25 and \$10.30 per 220 pounds of milk. In addition, national aids intended to assure prices outside the minimum and maximum levels are to be reduced by 2/7 in the coming year.

### **Suspension of Beef Tariffs Renewed**

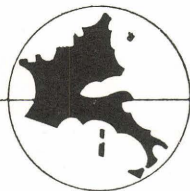
The Council of Ministers in a directive of February 2 renewed the authorization for Italy to suspend its tariff duties on imports of cattle.

This permission was first granted on July 16, 1964, when a shortage of beef and veal in Italy led to high prices and the threat of excessive early slaughtering and was prolonged several times. The present authorization is valid until June 30, 1965.

Such action is foreseen under the Council regulation of February 5, 1964, establishing the beef and veal organization, which permits special measures in abnormal conditions.

In 1964, customs duties were also suspended for frozen beef imports to Italy from July 30 to October 31, after which time a tariff quota was in effect until December 31, 1964.

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