



COMMON MARKET FARM REPORT

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

JULY 1, 1967 : Its Importance for the Common Agricultural Policy

The first of July 1967 marks an important stage in the development of the European Community's common agricultural policy -- actually the most important one since August 1, 1962, when the first agricultural regulations came into force -- the entering into the single-market stage for grains, pork, eggs, and poultry.

Nearly half of the Community's farm produce is now organized in a single, Community-wide market whose main feature is a single price level for each product. Although common organizations for these sectors with common rules were established almost five years ago, it is the common price levels that are vital for a single market and the free movement of farm products throughout the Community. With the entry into this final stage, levies on intra-Community trade in these products are now abolished, and levies on imports from non-member countries and refunds on exports are now fixed by the Commission and are the same throughout the Six.

Steps Still Remaining

The establishment of the free movement of goods is a gradual and continuing process. Although the single market for most products was achieved on July 1 of this year, it will not have all the features of a domestic market -- even for cereals. At present it still differs from a truly non-partitioned market in the following respects:

- For the next two years at most, import and export licenses will be valid only in the member country in which they have been issued. However, anyone who asks for one will get one, regardless of his place of establishment in the Community.
- Taxation has not yet been harmonized, and so refunds and charges still exist at the Community's internal frontiers. Agricultural producers may also be taxed in differing ways in the various member states.
- Customs legislation has not yet been harmonized and varying systems and practices may therefore remain possible, for example in processing traffic. Community rules on this matter are to be adopted by July 1, 1968.
- Laws in the veterinary, feedstuff, and plant-protection fields need to be harmonized. Until they are, frontiers can be closed for health reasons under directives which, although issued by the Council, are still drawn up on the basis of national laws and regulations.

- Some states are stricter in authorizing traders than others, although they may no longer discriminate between nations of different member countries.

- National aids to agriculture can still vary considerably, and thereby distort competition.

Much still remains to be done. But from the standpoints of price policy, Community financing, and standardization of commercial policy for markets in farm produce, July 1 marked a decisive step forward.

Furthermore, the Community will be largely responsible for stabilizing markets in these products and the Community's farm fund will now make authorized expenditures in all these sectors (except eggs and poultry, where there is no provision for intervention). Their prices will, after this year, be set before August 1 each year (when the grain season opens) for the next harvest, after the European Parliament has given its opinion.

The basic pricing regulations for these products are limited to establishing general principles and procedures. They contain two special safeguard clauses. One, to be carried out in the first instance by the Commission, is intended to prevent a collapse in producer prices under the weight of imports from non-member countries. The other clause recommends that the Council act when imports are disturbing the market because their price is excessively high.

Grain

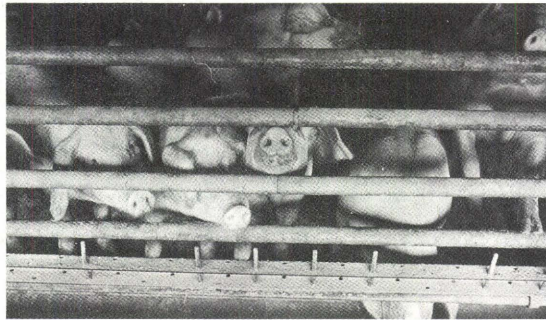


Wheat harvest, France

The main changes specifically affecting the grain sector are: the possibility of taking, on an ex-

perimental basis, preventive and regional intervention measures to avoid heavy buying by the market-supporting agencies; direct aid for the production of durum wheat; the abolition of national consumer subsidies for processed products; and, for a few years, import subsidies for feed grains in Italy.

Pork



Raising pigs, Germany

The major significance of the new regulation for pork is that there is now a common market-support system. Aid may be given for private storage and for purchases by the intervention agencies when the average market price for slaughtered pigs falls below the basic price. Maximum and minimum buying-in prices are fixed at 92 per cent and 85 per cent of the basic price.

In the Community, production of pigs for slaughter rose from 43 million head in 1958 to some 53 million in 1966. Pig-keeping is being increasingly affected by new forms of production and modern production methods.

From 1958 to 1966 consumption rose by 23.3 per cent -- an annual increase of about 3 per cent. Per capita consumption in the Community rose from 19 Kg in 1958 to some 23 Kg in 1966, with Germany and France -- the main consumer countries in the Community -- showing the greatest increase. Almost half of all pigs were produced in Germany, where the supply of pigs for slaughter is expected to increase by some 1.5 million head this year. Owing to wide production cost differences in the Community, due mainly to the great variation in numbers of pigs reared (in the Netherlands, for instance, the number of pigs per farm doubled from 20 to 40 head between 1960 and 1965, while in Italy only 3.5 pigs are kept per farm), it was extremely difficult for the Community's Council to set intervention prices which would not be an incentive for increased production.

Fats and Oils

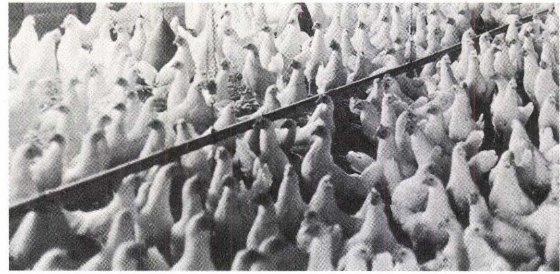


Harvesting olives, Italy

The organization for oils and fats is making progress, also. The first common rules and common price levies are coming into force simultaneously for oilseeds -- colza, rape, and sunflower seed -- (olive oil reached this stage on November 10, 1966). The organization for fats and oils aims at ensuring that a reasonable volume of Community production is maintained, without in any way restricting consumers' choice of these highly interchangeable products. In addition to a single price system, customs duties between member states have been abolished and a common tariff applied to imports and from non-member countries. However,

for most oilseeds and fruits, as well as for oil-cakes, these duties are nil.

Eggs and Poultry



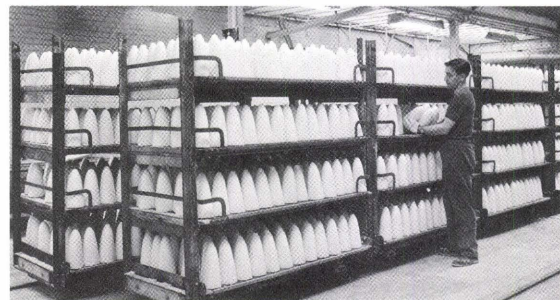
Chicken farm, Germany

The regulations for eggs and poultry, as well as for pork, provide for measures to encourage farmers' and related bodies to adapt supply to market needs. The withdrawal from the market of eggs and poultry is prohibited because the market organization does not provide for intervention. Common marketing rules -- dealing primarily with quality, size, and packing -- must be adopted for eggs by January 1, 1968.

The volume of production on Community egg markets is very high. One-third of total production in 1965 -- 12,120 million eggs -- came from Germany. Germany was also the member country with the biggest increase in production from 1964 to 1965 (8.3 per cent), while production in the traditional egg-producing country, the Netherlands, fell appreciably. In 1965 production in the Community as a whole reached 36,870 million eggs. This was 1.6 per cent less than in 1964 but 4.6 per cent more than in 1963. Egg consumption has also increased substantially throughout the Community.

As for poultry, in contrast to eggs, the Community is still in need of substantial imports, with the main import demand coming from Germany.

Sugar



Dried loaves of sugar, Belgium

The common organization for sugar also got under way on July 1. This organization will be introduced in three phases: the common price already fixed by the Council comes into effect on July 1, 1968. Seven years after that, on July 1, 1975, the restriction of price guarantees according to national quotas will cease, and with it all discrimination between Community producers.

At present, during the transitional period, the common guarantee for prices and sales has been restricted by a system of national quotas: (in metric tons) Germany 1,700,000; France 2,300,000; Italy 1,230,000; the Netherlands 575,000; and the Belgium-Luxembourg Economic Union 530,000. The regulation makes provision for member states to carry over a maximum quantity of white sugar to the next marketing year. The member states cannot increase the difference between their 1966/67 net price for white sugar and the common price fixed for 1968/69 (\$2.23 per 100 Kg). A system of levies has been arranged both for intra-Community trade and imports from non-member countries. The Community preference is \$1.50 per 100 Kg for sugar and \$2 per metric ton for sugar beet. Refunds can be granted to Community and to non-member countries.



Harvesting rice in Italy

THE COMMON MARKET IN RICE

On September 1, the common market organization for rice entered its final stage, incorporating one more area of production into the European Community's single agricultural market.

The market regulation for rice was adopted by the European Community's Council of Ministers on July 25 and includes many features of the system for rice in operation since September 1964, as well as many features similar to the arrangements for cereals that came into force on July 1. The regulation's main features are a single price, separate intervention prices for the principal rice-growing areas (France and Italy), a single minimum import price, and the end of intra-Community customs duties and other internal barriers.

With the establishment of a common price level, the organization of the market in rice can be greatly simplified and the distinction between producing and non-producing countries abolished. (There are only two rice producers in the Community: Italy and, to a limited extent, France.) All levies or refunds in intra-Community trade can also be eliminated. Also, the intervention measures have been designed to avoid massive buying in particular regions by the market intervention agencies.

U.S. — Community Trade

The Common Market produces only 61 per cent of its own rice needs and has been a large customer for U. S. rice exports.

The Commission in June noted that the 1970 estimate for Community rice production was 630,000 metric tons of husked rice with a total consumption of 870,000 metric tons -- leaving a net import requirement of 240,000 metric tons. However, since the establishment of the EEC in 1958, rice cultivation and rice output in the Community have declined sharply, and imports in 1967 may rise to 400,000 metric tons -- 10,000 more than last year.

In 1966, the Community purchased \$18,779,000 of rice from the United States. The bulk of U. S. sales to the Community has been of long-grained rice. These varieties have more desirable cooking qualities (cooks "dry," doesn't stick) than the cheaper French and Italian short-grained rice. In the past, the Community has annually granted a special reduction, or "abatement," on import levies to assure adequate supplies of the long-grained varieties which are not produced in the Community. This abatement is no longer in effect. The levy on long-grained rice imports, as of September 22, was between \$5.57 and \$5.98 per 100 Kg. (This levy is determined weekly by the Commission.)

Of the Six, the largest user of U. S. rice has been the Federal Republic of Germany, which purchased \$9,531,000 in 1966 -- more than half the total Community imports from the United States. During the same period, the Community sold a total of \$47,000 worth of rice to the United States.

Before August 1 each year the Council will fix a basic target price for husked rice, one year ahead of the market year to which it applies, for the marketing center of the area with the greatest deficit in the Community (Duisberg). The price fixed in 1966 for the current 1967/1968 marketing year was \$18.12 per 100 Kg. The 1968/1969 guide price is slightly higher, being \$19.02 per 100 Kg., in order to keep the price for rice aligned with that for corn, which is in competition with rice for land use in the Community.

The intervention price, the point at which price support measures come into operation, will be derived from the basic target price, converted into paddy rice (which the Community produces), less 4 per cent. Thus, the price which intervention authorities in the countries concerned will be able to pay producers during the 1968/1969 marketing year will be \$12.30 per 100 Kg. for Arles (valid for all marketing centers in France) and \$12.00 in Vercelli

Consumption of Rice

kg. per head	1962/63	1963/64	1964/65	1965/66
Community	2.8	2.6	2.7	2.8
Germany	1.9	1.6	1.8	2.0
France	1.9	1.5	1.9	2.0
Italy	5.1	5.0	5.1	4.9
Netherlands	2.4	2.3	2.3	2.7
Belgium/ Luxembourg	1.0	1.5	0.7	1.1

Area Cultivated in acres

France	74,130
Italy	311,346
Total Community	385,476

Degree of Self-Sufficiency

per cent of total internal use

	1962/63	1963/64	1964/65	1965/66
Community	83	74	79	61
France	59	62	56	36
Italy	146	123	136	115

Usable Production of Husked Rice

in thousands of metric tons

	1962/63	1963/64	1964/65	1965/66
Community	625	537	598	486
France			99	78
Italy			499	408

		IMPORTS								
		1958	1959	1960	1961	1962	1963	1964	1965	1966
Community Trade with the United States in Rice	The Community	2,525	9,799	7,406	11,073	14,803	12,339	14,335	9,933	18,779
	France	5	2	3	3	487	514	262	1,174	3,052
	Belgium/Luxembourg	754	2,281	1,063	1,739	821	1,524	1,659	926	1,462
	Netherlands	205	2,007	1,663	2,311	1,973	2,338	2,954	1,610	4,717
	Germany	1,561	5,459	4,615	7,020	11,522	7,960	9,459	6,223	9,531
	Italy	-	50	62	-	-	3	1	-	17
		EXPORTS								
		1958	1959	1960	1961	1962	1963	1964	1965	1966
in thousands of dollars	The Community	309	227	222	379	826	73	46	27	47
	France	-	1	-	-	-	-	-	-	-
	Belgium/Luxembourg	67	-	118	296	492	-	-	-	-
	Netherlands	223	201	71	57	276	-	2	-	2
	Germany	-	-	-	-	-	-	-	-	-
	Italy	19	25	33	26	58	73	44	27	45

(valid for the other centers in Italy). The intervention agencies will be obliged to buy any supplies of paddy harvested in the Community which meet quality requirements offered them in minimum quantities of 10 metric tons, although they may fix a higher minimum tonnage.

Total Community Trade in Rice in thousands of metric tons

	1962/63	1963/64	1964/65	1965/66
Exports	205	137	134	81
Imports	314	339	280	390
Intra-Community Trade			63	70
Imports from Associated States			22	36

Trade with Non-Member Countries

The threshold price will be fixed each year so that imported husked rice sells, with levies, on the market at Duisberg at the basic target price. The price, calculated for Rotterdam, has been fixed at \$17.78 per 100 Kg. for husked rice in bulk, at \$22.40 per 100 Kg. for milled rice, and at \$11.33 per 100 Kg. for broken rice.

A single Community levy will be fixed on imports of husked, milled and broken rice which will equal the threshold price less the c.i.f. price Rotterdam in each case. Conversion rates based on those for husked and milled rice will be applied in calculating the levies on paddy and undermilled rice.

Levies on processed products (flour, groats, meal, and starch) will be made up as before of a variable component (the "broken rice" component) and a fixed component to protect the processing industry. If these products are offered at a price which does not correspond to the price of the basic products used in their manufacture plus processing costs, a further amount, in addition to the levy, may be fixed.

Export refunds, if granted, will be the same throughout the Community but may be graduated in accordance with destination. The levies and refunds will be fixed once a week by the Commission; as will the premiums to be added to the levies and the correcting factors applied to the refunds.

The levy chargeable on imports from non-member countries will be reduced by a standard amount in the case of rice from the African associates and other overseas territories linked with the Community.

Import and export licenses may be applied for by any interested parties irrespective of their location in the Community. For a maximum period of two years these licenses will be valid only in the member country which issues them.

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