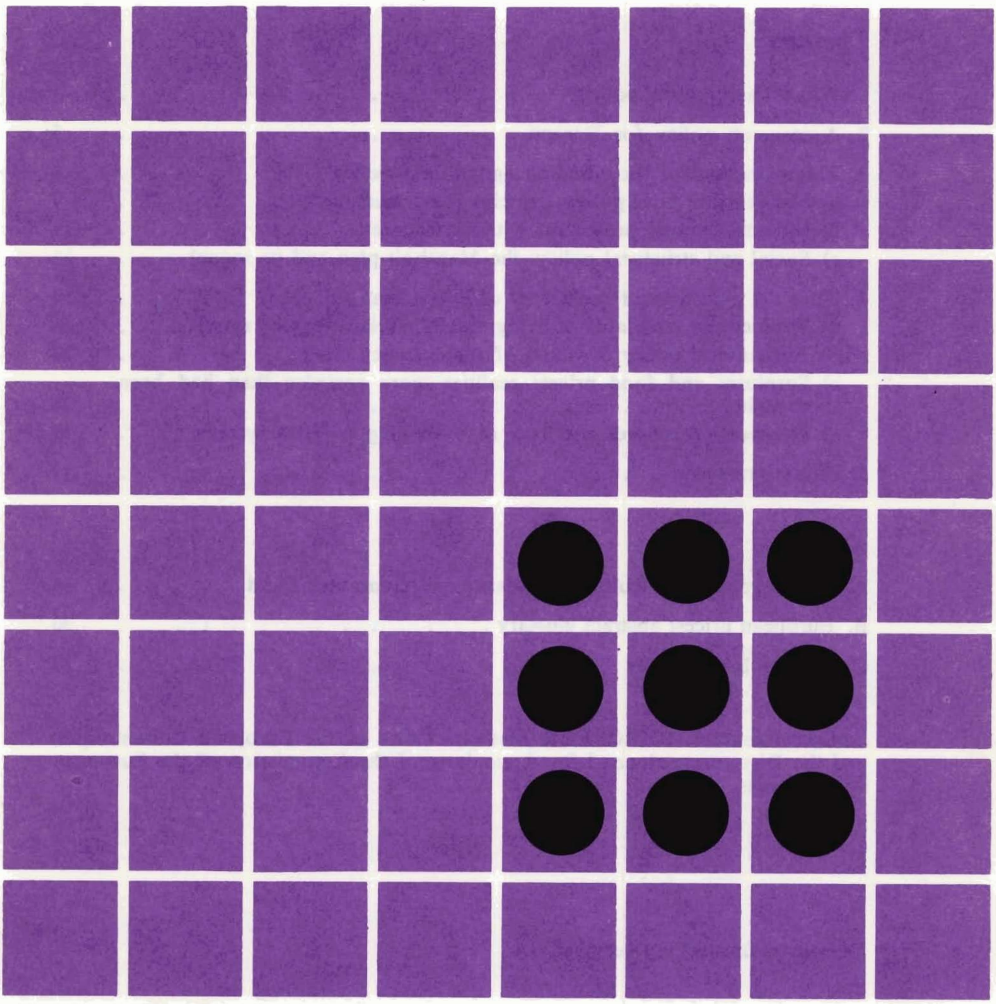
The agricultural policy of the European Community



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The agricultural policy of the European Community

For any nation, or group of nations such as the European Community, feeding the population is an absolute must. It is the indispensable requirement of independence.

Every country, therefore, must face the task of ensuring its food supplies. In principle, this presupposes that agriculture is fully up to the task, or that there is a well balanced flow of external trade. This is not always possible. Soil productivity differs markedly in different parts of the world and the unorganised state of world commodity markets prevents any logical distribution of surpluses or shortages occurring and recurring in different regions under the influence of weather, speculation or even politics.

1. Why an agricultural policy?

The world food market is fraught with disaster, uncertainty and imbalance. Food surpluses are becoming a creeping evil in Europe and North America while famine and malnutrition are rampant in various countries in Africa, South America and Asia. Another example of the disordered condition of world markets lies in the competition which prevails between the big exports from the wide open spaces of the younger countries—such as Australia, Canada, the United States and New Zealand—and the countries of older civilisations such as those of Europe, where the high density of population implies much higher production costs [1].

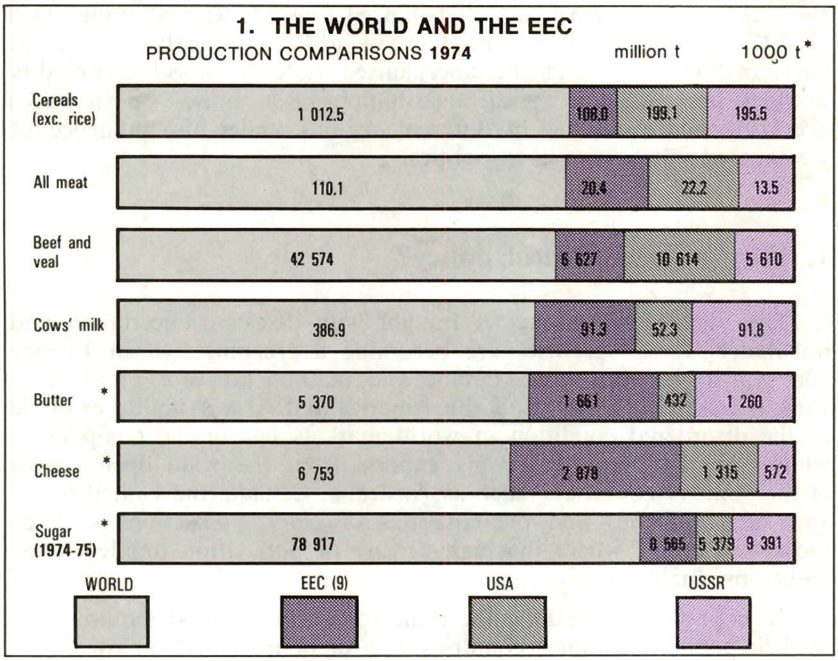
To cope with these difficulties, and to satisfy the food requirements of their populations, most countries, rich or poor, have their own agricultural policies. These are invariably complicated given the complex

[1] According to the OECD, the European Community has 10 hectares of cultivable land per person actively engaged in agriculture. This compares with 135 ha in the United States.

nature of agriculture, which embodies both national and individual interests and cannot be set on the same footing as manufacturing industry where the problems to be faced are of a very different kind.

Agricultural production is governed by the biological rhythms of the animal and vegetable kingdoms. It is also influenced by climate, weather, the lie of the land, the extent of cultivable area and the skills and efforts of the individual farmer. Only "off-soil" farming activities such as poultry, pig and calf rearing are spared such external influences.

Despite these constraints, agricultural production in industrial countries has shown a remarkable expansion (see graph 1), thanks to technical progress in a number of fields. Mechanised production, breed and seed selection, intensive use of fertilisers, preventives and remedies for animal sicknesses and parasitic infestation, better techniques for working the soil and stock-raising have all helped to boost productivity and there is now an increasingly marked tendency for production to run ahead of effective demand.



1. THE WORLD AND THE EEC
PRODUCTION COMPARISONS **1974**

These, however, are not the only consequences of progress. Although for centuries a self-contained way of life, farming has now been relegated to the position of a mere link in the food chain, forever squeezed between the suppliers of its more and more sophisticated means of production and the customers who process and distribute its produce in increasingly elaborate form. The price of industrial goods is going up and the cost of services increasing but the real price of farm produce is on a long-term decline. Production costs are continually increasing, but agricultural produce accounts for a smaller and smaller part of the price the public pays for food products. Consequently there is a continued rising trend in the quantity of farm produce needed to acquire goods from other economic sectors. In other words, the terms of trade are moving against the farmer.

Another disadvantage facing the farming sector is the lack of elasticity in the demand for food products. The human stomach does not expand and with less manual work and more sedentary employment changes in consumption habits have occurred, putting a premium on quality rather than quantity.

These various factors of change necessarily create strains and set up situations which are often contradictory. In the richer countries agriculture is now virtually an industry—its labour force has shrunk, and there has been a huge increase in the scale of investment which, on a per-worker basis, is now as high as that of the steel industry. Nevertheless, by comparison with the scale of industrial enterprise, the biggest of the ultra-modern farms carries no more real economic weight than a craft industry unit. This is one explanation of the basic difficulties encountered by agriculture today.

Though agricultural production is increasing in absolute terms, it accounts in each country for a declining proportion of the gross domestic product. Farm incomes in both industrial and developing countries follow only haltingly the trend of incomes in other economic sectors and in countries where it has not been possible to master inflation, this discrepancy is more marked. In most countries, therefore, agriculture has to be supported by government intervention in ways which are, to varying degrees, direct and open. The national agricultural policies resulting from this have too often had the effect of shifting problems onto the shoulders of other countries.

2. A common policy for Europe

It was to avoid perpetuating these strains that the Treaty of Rome which set up the European Economic Community (EEC) stressed the need for a common agricultural policy. This was introduced in 1962, and has unfortunately remained the only real joint Community policy. The importance attached to an agricultural policy is partly explained by the inherent features of agriculture itself—by the production inertia resulting from the dependence on natural rhythms and by the difficulty of balancing supply and demand because "you can only produce enough by producing too much". There was also the social need to maintain a certain rural population with acceptable standards of living and the economic necessity of securing a better distribution of the Community's production. In this instance, therefore, it was not possible to adhere to the fundamental principle of the Community, that goods should circulate freely.

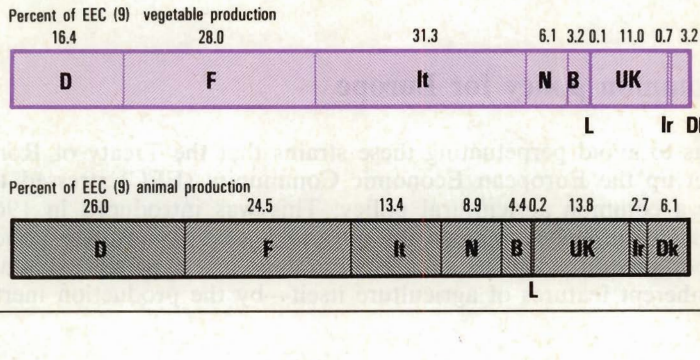
In setting up the industrial Common Market, all that was really needed was a progressive elimination of customs and other trade barriers between the member countries and the setting up of a single customs tariff at the Community frontier. For agriculture, however, there were different problems. Expanding the output of a farm or turning it over to other lines of production is not an easy business and this means that competition cannot develop in farming in the same way and with the same intensity as in industry.

The agricultural common market had, accordingly, to embody different arrangements, even if it were only to restore the balance between the industrial countries and the agricultural countries, both of which wanted to enjoy the advantage of the enlarged markets.

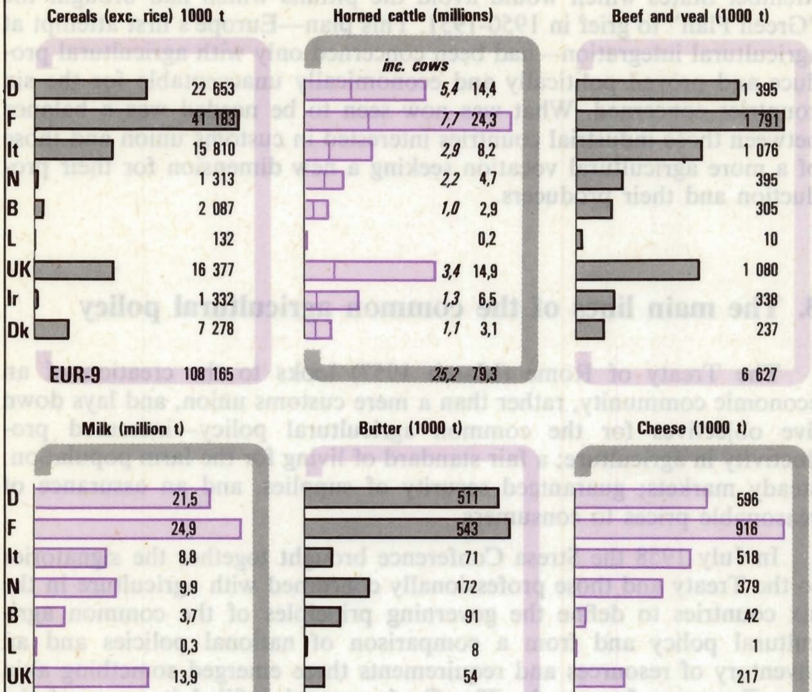
When the Treaty of Rome was signed, the agricultural policies of the six signatory countries (Belgium, France, West Germany, Italy, Luxembourg and the Netherlands) were widely different, and even contradictory, since they had to allow for economic diversity and a disparity of agricultural conditions, ranging from those of the Mediterranean to those of the North Sea (graphs 2, 3 and 6). Moreover, some of the countries relied on the mechanisms of supply and demand, while others had introduced protectionist systems.

In practice it was not possible to unify all the divergent policies so that a new start had to be made. The Treaty of Rome laid down

2. AGRICULTURE IN THE EEC MEMBER STATES



3. AGRICULTURE IN THE EEC MEMBER STATES
PRODUCTION COMPARISONS 1974



only objectives and procedures and it was left to the Community institutions to work out a new common agricultural policy for all the Member States which would avoid the pitfalls which had brought the "Green Plan" to grief in 1950-1951. This plan—Europe's first attempt at agricultural integration—had been concerned only with agricultural produce and proved politically and economically unacceptable for the six countries concerned. What was now seen to be needed was a balance between those industrial countries interested in customs union and those of a more agricultural vocation seeking a new dimension for their production and their producers.

3. The main lines of the common agricultural policy

The Treaty of Rome (March 1957) looks to the creation of an economic community, rather than a mere customs union, and lays down five objectives for the common agricultural policy—increased productivity in agriculture; a fair standard of living for the farm population; steady markets; guaranteed security of supplies, and an assurance of reasonable prices to consumers.

In July 1958 the Stresa Conference brought together the signatories to the Treaty and those professionally concerned with agriculture in the six countries to define the governing principles of the common agricultural policy and from a comparison of national policies and an inventory of resources and requirements there emerged something akin to a European farm code. The Conference also filled in some of the blanks left in the provisions of the Treaty of Rome. European agriculture was to be reformed and made competitive, but without prejudice to the family character of the farm unit. The Conference agreed that agricultural prices, which were progressively to become common prices in the six countries and settle down somewhat above the prices of the world market, were to be adequately remunerative to farmers, but without encouraging over-production. EEC agricultural policy, it was argued, could not be based on self-sufficiency, but protection must be provided against foreign competition, operating only too frequently on an unfair basis.

The Commission's first drafts of the common agricultural policy were submitted to the Council of Ministers at the end of 1959 and in June 1960 the final proposals were put forward. In December the Council rejected the strict organisation of trade and markets based on quantitative restrictions and laid down the fundamental principle on which agricultural Europe was to be organised. From this time onwards the common agricultural policy (CAP) has embodied three principal components—markets and prices, external relations and questions of structure.

a) Markets and price policy: principles and machinery

The three principles underlying this policy have become the Golden Rules of the CAP.

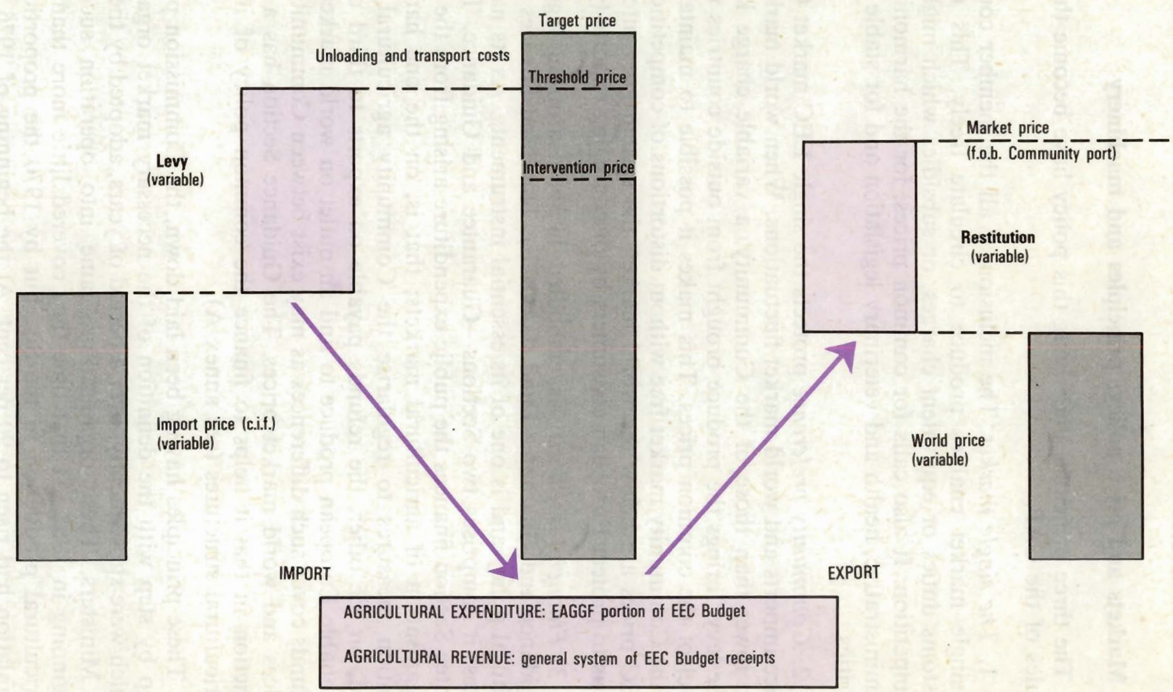
1. *The single market*. The inclusion of all the member countries in a single market enables produce to circulate freely. This rules out customs duties or equivalent charges, or subsidies which might distort competition. It also calls for common prices, for the harmonisation of administrative, health and veterinary legislation and for stable currency parities.

2. *Community preference* protects the single EEC market from cut-price imports and world market fluctuations. When world market prices are lower than those of the Community, a variable charge known as "the levy" brings the produce brought from outside countries up to the level of the common prices. This makes it possible to maintain access to the Community market free without distortions of competition. When EEC prices are below the world market, the system goes into reverse, so as to protect European consumers by discouraging exports (graph 4).

3. *Financial solidarity* is embodied in the European Agricultural Guidance and Guarantee Fund (EAGGF). This fund finances the agricultural policy and is one of its essential instruments. As its name indicates, it comprises two Sections—Guarantee and Guidance. The Guarantee Section finances the public expenditure arising from the common organisation of agricultural markets; that is, on the one hand, intervention measures to regularise the Community agricultural markets and, on the other, the refunds payable on exports to third countries, to enable European produce to find an outlet on world markets. These refunds cover such differences as may exist between Community market prices and world market prices. The Guidance Section has a different function in that it helps to finance the common policy of improving agricultural structures (see annex A).

These principles having been laid down, the Commission proceeded step by step with the definition of the necessary market organisations which were subsequently, over a period of years, adopted by the Council of Ministers. These organisations came into operation successively, beginning in 1962. At that time they covered little more than half the agricultural production in the Six, but by 1970 the proportion under regulation had risen to 90 per cent. At the beginning of 1976 the Nine were negotiating regulations on three lines of production which were still national—mutton and lamb, potatoes and alcohol. When the Coun-

4. LEVY AND REFUND SYSTEM FOR WHEAT



cil of Ministers has agreed on these, practically all farm production will be covered by Community legislation, though this is not in itself uniform.

The common market organisations fall, in practice, into four main categories, differing from one another in the machinery brought to bear:

1. The support price which covers over 70 per cent of production (most cereals, sugar, milk, beef and veal and pigmeat, certain fruit and vegetables, table wines and fishery products).

2. External protection, which affects 25 per cent of production (flowers, other wines, rice, other fruit and vegetables). These are not products of prime necessity, and handled in the same class are eggs and poultry, which are treated as industrial products and which call for no special official intervention.

3. *Additional product aid,* which is not unlike the British "deficiency payments" [2]. This covers only 2.5 per cent of production and enables prices to the consumer to be kept comparatively low. The products affected are, in the first instance, durum wheat and olive oil (for both of which production is limited in quantity and area) and secondly, to certain oleaginous products and tobacco, the customs duties on which are consolidated under GATT at nil, or at comparatively low levels.

4. *Flat-rate aid* per hectare, or determined by the quantity produced. This system covers only 0.6 per cent of production—cotton-seed, flax and hemp, hops, silk-worms, seed and dehydrated fodder.

As the market organisations were set up, product prices were gradually brought closer together in the member countries, until they were the same everywhere. Each year the common prices for the coming season are fixed by the Council of Ministers on a proposal by the Commission.

These prices are of different sorts, depending on the product and the guarantees sought. In some cases the prices fixed are target prices (guide prices) which operate under a system internal to the Common Market. In other instances they are threshold prices or "sluice-gate" prices which serve as protection against market conditions outside the Community. Added to these are intervention prices, basic prices and withdrawal prices (see glossary, Annex B). In the absence of a single European currency, prices are fixed in units of account, which are a

[2] Before the United Kingdom became a member of the Community, British farmers were able to claim deficiency payments to cover the difference between their market prices (which were lower by about 30 per cent than those of the Community) and the government guarantee prices.

common unit for calculation purposes—the proper use of which presupposes stable exchange rates between the currencies of the Member States.

b) External policy: protection without closure

In working out its common agricultural policy, the European Community was careful to remember its world responsibilities and to avoid slamming the door on the outside world. This was especially desirable since all the member countries were parties to bilateral agreements with outside countries specifically affecting trade in agricultural produce, and all of them were members of GATT, FAO, the OECD and other international organisations which have among their main objectives the fostering of international trade.

These are obligations which the Treaty of Rome could not ignore. It accordingly stipulates in Article 110 that the Member States intend to contribute to the smooth development of world trade, the progressive elimination of international trade restrictions and the lowering of tariff barriers. These are provisions of a general character, applying of course to the trade in agricultural produce.

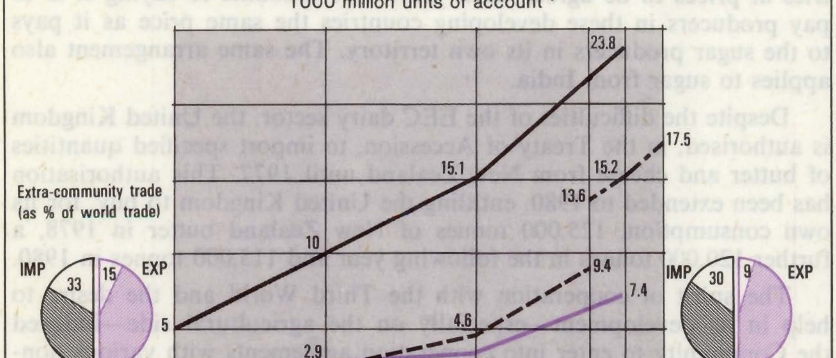
In implementation of these principles, the Community has already entered into bilateral agreements with various countries (the EFTA countries, Argentina, Uruguay, Brazil, Yugoslavia, as well as with the countries of the Mediterranean). With the latter group, the negotiations concluded, or currently in progress, are part of an overall strategy designed to set up a genuine Mediterranean policy. The aim is a gradual movement towards total free trade in industrial products, to which would be added a partial liberalisation affecting about 80 per cent of the agricultural trade between the partners. The negotiations are proving very arduous, because of the interests, of the fruit, vegetable and wine producers in the southern Community regions (Italy and southern France), where income levels are in any case among the lowest in the Common Market. Nevertheless, despite these difficulties the EEC has already been successful in reaching agreements with Israel, Algeria, Morocco, Tunisia and Malta and the existing agreement with Portugal has recently been widened in its scope.

Another example of the Community's open-door policy is its participation since 1963 in the GATT multilateral trade negotiations and its respect for the contractual obligations connected with it. It is in this body, designed as it is to further new international trade agreements, especially for agricultural products, that the EEC has become a target for criticism from the United States. The formation of the European Community was welcomed by the United States as a political fact but the CAP very quickly provoked criticism because of what the Americans termed its protectionist tendencies. Some groups of United States producers were especially vocal in their criticism and it is worth remembering the Chicken War, and the pressures brought to bear by the US citrus fruit growers.

The figures in fact show exactly the opposite. The US trade surplus in agricultural products has steadily increased and over the 1968-1974 period is trebled in value, rising from $1,400 million in the former year to $4,200 million in the latter. The 1974 figures show US exports to the Community of $5,400 million and imports from the EEC of $1,200 million. 1975 figures are expected to show a new record.

The Common Market, far from being hermetically sealed off, is insulated only from the erratic disturbances affecting world trade. Over the period 1963-1973, Community imports of agricultural produce from the rest of the world more than doubled, though this is partly explained by higher world prices and the enlargement of the Community itself. The Common Market has thus become the world's biggest importer of agricultural and food products (its imports represent 30 per cent of world trade) and second only to the United States (its principal supplier) as an exporter of goods in the same category (graph 5).

5. EEC TRADE IN AGRICULTURAL PRODUCTS
1000 million units of account *



*European units of account, see Note 6

The Community has given further evidence of its progressive attitude to a new international economic order, in the generalised preferences it has granted to a very large number of developing countries. The exporters of nearly 250 processed agricultural products now benefit from these duty reductions. The generalised preferences plan was brought into operation in July 1971, and further improved in 1975. Annual imports into the Community under this scheme in 1976 represented 1,000 million units of account in the agricultural sector alone [3].

When the countries of the Community were liberalising their own trade, they did not wish to ignore the fate of the countries with which some of them held special relationships. For this reason arrangements, which are a model of their kind and relate particularly to agricultural goods, were brought into operation between the Community and a number of other countries—initially the 19 associated African States and Madagascar (AASM) and, since 1975, the 46 countries in Africa, the Caribbean and the Pacific (ACP). An important innovation in the Lomé Convention signed with the ACP states is that the Community has undertaken to guarantee these countries' export earnings from 12 specified products or groups of products, most of which are agricultural. ACP exports of these products will thus be partly freed from the hazards of the normal market fluctuations, which are all too often of speculative origin. Under the Sugar Protocol appended to the same Lomé Convention, the Community committed itself on 1 March 1975 to buying 1.2 million tonnes of cane sugar annually from 13 ACP countries at prices to be agreed each year. This amounts to saying it is to pay producers in these developing countries the same price as it pays to the sugar producers in its own territory. The same arrangement also applies to sugar from India.

Despite the difficulties of the EEC dairy sector, the United Kingdom is authorised, in the Treaty of Accession, to import specified quantities of butter and cheese from New Zealand until 1977. This authorisation has been extended to 1980, entitling the United Kingdom to buy, for its own consumption, 125,000 tonnes of New Zealand butter in 1978, a further 120,000 tonnes in the following year and 115,000 tonnes in 1980.

The spirit of cooperation with the Third World and the desire to help in its development—especially on the agricultural side—induced the Community to enter into cooperation agreements with various non-associated developing countries and to open discussions with the Arab countries.

Fully in line with the Community's general vocation is its support for bodies such as the FAO, UNCTAD, the World Food Conference and the World Food Council. Over the 1968-1975 period the EEC made contributions in kind (wheat, dairy products, sugar and other items), by way of food aid supplied either to aid organisations or

[3] See (in the same series) *The European Community and Developing Countries*, 1975.

directly to developing countries, to a total value of 1,000 million u.a. To meet the considerable growth in the food requirements of the developing countries, the Community has proposed a new 3-year aid programme on a considerably increased scale. The volume of aid in cereals would be between 1.7 and 2.5 million tonnes, in powdered milk between 80,000 and 120,000 tonnes, in butter-oil between 45,000 and 65,000 tonnes and in sugar between 10,000 and 40,000 tonnes.

c) Social and structural policy: the Mansholt plan and its sequel

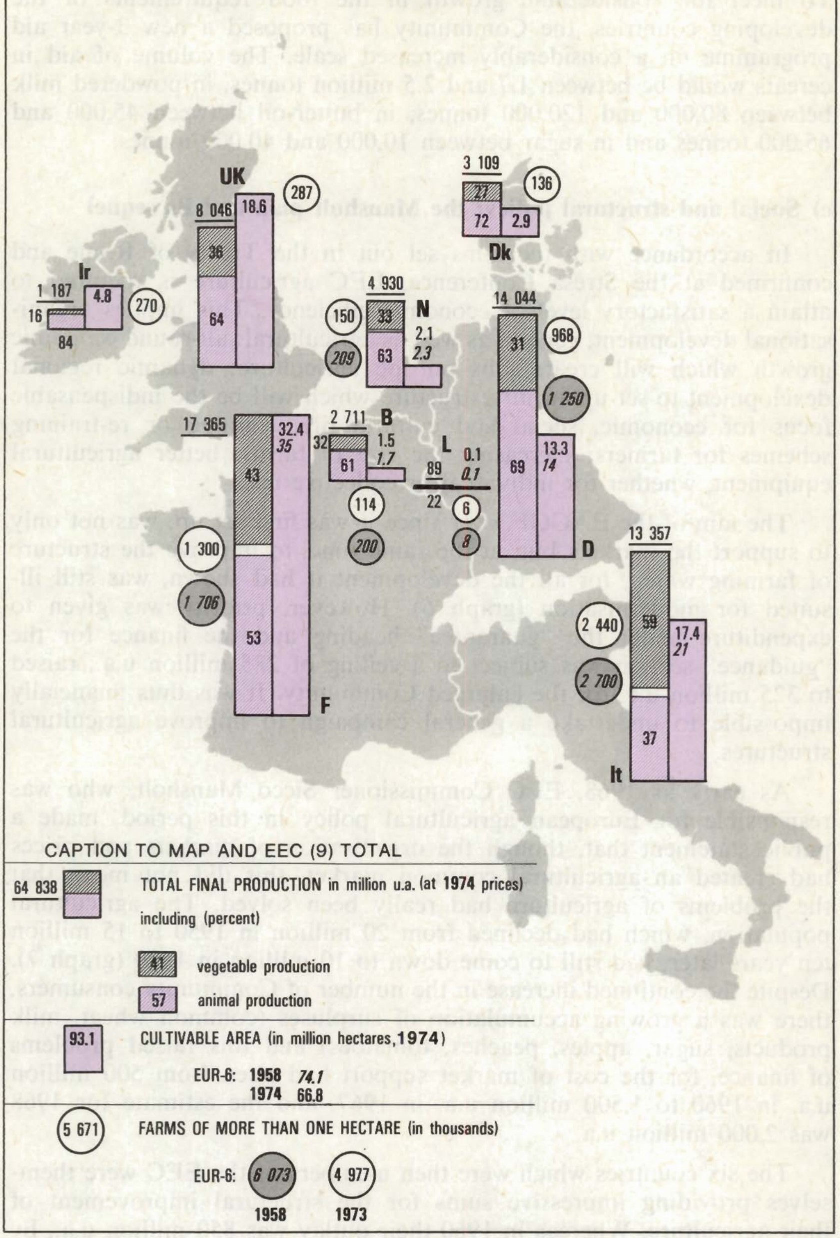
In accordance with the aims set out in the Treaty of Rome and confirmed at the Stresa Conference, EEC agriculture is required to attain a satisfactory level of economic efficiency. This implies organisational development, general as well as agricultural: all-round economic growth which will create jobs outside agriculture; dynamic regional development to set up an infrastructure which will be the indispensable focus for economic, social and cultural life; training or re-training schemes for farmers; increasing the size of farms; better agricultural equipment, whether for individual or collective use.

The aim of the EAGGF, ever since it was first set up, was not only to support the markets but, at the same time, to improve the structure of farming which, for all the development it had shown, was still ill-suited for modernisation (graph 6). However, priority was given to expenditure under the "guarantee" heading and the finance for the "guidance" section was subject to a ceiling of 285 million u.a., raised to 325 million u.a. for the enlarged Community. It was thus financially impossible to undertake a general campaign to improve agricultural structures.

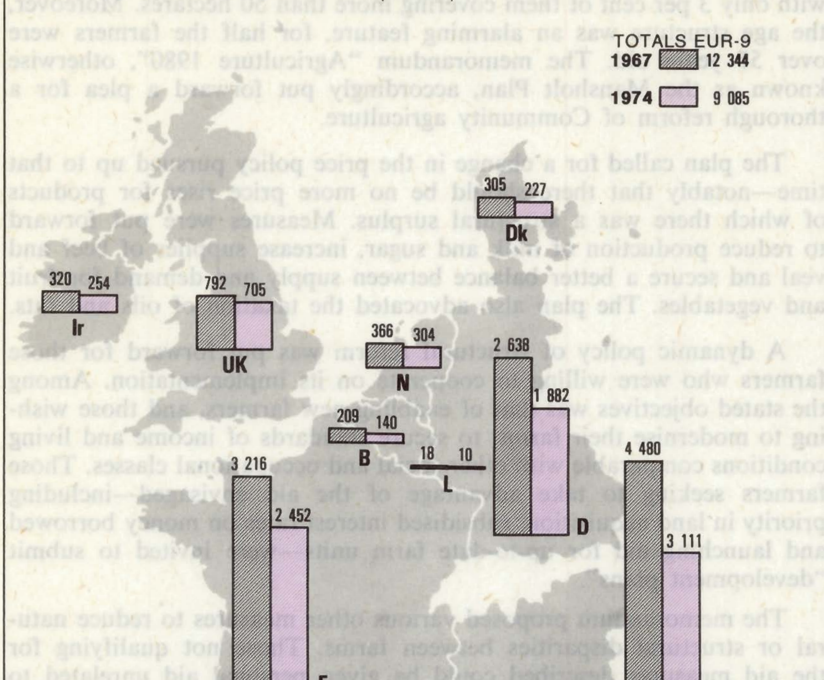
As early as 1968, EEC Commissioner Sicco Mansholt, who was responsible for European agricultural policy in this period, made a public statement that, though the organisation of markets and prices had created an agricultural common market, this did not mean that the problems of agriculture had really been solved. The agricultural population, which had declined from 20 million in 1950 to 15 million ten years later, had still to come down to 10 million in 1970 (graph 7). Despite the continued increase in the number of Community consumers, there was a growing accumulation of surpluses (common wheat, milk products, sugar, apples, peaches, tomatoes) and this raised problems of finance, for the cost of market support had risen from 500 million u.a. in 1960 to 1,500 million u.a. in 1967, and the estimate for 1968 was 2,000 million u.a.

The six countries which were then members of the EEC were themselves providing impressive sums for the structural improvement of their agriculture. Whereas in 1960 their outlay was 850 million u.a., by

6. STRUCTURE OF COMMUNITY AGRICULTURE



7. PERSONS ENGAGED IN AGRICULTURE IN EEC COUNTRIES
(x 1000)



1967 it had risen to 1,900 million u.a. The results were, nevertheless, insufficient. Despite technological progress, farms were still too small, with only 3 per cent of them covering more than 50 hectares. Moreover, the age structure was an alarming feature, for half the farmers were over 57 years old. The memorandum "Agriculture 1980", otherwise known as the Mansholt Plan, accordingly put forward a plea for a thorough reform of Community agriculture.

The plan called for a change in the price policy pursued up to that time—notably that there should be no more price rises for products of which there was a structural surplus. Measures were put forward to reduce production of milk and sugar, increase supplies of beef and veal and secure a better balance between supply and demand for fruit and vegetables. The plan also advocated the taxation of oils and fats.

A dynamic policy of structural reform was put forward for those farmers who were willing to cooperate on its implementation. Among the stated objectives was that of enabling new farmers, and those wishing to modernise their farms, to secure standards of income and living conditions comparable with other social and occupational classes. Those farmers seeking to take advantage of the aid envisaged—including priority in land acquisition, subsidised interest rates on money borrowed and launching aid for up-to-date farm units—were invited to submit "development plans".

The memorandum proposed various other measures to reduce natural or structural disparities between farms. Those not qualifying for the aid measures described could be given personal aid unrelated to the volume of their production and determined by reference to regional conditions and to the age of the farmer concerned.

Machinery was also proposed for encouraging and facilitating early retirement and the cessation of farming activity, in order that the land thus liberated might be made available to farmers engaged in modernisation schemes. Another proposal put forward was that training schemes should be provided for farmers, either in agricultural matters or in preparation for their redeployment to other activities.

Measures were also put forward to encourage reafforestation and the improvement of existing woodlands. The aim was to increase the income of farmers in the less favoured regions, and help to keep farming off the less productive or less accessible ground. A further aim was to protect the natural open spaces needed for environmental improvement.

The Mansholt plan argued that 5 million ha should thus be withdrawn from cultivation, of which 3 or 4 million ha would be used for forest development. Its publication raised passionate discussion and very keen opposition. After long discussion, the Council of Ministers adopted in April 1972 directives of a social-structural character on:

— the modernisation of farms;
— encouraging the cessation of farming activities and the reallocation of farmland for the purpose of structural improvement;
— socio-economic guidance and the acquisition of occupational skills by persons working in agriculture.

These directives are interrelated and constituté a single approach to a common objective. This is the formation and development of farms big enough and well enough organised to ensure the rational use of the factors of production, adaptation to future development trends and a fair income and satisfactory working conditions for those engaged in farming. Farms on these lines improve the output per labour unit, and consequently make it necessary for a larger number of people engaged in agriculture to channel their activities elsewhere, whether it be into another branch of agriculture or into work of another kind, or by retiring earlier than they might otherwise have done. The land thus made available should be used for enlarging the area of up-to-date farms.

In April 1975 a further directive was adopted on hill farmers and those working in naturally less-favoured areas. Such farming covers 25 per cent of the cultivable area in the EEC, comprises 15 per cent of the farm units and provides 12 per cent of the production. The aim of the directive is to offset the permanent natural handicaps in the regions concerned, enabling the farms to be maintained and, as far as possible, modernised.

In the same spirit, the Commission has persuaded the Member States to set up a European Regional Development Fund, one of the tasks of which is to help in financing infrastructure and other investments in the less-favoured rural areas of the Community [4].

4. Have the objectives of the Treaty of Rome been achieved?

The common agricultural policy—the major symbol of European integration to date—has now been in operation a dozen years or more and it is perhaps worth enquiring whether it has secured the Treaty of Rome objectives it set out to attain.

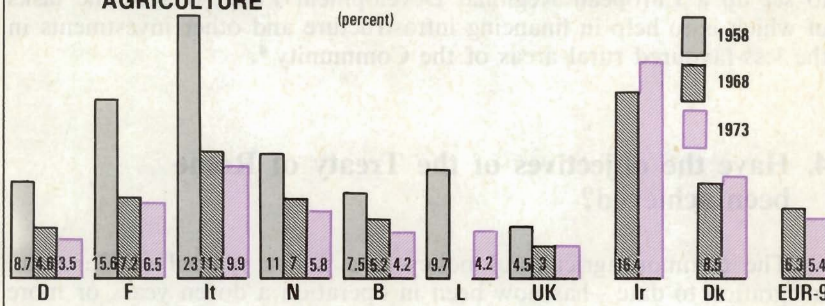
[4] See (in the same series) *A New Regional Policy for Europe*, 1975.

The answer cannot be straightforward. Much effort was needed to secure the free circulation of produce within the Community, and this has not in every case been fully implemented. Moreover, some countries were not able—or not willing—to embark on a joint programme of structural reform, which was a necessary corollary to organised markets and common prices and this has resulted in some distortion of the CAP, leading to criticism from farmers, consumers and tax-paying citizens alike.

***a*) Productivity, standards of living, steady markets: patchy results**

To begin with, EEC farmers are complaining that their share of the gross domestic product in their respective countries is on the decline. In the enlarged Community (see graph 8) it fell from 6.3 per cent in 1968 to 5.4 per cent in 1973. This deterioration occurred despite annual farm price increases, although it must be admitted that prices are now in fact lower in real terms, with a fall from 100 in the 1967 index to 91 today. The decline has been accompanied by a decline, in both absolute and relative terms, in the population engaged in agriculture. In 1967 it was 12.2 per cent of the total working population, receding to 8.9 per cent in 1974 [5] (graph 7). Over the 1960-1973 period the agricultural population fell by 7 million, of whom 2.5 million went into industry and the service sector. The countryside population is thus declining, and in some cases there are manpower shortages; some rural areas are becoming almost like deserts, while the towns are congested and the queues of unemployed are lengthening.

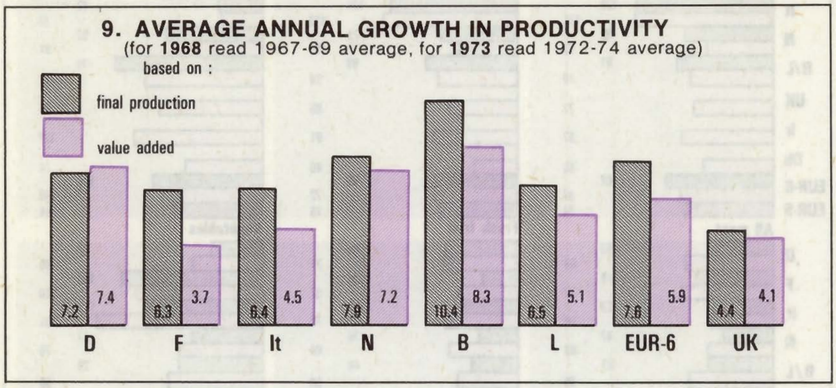
8. PROPORTION OF GDP AT FACTOR COST DERIVED FROM AGRICULTURE



NB: USA : 3,7% , USSR : 19% in 1972

[5] In 1970 the corresponding figures were: United States, 3.9 per cent; USSR, 31.8 per cent.

The decline in the agricultural population brought with it a remarkable jump in the productivity of farm labour (gross domestic product per person engaged). At the outset this was on the low side, but between 1961 and 1971, agricultural productivity rose by 88 per cent (graph 9),



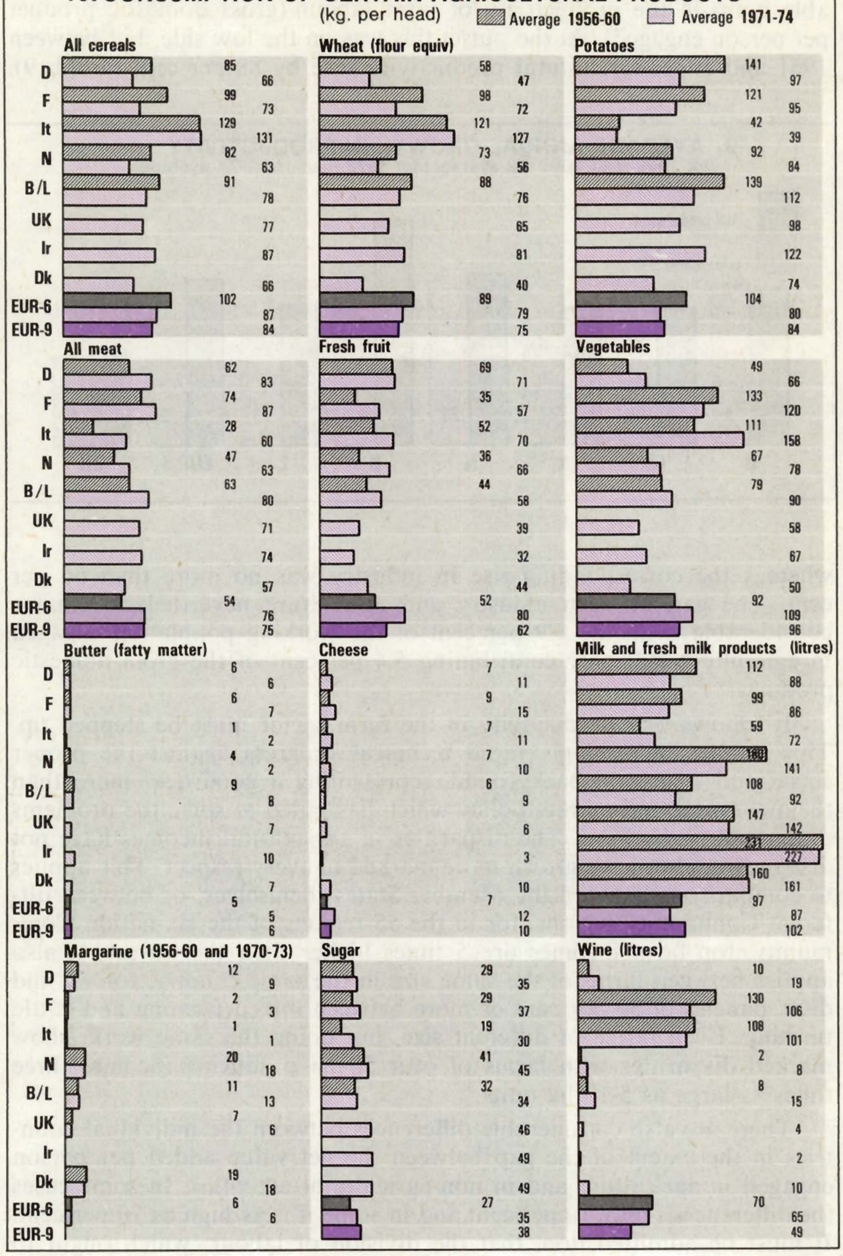
whereas the corresponding rise in industry was no more than 66 per cent. The gap between industry and agriculture nevertheless remains considerable, with the 8.9 per cent of the working population engaged in agriculture still only contributing 5.4 per cent of the gross domestic product.

It follows that productivity in the farm sector must be stepped up. This implies increasingly rapid technical progress against the proper social and structural background, representing a good deal more than the mere price and market policy which has failed to solve the problems of agriculture by itself. The disparities in agricultural incomes have not disappeared, but have grown more marked in every respect. This applies to comparisons between the Member States themselves, or between different Community regions, for in the 55 regions of the six-nation Community, top farm incomes are 5 times higher than the lowest. It also applies between farms of the same size in the same country, for we find discrepancies of 50 per cent or more between mixed farming and cattle farming. Even farms of different size, but doing the same work, show marked disparities with farms of over 50 ha producing incomes three times as large as 5-10 ha units.

There are also considerable differences between the individual countries in the extent of the gap between the net value added per person engaged in agriculture and in non-agricultural activities. In some cases the difference is only 10 per cent and in some it is as high as 70 per cent. It must be admitted, too, that the division of labour, which ought to

10. CONSUMPTION OF CERTAIN AGRICULTURAL PRODUCTS

(kg. per head)



have taken place among the different regions in the Community as a result of the agricultural policy, has not in fact occurred.

The two primary objectives of the Treaty of Rome—to increase productivity and to secure a fair standard of living for the farming population—have thus been attained only incompletely and in varying degrees.

Market stability, which was the third objective, has indeed been secured—at any rate in the short-term. It has, incidentally, been more successful in markets for which there is price support than in those which depend on a system of additional aid. In the 1968-1974 period, for example, the month-to-month fluctuations in the price of soft wheat amounted in the Community to only 3 per cent, which compares with 11 per cent fluctuations in world market prices and 13 per cent on the United States market.

This stability has been achieved by various intervention systems, depending on the circumstances of the time, sometimes providing storage facilities and spreading the supply over a longer period by putting the increases on a monthly basis, sometimes disposing of surpluses, either by export refunds or by de-naturing, and sometimes increasing supply by additional imports. Protection against world market fluctuations has been provided at the same time.

In times of crisis, the measures taken have been more drastic. They have included import or export prohibitions, the withdrawal of part of the production from the market and even the reduction of the factors of production (e.g. by the slaughter of dairy cows). In some branches of production (e.g. fruit and vegetables) producers have been progressively involved in the market stabilisation through their own groups and associations. Higher productivity and the rigidity of consumption (graph 10) may, nevertheless, result in structural surpluses in some sectors. This is currently the case for dairy products and, to a lesser degree, for wine.

The gradual disappearance of frontiers between the Member States has also been a steadying factor in agricultural markets. Trade between the original Six quadrupled within 10 years and between the nine present members the trade in farm produce and foodstuffs is now equivalent to nearly two-thirds of their imports from the rest of the world (see above, graph 5). This trend is clear evidence of the extent to which agriculture is playing its part in the movement towards European integration.

Agricultural integration, however, has not been easy to achieve. Europe has no monetary union or common currency and this has made it especially difficult to safeguard the single market, which is one of the main principles of the common agricultural policy.

b) Agricultural policy: a victim of the currency crisis

When some Member States changed their currency parities, or the central exchange rate, it became necessary to set up a system which would override the effect of this on trade in agricultural produce, so as to avoid any distortion of competition. The CAP had brought common prices, Community financing of the price-support expenditure and structural improvements. There had, therefore, to be a common denominator for the currencies of the Six and later of the nine member countries. It was for this reason that the Community's unit of account was introduced in 1962. As a currency it was fictitious, but with its value defined by reference to a weight of 0.88867088 grammes of fine gold (which corresponded at that time to the parity of the American dollar as declared to the International Monetary Fund) it proved a useful monetary unit. This led to the unit of account being occasionally described as a "Green Dollar"—wrongly so, as is abundantly clear from the situation as it now exists, with the unit of account maintaining its former worth, while the dollar has been devalued [6].

Since each of the national currencies in the Community had a declared parity in the books of the IMF, it was possible for prices fixed in units of account to be converted, the earnings of each member assessed and collected and the expenditure refunded. The system was, however, put into a state of disorder by the successive changes in exchange rates occurring within the Community from 1969 onwards, particularly the devaluation of the French franc and the upward revaluation of the D-mark.

In theory, when any country revalues its money, the price of its farm produce expressed in its national currency—but fixed, of course, in the unchanged unit of account—should normally decrease to the same extent. By the same token, when the national currency is devalued, these same national prices should normally increase. This is in fact what happened both to France and later to Germany, when they made their first currency changes; but this could not happen again for obvious reasons. When the common prices are maintained in the national currencies without any adjustment at the frontiers, the exports from a country with depreciated money will be cheaper and may well disturb the economy of a country where the currency has remained stable, or has been revalued upwards. On the other hand, exports from a country which has revalued cannot be competitive in a country where the currency has depreciated.

[6] As of 15 March 1976, the value of the agricultural unit of account was DM 3.48084; or FF 5.5554; or Lit 950.000; or FL 3.4027; or BF/Flux 49.3486; £ 0.569606 (UK); or £ 0.589438 (Irish); or Dkr 7.57828.

In order to avoid distortion of competition in the farm sector as a result of monetary fluctuations, a system of "monetary compensatory amounts" was introduced. Its aim was to cancel out the effects of parity changes on the trade in agricultural produce which, if this had not been done, would inevitably have affected the common prices expressed in national currencies, putting them either up or down as the case might be.

A country with a depreciated currency grants these compensatory amounts on goods imported, and charges them on the goods it exports. For a country with an up-valued currency, the system is just the reverse. For countries with floating currencies which have moved outside the Community "snake" linking the stable currencies with one another, the compensatory amounts are not calculated seasonally for the marketing year, but are recalculated in principle every week, proportionally to the variation in the exchange rates and subject to a minimum movement of 1 per cent.

These compensatory amounts have enabled the agricultural common market to continue, despite the breakdown in price unity as expressed in national currencies, which is such a serious strain on the unity of the market itself. Unfortunately these amounts are an obstacle to the necessary structural adaptations in agriculture and generate administrative red tape which may, in the long run, have its impact on prices and trade. The stake is far from being negligible. It has, for example, been noted that since the beginning of 1974 the price discrepancy between Germany (the strongest currency) and Italy (the weakest) offset by the compensatory amount was bigger than the gap existing before there was any Common Market between the highest and the lowest price systems (Germany and France).

The cost of financing the monetary compensatory amounts was 406 million u.a. in 1975 against 138 million u.a. in the previous year and 140 million u.a. in 1973. To these must be added the "accession compensatory amounts" of 415 million u.a. in 1975[7].

These two "bills" represent 17.5 per cent of the total expenditure from the Guarantee Section of the EAGGF. In 1976, they will be still higher, and will probably have to be dealt with in a supplementary budget. Two of the currencies—the pound and the lira—have been continually depreciating, obliging the Commission to make repeated increases in the compensatory amounts. If the position continues as

[7] These amounts must not be confused with the monetary ones. Their purpose is to bridge the gaps between Community prices and the price for agricultural goods in the three new member countries of the Community during the transitional period following the enlargement of the Community.

it was at the beginning of 1976, some calculations put the total cost of compensatory action at 1,000 million u.a. or 20 per cent of the EAGGF budget.

c) Surpluses and food prices: realities more complex than had been thought

The lack of any joint monetary policy thus entails expenses which are an increasingly heavy burden on the EAGGF. The CAP is in no way responsible for this, but the tax-payer often throws the blame upon it, arguing that the destruction of surpluses is costing too much and that the CAP as a whole is enriching the big farmers without saving the little ones.

Yet the market support expenditure is equivalent to no more than 0.4 per cent of the Community's gross domestic product, 2.5 per cent of its expenditure on food or 5.6 per cent of the final product of its agriculture. All these are proportions which, despite many assertions to the contrary, are well within Europe's capacity. This is the price of independence in matters of food. It is scarcely necessary to recall that the policy of the United States, so often quoted as an example, costs 50 per cent more per worker than does the EEC common agricultural policy.

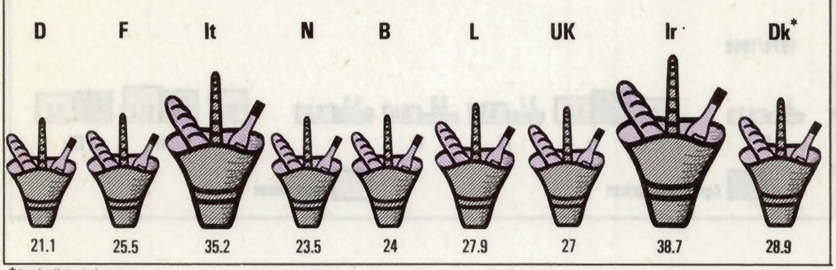
Special grounds for criticism—sometimes extremely harsh—have been found when surpluses are exported at a loss, such as the 200,000 tonnes of butter sold to the USSR in 1973 at the price of margarine, at a cost of 500 million u.a., one of the arguments being that, in such cases, the EEC consumer ought to be given the benefit. The surpluses, however, represent only 10 per cent of production and it has been found cheaper in the end to get rid of them by exporting them than to subsidise the entire production for the sake of inducing higher consumption in the EEC. Moreover, lower prices do not necessarily lead consumers to change their established food habits.

A line has, therefore, to be drawn between the surpluses which are structural and those which are due to transient circumstances. Any adequate policy has necessarily to absorb the former; but the latter are the inevitable cost of independence in food supplies, which means producing too much for fear of having too little. This is one of the fundamental differences between agriculture, with its dependence on biological factors, and industry, for which production plans can be laid in advance.

The fourth Treaty of Rome objective was guaranteed security of supply and this, too, has not been wholly secured. Though the Community has kept its promise in the case of some products, there are others for which it has not done so[8]. Thus, as regards the animal feedingstuffs (soya, fishmeal, maize) required for intensive breeding (pigmeat, eggs and poultry), the Common Market has increased its dependence on external supplies, now importing 80 per cent of its soya requirements and 50 per cent of its maize. Moreover, fully 60 per cent of these supplies come from a single country—the United States. This is not without its dangers, as was seen in 1973 when Washington banned soya exports.

The fifth objective of the Treaty of Rome was to ensure reasonable prices to the consumer. In this connection it has to be admitted that, though the prices of produce ex-farm are in general comparable as between one member country and another, there are differences in the prices at which processed food products are marketed. These prices include a large and growing proportion of costs quite independent of the prices paid to the farmer. Because of this, the influence of farm prices in the housewife's shopping basket is often overestimated. In fact, the proportion of the total consumer outlay represented by food is steadily decreasing. It differs from one country to another, but at present the Community average does not exceed 26 per cent (graph 11).

11. EXPENDITURE ON FOOD AND DRINK AS PERCENT OF TOTAL HOUSEHOLD CONSUMPTION
(1973)



* including tobacco

Thus, food prices must not be confused with farm prices. The latter, as everybody knows, are a continuous subject for criticism, especially in the Member States accustomed to buying cheap supplies, especially

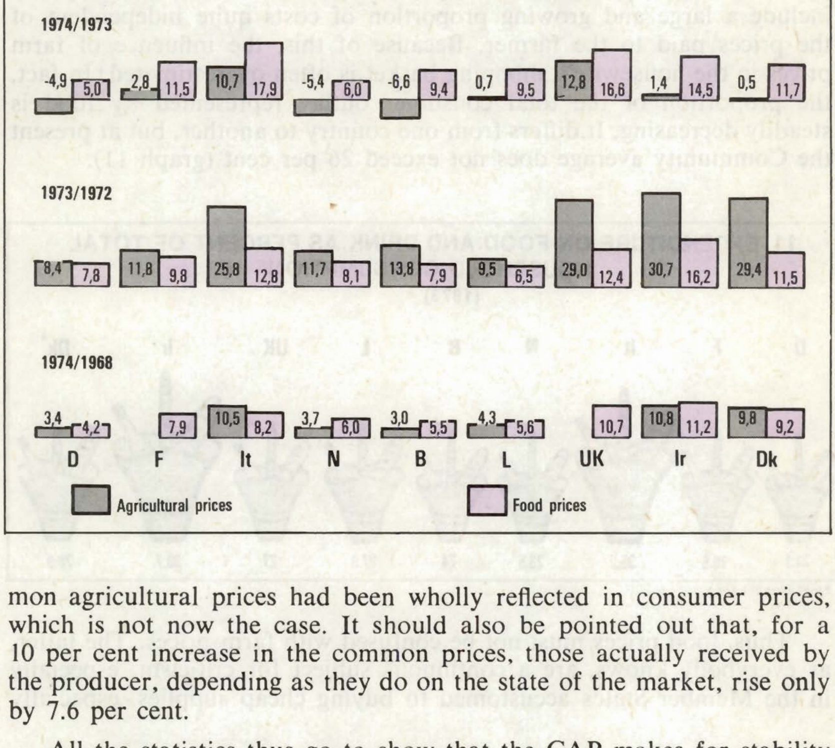
[8] *The degree of self-sufficiency in the nine-nation Community (1973-1974) was as follows:*

— Above 100 per cent: cheese: 107, wheat, barley and poultry-meat: 103.
— 100 per cent self-sufficient: potatoes, milk, eggs, beef and veal, pigmeat.
— Below 100 per cent: all meat: 98; fresh vegetables and butter: 93 (for six-nation Europe the figure was 116); all cereals and sugar: 91; rice: 90; fresh fruit: 80; mutton and lamb: 67; maize: 59; citrus fruit: 42.

from developing countries. Now that the chance of doing this is dwindling, some of the agricultural prices in these countries have risen more sharply than food prices; but apart from these exceptions, agricultural prices have been showing smaller rises than those of food products (graphs 12 and 13).

Thus, if there should be a rise of 10 per cent in the common agricultural prices, the impact on total household consumption expenditure would vary from country to country, but would not be more than 0.6 or 0.7 per cent. Even this would presuppose that the rise in the com-

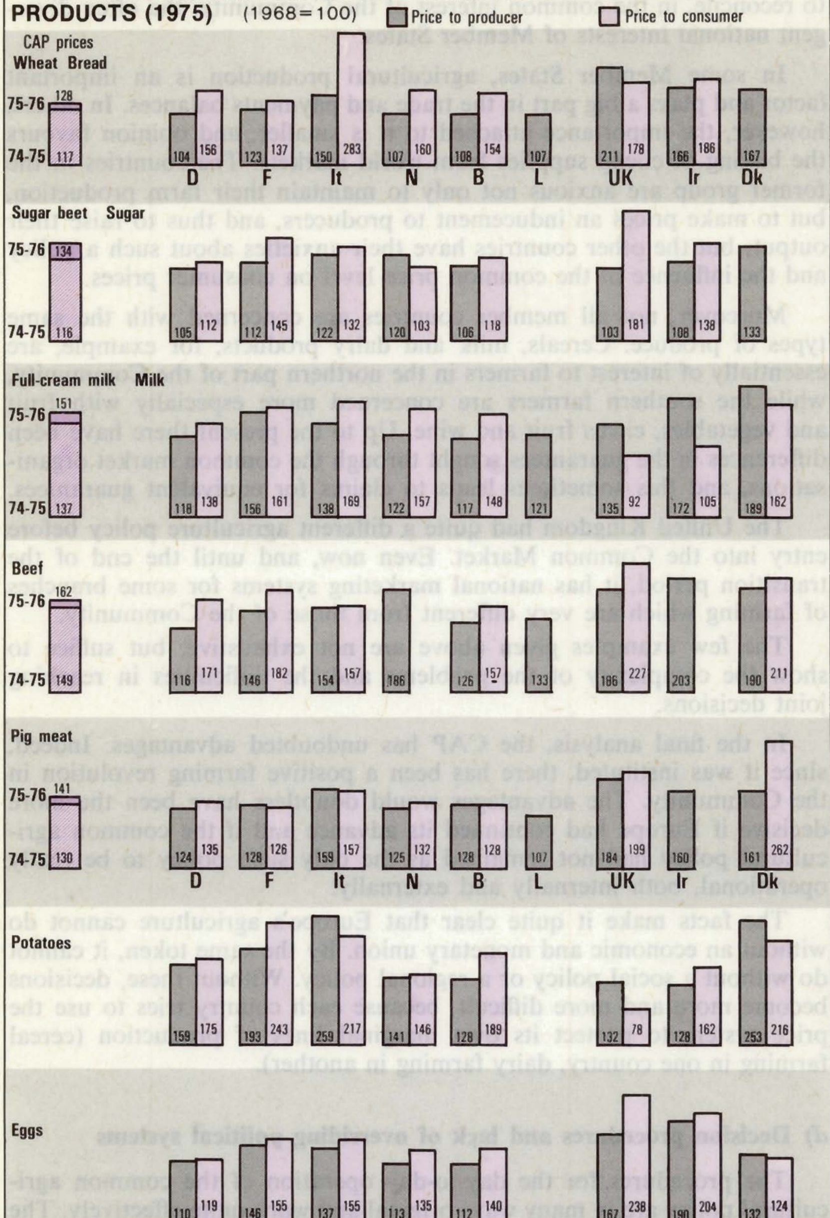
12. AGRICULTURAL PRICES AND FOOD PRICES
PERCENTAGE CHANGE EACH YEAR



mon agricultural prices had been wholly reflected in consumer prices, which is not now the case. It should also be pointed out that, for a 10 per cent increase in the common prices, those actually received by the producer, depending as they do on the state of the market, rise only by 7.6 per cent.

All the statistics thus go to show that the CAP makes for stability rather that inflation. This was abundantly demonstrated in 1974 at the time of the runaway rise in world prices. In the six-nation European Community the upward movement in food prices was only 10.4 per cent, whereas the corresponding figure was 14.6 per cent in the United States and as much as 29 per cent in Japan.

13. PRICE INDICES FOR CERTAIN AGRICULTURAL AND FOOD PRODUCTS (1975) (1968=100)



The common agricultural policy must of course be so operated as to reconcile, in the common interest of the Community, the often divergent national interests of Member States.

In some Member States, agricultural production is an important factor and plays a big part in the trade and payments balances. In others, however, the importance attached to it is smaller, and opinion favours the buying of cheap supplies from world markets. The countries in the former group are anxious not only to maintain their farm production, but to make prices an inducement to producers, and thus to raise their output; but the other countries have their anxieties about such a policy and the influence of the common price level on consumer prices.

Moreover, not all member countries are concerned with the same types of produce. Cereals, milk and dairy products, for example, are essentially of interest to farmers in the northern part of the Community, while the southern farmers are concerned more especially with fruit and vegetables, citrus fruit and wine. Up to the present there have been differences in the guarantees sought through the common market organisations, and this sometimes leads to claims for equivalent guarantees.

The United Kingdom had quite a different agriculture policy before entry into the Common Market. Even now, and until the end of the transition period, it has national marketing systems for some branches of farming which are very different from those of the Community.

The few examples given above are not exhaustive, but suffice to show the complexity of the problems and the difficulties in reaching joint decisions.

In the final analysis, the CAP has undoubted advantages. Indeed, since it was instituted, there has been a positive farming revolution in the Community. The advantages would doubtless have been the more decisive if Europe had continued its advance and if the common agricultural policy had not remained as the only such policy to be really operational, both internally and externally.

The facts make it quite clear that Europe's agriculture cannot do without an economic and monetary union. By the same token, it cannot do without a social policy or a regional policy. Without these, decisions become more and more difficult, because each country tries to use the price system to protect its own marginal lines of production (cereal farming in one country, dairy farming in another).

d) Decision procedures and lack of overriding political systems

The procedures for the day-to-day operation of the common agricultural policy are in many ways original and work quite effectively. The various market organisations each have their own management committees, on which the EEC Member States cooperate closely with the Commission.

The Commission appoints the chairman of each management committee, the meetings of which are held as and when necessary. It is the Commission which calls the meetings, though this may be done at the request of one or more Member States. National delegations are usually made up of a national official from the appropriate department, vested with the necessary powers, or his deputy, assisted by officials from other departments. Proposals are studied by the committees which submit Opinions. These are adopted by qualified majority, with the voting weighted on the same system as in the Council of Ministers, a majority requiring 41 votes out of a total of 58. Opinions cannot therefore be given without the assent of at least five Member States. If an Opinion is negative—which has occurred only very rarely among the 7,000 draft measures so far submitted—the Commission informs the Council of Ministers of the measures it has adopted. It may then bring them into immediate effect, or it may suspend their entry into force for not more than a month, during which time the Council may make a different decision.

This procedure is peculiar to the European agricultural policy which, when it comes to political decisions, is subject to the procedures applying to all other aspects of European legislation. These are:

— Proposals by the *Commission,* a collegiate body consisting of 13 members appointed for four years by common consent of the EEC Member Governments, but required to act in full independence of their governments and of the Council of Ministers. The Commission is the guardian of the Treaty, the executive organ of the Community, the initiator of Community policy and the voice of the Community interest.

— Consultation of the *Parliament,* which at present consists of 198 members appointed by the national parliaments from their own members. The European Parliament permanently supervises the work of the Commission, which is politically responsible to the Parliament only. The Parliament has power to pass a vote of censure and thus force the resignation of the Commission.

— *Opinion of the Economic and Social Committee,* which is a consultative organ, consisting of representatives of the different socio-professional interests. A large number of decisions require consultation of this Committee before they may be brought into effect.

— Discussions and decisions by the *Council,* which consists of representatives of the nine Member Governments. When the Council receives from the Commission either a general memorandum or a definite proposal, it entrusts the preparation of its discussion to a special committee of senior civil servants, or to a standing working party. The work of these groups and committees is coordinated by the Committee of Permanent Representatives, who act as deputies for the ministers. As regards the agricultural policy, this task falls to the Special Committee on Agriculture (SCA).

The dialogue between Commission and Council may lead to legal acts of various types. *Regulations* are obligatory in all their aspects, are directly applicable in all the Member States and have force of law. *Decisions* are applicable either to the Member States or to firms or individuals therein. Their character is that of an administrative act, and they are accordingly binding on the persons or bodies to whom they apply. *Directives* are addressed to one or more Member States and are "outline-laws", defining objectives to be attained, but not requiring the person or government to which they apply to adopt any specific course for their attainment. In addition, the Council and the Commission may formulate *recommendations* or *opinions* which do not impose any legal obligation on the Member States.

The Community structures are original but in the present state of European integration, political support is still not strong enough for the optimum sorting out of the strains and counter-strains, which, as is usually admitted, are an obstacle to Community development. It is true enough that the agriculture ministers find it necessary to continue their negotiations through long marathon sessions, which are sometimes dramatic and have become one of the traditions of Europe; but this is often due to the absence of any framework for political decision, and the lack of the necessary political will.

It is thus not surprising that the CAP, symbol though it be of European integration, should have passed through a number of crises since it was instituted in 1962. There have been moments of exceptional gravity, such as that which arose in the very early morning of 1 July 1965, on the occasion of the marathon session on finance policy, when France—which wanted to replace the majority voting rule by the unanimity requirement, and did not accept the strengthening of the powers of the Parliament—precipitated the so-called "empty chair" crisis by boycotting Council meetings. Nevertheless, the common agricultural policy has gradually replaced and superceded the organisations which existed in the Member States before the Treaty of Rome.

Up to 1969, the background was prosperous and stable, and by virtue of this the policy was able to develop. Since then, however, the atmosphere has become less positive, as has been seen since 1971 in the general application of the compensatory amounts system following the currency crisis. This crisis, indeed, still prevails, and the fixing of the agricultural prices is becoming more and more difficult.

There are other persistent obstacles, such as those relating to public health and veterinary practice and yet others which have come to the surface through changes in comparative production costs, attributable to national economic policies in each Member State and resulting in distortions of competition. Over the 1973-1975 period costs in Germany rose by 26.7 per cent, in France by 40.5 per cent, in Italy by 54.5 per cent and in the United Kingdom by 73.2 per cent. The distortions thus arising have led most countries to grant some form of income subsidy to farmers. This will necessitate more stringent measures by the Community to prevent the distortions growing still worse.

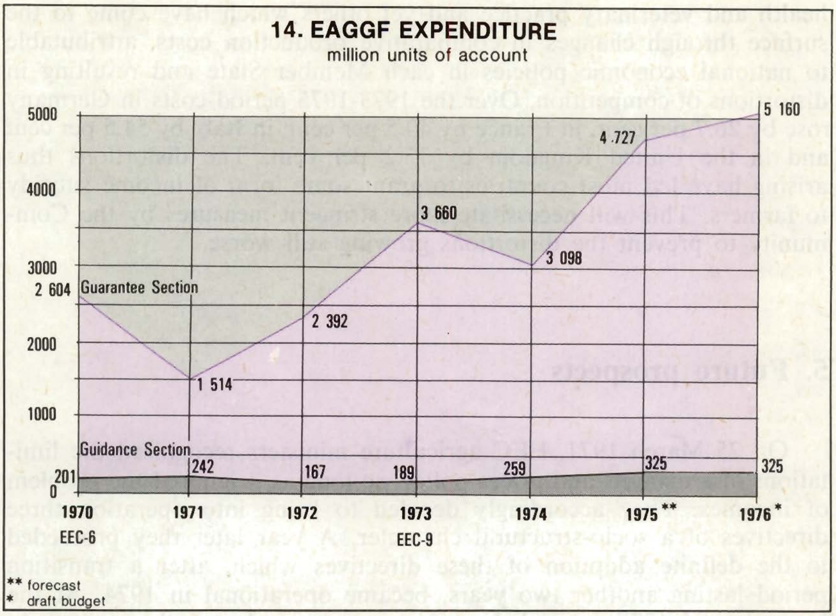
5. Future prospects

On 25 March 1971, EEC agriculture ministers recognised the limitations of a markets and prices policy, so long as it ignored the problem of incomes. They accordingly decided to bring into operation three directives of a socio-structural character. A year later they proceeded to the definite adoption of these directives which, after a transition period lasting another two years, became operational in 1974. At the beginning of 1976, nevertheless, some countries had still not brought them into effect.

The Guidance Section of the EAGGF reimburses to the Member States 25 per cent of their expenditure on development plans for the modernisation of farms. In the poorer regions, 65 per cent of public expenditure to cover the cessation of agricultural activities is taken over by the EAGGF. This is a fundamental amendment to the structural policy followed in the past, and marks the end of the "pepperpot" policy, under which a large part of the available funds remained blocked for lack of decisions by the Member States.

As regards the release of farmland, there is provision for a flat rate premium based on the area made available. An annual indemnity is to be paid to farmers, their family helpers and wage-earning workers in the 55-65 age group. There is also provision for vocational training schemes for farmers remaining on the land or desiring to take up some other activity. Other aids are intended for the poorer regions and for environmental protection.

As soon as the first results of this new policy are known, it is the intention of the Commission to make such improvements as seem desirable. Though the EAGGF has hitherto been used mainly for supporting markets (graph 14 and annex A) the future course of things should be different. There should be an increase in the Guidance Section's expenditure on structural improvements, which took only 10.4 per



cent of the total Fund commitments in 1965-1974. This should induce the Member States themselves to do more for the same purpose. Here again, however, political will is needed.

In November 1973, the Commission sent a further memorandum to the Council of Ministers to push its structural measures a stage further. Its aims were to bring the common agricultural policy up-to-date by strengthening and improving it in the light of 10 years' experience. For this purpose, the following lines of action are proposed:

1. Improving the relationship between the prices of the various agricultural products. This implies that the annual price fixing should make more allowance for the need to provide up-to-date farmers with incomes comparable with non-agricultural earnings, and also to keep supply in line with demand.

2. Closer association of producers with market management. The aim is to make the farmers bear part of the cost arising from the surpluses, such as the financing of campaigns to promote the products concerned.

3. Putting a higher degree of flexibility into the market organisation machinery. This is a matter of simplifying some of the regulations and

making the measures taken more effective by providing stricter supervision and eliminating irregularity and fraud [9].

In March 1974, the Council of Ministers agreed to some of the measures, especially those relating to cereals, meat, sugar and milk products, though in the latter case without any decision to tax the surpluses. It also laid the foundations of a Community protein policy designed to improve the poor EEC protein supply capacity.

The conclusion from the above is simple enough. The common agricultural policy is the victim of the delay in laying down European policies on economic, monetary, social, regional and other matters. This cannot be allowed to continue. It is necessary to improve the Community decision-making processes and go ahead with the attempt to set up a European union. Only thus can the agricultural policy live up to its promises.

[9] Of the 176 cases concerned with market support (Guarantee Section) reported over the 1970-1974 period, and relating to a value of 15 million u.a., 89 have already been put right, and rectification is in progress for the other 87. Most of these frauds were in the cereal and dairy products sectors; but more recently operators have been turning their attention to beef and veal. In the Guidance Section of the Fund, 185 cases were reported in the 1971-1974 period, relating to 500,000 u.a.; 99 of these have already been put right. Almost all this group of frauds were connected with the premiums payable in the milk sector.

Appendices

A. The European Agricultural Guidance and Guarantee Fund

Under the heading *Guarantee Section*, expenditure for 1975 was nearly 4,700 million units of account. About 60 per cent of this money went to three specific sectors: dairy products (1,200 million u.a., or nearly 25 per cent); beef and veal (980 million u.a., or nearly 21 per cent); and cereals (621 million u.a., or about 13 per cent).

The feature of the year was that the expenditure connected with sugar was almost three times that of 1974, amounting to 309 million u.a. (against 109 million u.a.). The increase was not due to market support, but to defence of the consumer. This necessitated the purchase, at a cost of 180 million u.a., of sugar for the UK market at the time of the world price flare-up.

Out of the total expenditure, the proportion taken by price compensatory aid was 43 per cent, while export refunds accounted for 22 per cent. The remaining 35 per cent was principally used for storage of the beef surplus (438 million u.a.), the payment of the accession compensatory amounts (415 million u.a.) and the monetary compensatory amounts (406 million u.a.).

Of the 325 million u.a. made available for the Guidance Section in 1975, 212.6 million u.a. was applied to financing 692 projects for improving agricultural production and marketing structures; a further 49.9 million u.a. for aid to producers' groups, slaughter premiums for dairy cows and the grubbing up of various fruit trees. As an exceptional arrangement, the remaining 62.5 million u.a. were paid over to the Guarantee Section.

Over the 10-year period 1964-1974, nearly 4,800 projects were financed by the EAGGF, involving a total of about 1,300 million u.a. The greater part of these (nearly 340 million u.a.) were for land improvements and water management (irrigation, drainage, etc.). Next in importance came the milk, meat and wine sectors, which accounted altogether for 310 million u.a. Over the 10 years concerned, the chief beneficiary country was Italy, for which 400 million u.a. were provided for some 1,800 operations. Next came Germany (330 million u.a. for 1,000 projects) and then France (264 million u.a. for 800 operations).

In 1975 the EAGGF had to cover about 34 per cent of the total national and Community expenditure in favour of agriculture. This compares with 29 per cent in 1974, the amount disbursed having risen from 3,300 to 4,900 million u.a., including the supplementary budget voted at the end of the year (graph 14). The total expenditure under the relevant heads in 1975 was 14,300 million u.a., so that the Member States of the EEC themselves financed 9,400 million u.a., of which 7,600 million u.a. were for expenditure under the structural and social headings.

Since 1975 the financing of both the Guarantee and the Guidance Sections of the EAGGF has been charged in its entirety to the Budget of the European Communities. The receipts into this budget are derived from customs duties, agricultural levies and a charge on sugar, accounting for 66 per cent of the total, while 33 per cent consists of contributions assessed on the nine Member States.

B. European prices: abstract glossary

Target price. — Price which ought to be paid to the producer under the common market organisation. The products concerned are cereals, sugar, milk, olive oil, colza and sunflower seed.

Guide price. — Is similar to the target price but concerns beef, veal and wine.

Norm price. — Same as above in the case of tobacco.

Threshold price. — A price calculated so that the imported product (including transport costs) can be sold at the target price. The difference between the world price and the threshold price is covered by a levy. The products concerned are cereals, sugar, dairy products and olive oil.

Sluice-gate price. — Corresponds with the cost price of pigmeat, eggs and poultry produced in the non-member countries with the highest technical efficiency. An additional amount is added to the levies on products sold below this cost price, so as to prevent products entering the Community at prices below the sum of the sluice-gate price and the levy (level of protection).

Reference price. — The price determined by reference to prices paid to producers in the Community and comparable, to some extent, to the sluice-gate price. It is the minimum price at which a product may be imported from any non-member country. If the reference price is not respected, an equivalent charge is levied. The products concerned are fruit and vegetables, wine and certain fishery products.

Intervention price. — The prices at which the intervention agencies are obliged to buy products offered to them. The products concerned are cereals, sugar, butter, powdered milk, certain Italian cheeses, olive oil, colza, sunflower seed, beef and veal, pigmeat and tobacco.

Basic price. — Corresponds to the guide or target price in the case of pigmeat, in the sense that it is used to determine the level which triggers measures of market intervention.

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