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REPORT ON AIDS IN AGRICULTURE

The Commission has just submitted to the Council a report on aids in agriculture. On June 29, 1962 the Council agreed to the Commission's proposal that it should draw up a complete list of State aids or aids granted from public funds in the agricultural field, whatever their form.

The scope of this report, however, is more limited, since it does not cover measures liable to distort competition where these do not form part of agricultural policy. These include measures coming under the transport policy (see Articles 79 and 80 of the EEC Treaty), tax harmonization (Articles 95 et seq) and the rules of competition applying to enterprises (Articles 85 et seq). Nevertheless, the Commission will give priority to examining these problems in so far as they have any effect on competition in agriculture.

Refunds and intervention explicitly provided for in the agricultural regulations are also excluded. The report on the first year's operation of these regulations, however, deals fully with the effect of these refunds and intervention on competition among the member countries.

Aid currently granted to exports outside the Community will be examined by the Commission either as part of the common agricultural policy or as part of the action programme on the common commercial policy.

Lastly, the Commission has not included in its report lists that are still to be completed or clarified. Among these are the lists of aids for pork cuts, sugar and fats, tobacco, flax and hemp, and the list covering a number of general aids.

Only certain of the regional aids are included, since on these full information has not yet been supplied.

Regulation No. 26 provides for the application of certain rules of competition to the production of and trade in agricultural produce. Consequently the Commission, acting in conjunction with the Member States, keeps existing systems of aid under constant examination in connection with all the agricultural products listed in Annex II to the Treaty. The Commission is also informed, in sufficient time for it to present its comments, of any plans to institute or modify aids. It proposes any appropriate measures required by the gradual development or operation of the Common Market to the Member States.

In connection with products for which the market is subject to a common organization - cereals, pigmeat, eggs and poultry, fruit and vegetables - Articles 92 to 94 of the Treaty apply wholly or (in the case of cereals) in part. These Articles specify what aids are

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incompatible with the Common Market and lay down a special procedure for dealing with them.

Aids for dairy produce, beef and veal, sugar, rice and fats - regulations for which should be brought into operation shortly - constitute a second category.

A third category comprises aids for agricultural products other than those mentioned above, together with aids of a general type.

The following aids are granted in the cereals sector:

- France: a subsidy for durum seed; a consumer subsidy for Guadeloupe, Martinique and Réunion;
- Belgium: a quality bonus for malting barley;
- Netherlands: a subsidy for those growing cereals on light soils;
- Germany: subsidies for the transport of cereals.

All these aids have been examined in the Cereals Management Committee. The Commission has decided that the aid granted to malting barley is incompatible with the Common Market and has proposed (under Article 93(1) of the Treaty) that the Belgian Government abolish it as soon as possible. Apart from this, no aids at present granted in the cereals sector are incompatible with the Common Market.

The following aids are granted in the case of products which have undergone their first processing:

- Netherlands: a subsidy to poultry breeders who leave the business;
- France: a subsidy for imports of live pigs and pigmeat into Réunion.

After examining these aids, the report concludes that there are no direct aids distorting or threatening to distort competition among the Member States with respect to trade in live pigs, carcasses and halves, eggs and poultry. However, the data on pork cuts have not yet been examined.

In the fruit and vegetables sector there are the following aids:

- France: refunds of up to 50% of transport costs for various products; aids to exporters and processors who have signed agreements on certain products with the FORMA;
- aids to exports of tinned mushrooms;
- financial aid on structural measures;
- social aids;
- refunds of up to 50% of transport costs for pears and artichokes for canning;

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intervention limited to the institution of an inter-sector levy with an effect similar to that of a tax.

Belgium: aids for exports of hothouse grapes.

Italy: regional aids (in Sardinia and the Val d'Aosta).

The Commission has already begun to suppress some of the aids listed above. It has requested France to abolish the partial reimbursement of real transport costs to the French frontier on cauliflowers, carrots, melons, peaches, plums, summer pears and dessert grapes, where these are being exported to other Member States. The payment of allowances to producers of dessert grapes, peaches and pears, who have taken part in associations' schemes to restore the balance of markets is regarded as incompatible with the Common Market, where the sole purpose is to improve the general competitive situation of the French producers.

In addition to these aids that are incompatible with the Common Market, there are others in the fruit and vegetables sector which have already been examined in the Management Committee concerned but on which the Commission has not yet come to a decision. These are the aid to grapes in Belgium, and the compensation arrangements connected with export contracts and the inter-sector levy in France. The Commission has not opposed the implementation of other aids in this sector, though it reserves the right to examine them later in a more general context. However, aids in respect of tinned goods and mushrooms in France and certain regional aids in Sardinia and Trentino-Alto Adige are still being examined by the Commission's staff.

The lists of aids for dairy produce, beef and veal and rice are considered clear and precise and are appended to the report.

The Commission has found that the following aids are those which should be examined most urgently:

- For dairy produce: export subsidies (France, Belgium and the Netherlands);
subsidies for skimmed powdered milk (France and the Netherlands);
aids to production (Germany, Belgium and the Netherlands);
- For beef and veal: export subsidies (France, Belgium and the Netherlands);
intervention on the home market (Belgium, the Netherlands and Germany);
- For rice: aids for stocking (Italy);
aids for exports (France).

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Furthermore, if the Council agrees to apply the provisions of Articles 92 to 94 as part of the regulations, most of these aids will disappear or will be replaced by measures laid down in these regulations.

The list of those aids in respect of agricultural products which do not belong to either the first or the second category has not yet been submitted to the Council, since they have not yet been examined with a view to completion and clarification.

Once work on products in the second category has been completed, the Commission intends to examine, with the assistance of the Member States, the aids granted in respect of these products.

The Commission has already examined two aids granted by the French Government - one for the refund of transport costs for early potatoes, the other for a collecting and marketing bonus for growers of potatoes for canning. Potatoes are not included among the products covered by Regulation No. 23 (fruit and vegetables), so in this case the Commission can only make recommendations to Governments. The Commission in fact recommended to the French Government that it should not introduce aid for potatoes for canning, since in the Commission's view this would distort competition and would adversely affect trade between the Member States. The Commission is of the same opinion on aid granted for early potatoes, but it made no proposal on this matter since the marketing season was already well advanced.

The Commission has also examined general aids influencing the production of cereals, pork, eggs and poultry, fruit and vegetables. Of the indirect aids included in the list of the third category, the Commission has examined:

- a) aids in the form of financing and credit facilities, and
- b) aids for the construction or improvement of production and processing plant, warehouses, etc.

These aids are granted under various forms: subsidies, loans, interest subsidies and guarantees. This variety of types of aid makes it very difficult, if not impossible, to reduce their effects to a common denominator. Moreover, they are not evenly distributed among the Member States, regions or, for that matter, sectors.

The Commission has found that certain elements of the differences observed may contribute to distorting competition in the medium or long term. For the present, however, these differences have no real influence on the competitive position of the Member States for products in the first category. The Commission has not yet assessed the general scope of these aids, which make themselves felt only after a certain time has elapsed.

The report lists steps taken by the Commission on a number of aids of the third category submitted for examination by certain Member States. By and large these steps call for no special comment at the

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moment, but the Commission reserves the right to revert to them later.

Other aids of a general nature are not dealt with in the report because the list already submitted to the Member States has not been examined with a view to completion and clarification. The aids with a more direct influence on production seem to be those granted for:

- a) agricultural mechanization, and
- b) fuel and fertilizers.

As soon as work on products in the third category has been completed, the Commission intends to seek the assistance of the Member States in examining them.