EUROPEAN ECONOMIC COMMUNITY
COMMISSION

PROPOSALS FOR THE WORKING—OUT AND PUTTING INTO EFFECT OF THE COMMON AGRICULTURAL POLICY IN APPLICATION OF ARTICLE 43 OF THE TREATY ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY

Brussels, June 30 1960

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PART I

The situation of agriculture and the agricultural policies followed in the Member States of the European Economic Community

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CHAPTER I

THE GENERAL SITUATION OF AGRICULTURE IN THE MEMBER STATES OF THE EEC

1. At a time when the application of the Treaty of Rome is beginning to crystallise, the situation of agriculture in the EEC countries is dominated by two facts: the precarious balance between production and outlets for a certain number of products and the lag in farm incomes compared with those earned by other sections of the population.

The Treaty and the work done at the Stresa Conference reflect these two basic aspects.

The situation and salient features of agriculture in the Community will be analyzed from these two angles.

A. SITUATION AND TREND OF PRODUCTION AND OF CONSUMPTION

a) Production

2. The breakdown of the gross value of agricultural production varies in the six EEC countries. In Italy, crop farming represents about two-thirds of the gross value of the total agricultural production. In the other Community countries, the value of animal production is much higher than that of crop output and the bulk of the farmer's income is derived from cattle-raising.

Table 1: Breakdown of the gross value of agricultural production (1)
(1958 or 1958/59)

in %

	Germany (F.R.)	France	Italy	Belgium	Luxemb. (1a)	Nether-lands
Wheat	4.0	6.5	17.1	6.6	10.5	2.0
Other cereals (2)	4.5	1.6	3.7	2.3	1.1	2.8
Total cereals	8.5	8.1	20.8	8.9	11.6	4.8
Sugar beet	3.9	2.0	1.9	4.1	-	4.0
Fruit	5.9	11.6(4)	11.1	3.7	-	3.5
Vegetables	2.4		9.3	10.9	-	7.0
Wine	1.8	13.0	12.8	0	6.9	-
Potatoes	5.2	3.4	2.2	5.0	3.3	5.4
Other vegetable products	1.2	2.1	8.0	5.0	-	9.0
Total crop production	28.9	40.2	66.1	37.6	22.6(6)	33.7
Horned cattle (3)	16.1	15.6	8.7	15.6	16.0(6)	14.0
Pigs (3)	24.0	11.1	4.3	12.2	22.8	14.2
Poultry (3)	1.3	6.3(5)	3.0(5)	3.1	-	2.6
Eggs	5.4	4.3	5.1	8.8	5.9	10.4
Milk and dairy produce	24.0	19.3	11.5	22.1	33.8	23.7
Other livestock products	0.3	3.2	1.3	0.6	0.2	1.4
Total livestock products	71.1	59.8	33.9	62.4	77.8(6)	66.3
TOTAL AGRICULTURAL PRODUCTION	100.0	100.0	100.0	100.0	100.0	100.0

(1) Value of sales and of products consumed on the farm
(1a) 1957/58
(2) Incl. rice
(3) Incl. variations in livestock population in Germany, Belgium and the Netherlands
(4) Incl. dried leguminous vegetables
(5) Incl. rabbits
(6) Incl. products not specified

3. The agricultural production of the Member States shows a considerable expansion on the pre-war period. In 1957/58 the overall increase was of the order of 28%.

This trend is illustrated by graph 1.

Graph 1: Development of agricultural production in the EEC

4. Crop production has developed differently from one item to another.

In 1959, production of wheat was 38% above its pre-war level and that of maize 71%. Barley production is three times greater than before the war and output of sugar has practically doubled. In other sectors, which experience greater difficulty in finding outlets, production has stagnated (rye) or even declined (oats, dried vegetables, hemp).

5. The increase in crop production has been accompanied by a slight decline in the area under cultivation, the agricultural area available in the Community being now about 2% less than before the war. Over the same period the figure for the working agricultural population has dropped by 20%. This shows that the increase in plant production is due almost entirely to higher yields per hectare, which in turn must be attributed to the technical progress accomplished in recent years.

Table 2: Yield per hectare of certain crops in EEC countries

(quintals/hectare)

	Pre-war	1954/59 Average		
	Average for EEC countries	Average for EEC countries	National averages	
			Max.	Min.
Wheat	16.2	22.0	38.1	18.1
Barley	18.6	24.4	37.4	12.2
Potatoes	140.9	181.1	254.4	89.1
Sugar beet	289.6	326.7	401.7	292.0

6. Technical progress in agriculture finds expression in different ways. Some particularly striking examples may be quoted.

The number of farm tractors in the EEC countries rose from 107,000 before the war to 190,000 in 1947 and more than 1,600,000 in 1958. It thus increased eightfold between 1947 and 1958. In the course of these eleven years, the number of draught animals (horses, mules, donkeys) fell from 6.5 to 4.7 million, or about 25%. It is thus clear that the overall traction potential at the disposal of agriculture has grown considerably.

The use of chemical fertilisers, which was already on a large scale in certain countries before the war, is at present increasing in all Member States, as may be seen from graph 2.

Graph 2: Quantities of fertilizer used per hectare of agricultural land in the EEC countries

Greater use of selected seeds and plants and the introduction of new, more productive varieties have had a beneficial influence on yields, while the extension of the use of pesticides has made possible better protection of crops.

7. The share of the products of animal husbandry in overall output is predominant. The increase registered up to 1957 on the pre-war level was 34% more, therefore, than that for crop production.

Several factors have contributed to this increase.

The growth in numbers of cattle and pigs in 1959 compared with pre-1939 is considerable. The horned cattle population has risen from 39.8 million to 46.4 million or 17%, the pig population from 26.2 million to 31.5 million (20%) and the poultry population from 266 million to 312 million (18%). On the other hand the number of horses, sheep and goats has decreased. All in all, the animal population expressed in livestock units has increased by about 5% and its density per 100 hectares of cultivated agricultural land by about 6%.

In addition, noteworthy improvements have been achieved in yields (see Table 3).

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Table 3: Yields from livestock

	Kg. of milk per cow				Number of eggs per laying hen			
	Pre-war	1956/57	1957/58	1958/59	Pre-war	1956/57	1957/58	1958/59
Germany (F.R.)	2,480	2,996	3,169	3,293	108	131	134	137
France	1,854	2,200	2,234 (1)	2,273 (1)	93	106	106	108 (1)
Italy	1,580	1,970	2,038	2,074	85	88	89	89
Belgium	3,190	3,759 (2)	3,811 (3)	3,760 (4)	120	168	170	177
Luxembourg	2,678	3,300 (2)	3,300 (3)	3,200 (4)	121	122	122	122
Netherlands	3,480	3,950	4,135	4,106	150	197	200	205

(1) Provisional figures
(2) 1956
(3) 1957
(4) 1958

8. More intensive cultivation of fodder crops, improved and rationalised cattle-feeding and the use of better breeding-stock have also contributed to this upswing in livestock production. Animal feed now absorbs much larger quantities of cereals and concentrates than before the war, but the share of home production in the Community countries in this sector is not, broadly speaking, lower than it was then.

9. This rapid outline of the situation and trend of production in EEC as a whole should not, however, cause us to forget that between the various countries there are numerous and considerable gaps as regards the intensity of agriculture. The natural conditions of production (nature of

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soil, altitude, temperature, amount of water available, etc.) result in such substantial differences that they are in themselves sufficient to account in large measure for the gaps. Other factors, such as the historical and economic development of the various countries, have also exerted an influence.

The disparities in the intensity of farming prompt the assumption that there are still unused production reserves in certain regions of the EEC. This supposition is confirmed by the fact that many farms in the Member States do not yet make the maximum economic use of chemical fertilisers.

b) Consumption of foodstuffs

10. The advance in agricultural production is being accompanied by increased consumption of foodstuffs. Whereas the increase in the average food production during the two years 1956/57 and 1957/58 was 31% over the pre-war period, the increase in the total availabilities of foodstuffs amounted to 30%.

This development is the result of two basic trends: on the one hand, the sharp increase in population and on the other, the changing pattern of consumption per head.

On 1 January 1959 the population of the Member countries of the EEC was over 168.9 million, an increase of nearly 20.2% in relation to the pre-war figure. The annual rate of increase has been around 0.8% during recent years.

The trend of consumption per head is mainly determined by the following factors: income per head of the population, the portion which the individual is prepared to spend on food when this income is increasing (elasticity of demand in relation to income), prices of foodstuffs (elasticity in relation to prices) and changes in eating habits.

This trend of consumption per head is illustrated by graph 3.

Graph 3: Trend of food consumption per inhabitant in the EEC countries

Per caput consumption of cereals, potatoes and dried leguminous vegetables is falling, while that of sugar and fats, and even more of fruit and vegetables and of livestock products is increasing. It is precisely for these latter groups of products that elasticity of demand in relation to income is the highest. During recent years, the number of calories in the daily ration has hardly changed from that of pre-war days, but the proportion of cereals and potatoes has dropped from 54% to 46%. Similarly, the quantity of proteins consumed per inhabitant had scarcely altered, but the share of proteins of animal origin has risen from 41% to 46% in comparison with the pre-war period. The quantity of fats contained in the individual's daily food intake has risen from 88 to 102 grammes, i.e. by 16%.

c) Balance between production and consumption

11. Because of the rather divergent trends of agricultural production and consumption, the share of EEC agriculture in overall food supplies has changed.

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Table 4: Share of EEC agricultural production in overall food supplies (in % of availabilities)

	Pre-war	1954/55	1955/56	1956/57	1957/58	1958/59 (1)	Average 1954/55-1958/59
A. Bread grains (excl. rice)	86	89.5	95.3	81.0	94.5	93.8	90.9
Coarse grains	77	78.8	76.7	85.0	75.5	74.1	78.2
Total grains (excl. rice)	81	84.9	87.0	83.0	85.9	84.7	85.1
Rice	44	88.0	110.8	79.3	84.6	95.9	91.5
Potatoes	98	105.0	101.5	102.3	100.6	99.6	101.8
Sugar	75	107.5	109.0	88.7	95.0	107.0	101.3
Vegetables	102	101.6	101.6	102.6	104.3	106.3	103.3
Fruit and nuts	89	88.8	87.2	89.1	78.8	89.6	87.1
Beef and veal	96	93.4	96.0	91.2	92.2	91.6	93.8
Pigmeat	96	101.3	103.7	102.6	101.3	100.8	101.9
Total meat	96	98.9	99.0	96.6	96.0	95.4	97.1
Eggs	101	93.3	91.3	90.3	88.1	89.1	90.8
Cheese	105	100.3	100.7	99.5	100.0	98.9	99.9
Butter	104	101.5	99.7	97.3	102.8	98.9	100.1
B. Other fats and oils	41	38.7	40.5	37.1	45.0	39.8	40.3
C. Tobacco							51.3 (2)
Coffee, tea, cocoa, spices							-
Total foodstuffs (6)	85		88(3)		86(4)		87(5)

(1) Provisional figures - (2) Average 1954/56 - (3) Average 1953/54 - 1955/56 -
(4) Average 1956/57 - 1957/58 - (5) Average 1953/54 - 1957/58 - (6) Excl. tobacco, coffee, tea, cocoa, spices

In all, agricultural production in the EEC member countries covers 87% of requirements. With the exception of a few products, such as coarse grains, tropical fruits and fats and oils, the Community's production is almost up to or is actually above the level of its needs.

Taking foodstuffs as a whole, the EEC countries cover from their own production a part of their needs which is only very slightly greater than that covered before the war. If, however, each group of products is considered separately, fundamental changes become apparent. As regards the trend of the degree of self-sufficiency, two groups stand out among the most important products. On the one hand, there are the products whose output has increased more rapidly than overall consumption. These include cereals, sugar, potatoes and pigmeat. The degree of self-sufficiency is clearly rising for cereals, and especially wheat, production of which has shown an average increase of 3.7% annually since 1949, whereas consumption per head has been falling.

On the other hand, consumption of other products has increased considerably and is outstripping production. The degree of self-sufficiency is thus decreasing for the products of this group. This is the case with beef and veal and with eggs. As regards eggs, the position of the EEC countries has undergone a basic change: although production has risen 28%, the Community, whose constituent countries were net exporters before the war, has become a net importer.

For dairy produce, the overall situation has not changed appreciably in relation to pre-war days. The production of the Community countries is still slightly in excess of requirements, particularly as regards powdered and condensed milk and, intermittently, butter.

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d) External trade in agricultural products (Table 5)

12. The changes in production and consumption have had an incidence on trade with non-member countries. For a limited number of products, the EEC as a whole has become relatively more independent of these countries. For agricultural products as a whole, however, imports have been increasing in recent years. The value of such imports into the six EEC countries rose from 3,600 million dollars in 1953 to 5,000 million dollars in 1958, an increase of 37%.

Exports under the same head totalled 1,700 million dollars in 1958, as against 1,300 million dollars in 1953, an increase of 31%.

B. AGRICULTURAL INCOMES

13. A feature of all Community countries since the war has been the way farmers' incomes have lagged behind those of other comparable occupational categories. This phenomenon is in no way peculiar to the Community or even to Western Europe. In an expanding industrialised economy, it is generally found that the increase in income per inhabitant engaged in agriculture does not keep pace with income per head in other sectors of the economy. This is shown clearly by the fact that the share of agricultural income in the national income is lower than the proportion of the working population, despite a marked decrease in the number of persons engaged in farming.

Table 5: <u>EEC balance of trade in selected products</u>

(in 1,000 tons: + import surplus
- export surplus)

	Pre-war Average	Average 1955/56-1957/58	1958/59 (1)
Bread grains (excl. rice)	+ 4,004	+ 3,347	+ 1,365
Coarse grains	+ 4,795	+ 5,718	+ 7,254
Rice	+ 646	+ 10	+ 51
<u>Total cereals</u> (incl. rice)	+ 9,445	+ 9,075	+ 8,670
Potatoes	+ 596	- 608	- 432
Sugar (refined)	+ 710	+ 137	+ 54
Vegetables	- 316	- 486	- 1,129
Fruit and nuts	+ 692	+ 1,830	+ 1,518
Beef and veal	+ 103	+ 213	+ 277
Pigmeat	+ 85	- 70	- 19
<u>Total meat</u>	+ 223	+ 227	+ 392
Eggs	- 11	+ 157	+ 206
Cheese	- 36	- 2	+ 12
Butter (2)	- 21	+ 12	- 5
Other fats and oils (2)	+ 1,326	+ 1,752	+ 1,849
<u>Total fats and oils</u>	+ 1,305	+ 1,764	+ 1,844

(1) Provisional
(2) Expressed in fat content

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In this respect, a distinction should be drawn between the income of the farmer and the members of his family assisting him and the wages of agricultural workers. The scale of the latter is generally laid down in accordance with fairly strict rules, while the income of the farmer and his family is what remains after paying for the means of production and the services employed.

Any decrease in the proceeds of sales or increase in expenditure is thus reflected directly in reduced income for the farmer. It must further be remembered that the latter's income has to cover not only the remuneration for his work and for that of the members of his family working on the farm but also the interest on the capital he has himself invested.

However, it is also a fact that in the agriculture of all Member States there are noteworthy differences between incomes in the various regions and various types of enterprise. To these differences must be added, in the case of the individual enterprise, those resulting from the greater or lesser ability of the farmer concerned. However, the group of farming enterprises in which income is very much lower than in other comparable economic activities is relatively large. Consequently the average of agricultural incomes does not show that there are agricultural enterprises where incomes are satisfactory.

The incidence of the various fiscal systems is another factor tending to create discrepancies between the real incomes of the farmers in the six countries.

The income of agriculture as a whole, like that of the individual agricultural enterprises, would not have attained its present level, in absolute value, had not all Member States and their agricultural organizations for decades been applying numerous measures to improve the situation of this sector.

14. The decisive factors in the trend of agricultural incomes and the reasons why they have not progressed to the same extent as incomes in other sectors of the economy are

a) the relatively low productivity of work in agriculture resulting from structural deficiencies, in particular:
   - too small farms
   - inadequacy of available working capital,
   - limited mobility of agricultural manpower; and

b) the unfavourable relation between prices received for agricultural products and those paid for the means of production, and also the characteristics of agricultural markets, notably the inelasticity of both the supply of, and the demand for, agricultural products.

a) Size of farms and infrastructure

15. In the course of many centuries the history of Europe has moulded the structure of agriculture into the manifold forms and types of farming activity found today in rural areas from the North Sea to the Mediterranean. These reflect not only the differing natural conditions and economic factors but also all the intellectual currents and the social and political forces which have contributed to their formation.

One major feature in the structure of agriculture as a whole is the breakdown of enterprises according to size, which varies widely from region to region. Whereas in some parts of Europe the farms have achieved, by present-day standards, a high degree of development and are of adequate size, there exist other and less progressive regions in which the dimensions and the structure of the enterprises have not yet reached a satisfactory level. On the regional plane, we often find structural defects superimposed one upon another.

Among these defects are excessive scattering of holdings, distance from these to farm buildings, which themselves are often out of date and in bad repair, inadequate road networks, etc.

Graph 4: Breakdown of farms of one hectare and over by categories based on area

In the European Economic Community, more than 2/3 of all farms are less than 10 hectares in area. Whenever it is impossible because of unfavourable economic or natural conditions to grow special crops or apply very intensive systems of farming, a great number of these enter-

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prises do not have enough cultivated land to ensure their economic equilibrium. Their area is thus less than the minimum needed for the family farms which are to be aimed at as the foundation of agricultural structure. Their social and economic situation also becomes unsatisfactory when the necessary opportunities to earn supplementary income outside agriculture are lacking.

16. The agricultural structure of the Member States has been changing for some time. Evidence of this is provided by the trend in the size of farming enterprises in the member countries (Graph 5). The present structural changes in agriculture are part of the major process of economic and social conversion involving all the peoples of the world. This process is developing gradually without causing a complete break with tradition. Thus the family structure has remained a basic feature of agriculture in Europe.

Graph 5: Trend of the number of farms in the various categories based on area

b) Availability of working capital

17. Technical progress is constantly obliging agriculture - like other sectors of the economy - to seek new combinations of the factors of production and so to adapt its structure. In recent years the reaction to this need for the steady adaptation of enterprises has in the main taken the form of mechanisation (in the widest sense of the term).

In an economy where division of labour is the rule, capital investment tends more and more to replace the two other factors of production, i.e. manpower and the soil, the aim being a decisive improvement in the productivity of labour. However, agriculture differs from the other sectors of the economy in that structural conditions, which are often inadequate, set narrower limits to the effects of capital investment. This precludes any substantial increase in the productivity of labour or improvement in the incomes of those working on farms.

In changing the structure of agriculture, a step which in almost every case necessitates financial action by the State, capital investment will often lead merely to the substitution of the non-rational use of capital for the non-rational use of labour (for instance, in the case of mechanisation). The great regional differences which are found from the particular point of view of the breakdown of agricultural enterprises by size and manpower density are paralleled by a marked regional difference in the use made of working capital, especially where the degree of mechanisation is concerned.

c) Agricultural manpower

18. A further factor with a marked influence on the level of individual agricultural incomes in Western Europe is the size and the trend of the population working in agriculture.

Whereas during the first half of the 19th century more than 3/4 of the population was engaged in agriculture with a low degree of efficiency, the position to-day in countries carrying on high-productivity farming is that 10% to 15% of the working population suffice for the production of the foodstuffs needed to cover home consumption.

In 1958 the number of persons in the Community engaged in agriculture was about 14.5 million, i.e., more than 1/5 of the total working population. It should be remembered, however, that members of farmers' families constitute about 3/4 of the persons engaged in agriculture.

The numbers engaged in agriculture have fallen by about 1/5 since pre-war days, and this movement has gathered considerable momentum over recent years. From nearly 18 million in 1950, they have dropped to about 14.5 million in 1958, a decline of some 18%.

Table 6: Estimated trend of numbers employed in agriculture (1)
(in 1,000) (1)

('000)

	1950	1958
Germany (F.R.) (2) (3)	3,742	2,600
Saar	110	61
France	5,400	4,783
Italy	7,670	6,247
Belgium (3)	370	348
Luxembourg	35 (4)	32
Netherlands (3)	525	470

(1) Since the statistical methods used in the member countries vary, the figures are not entirely comparable.

(2) Excl. Saar

(3) Expressed in terms of full-time workers or of manpower units.

(4) 1947

The diminutions in the number of persons working in agriculture has not been uniform in all regions nor in the various categories (farmers, family helpers, wage-earners). The phenomenon is closely related to the

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economic structure of the region. It may be said that, as a general rule, the number of wage-earners in agriculture has fallen sharply every time openings in other activities have been offered to the workers concerned. In these cases, the decline in the number of farm labourers has been more rapid than that in family manpower.

In other regions, where agricultural manpower consists chiefly of farmers' families, the decline in the number of persons working in agriculture has been slower. Consequently, certain regions have excess agricultural manpower, particularly family manpower, while in others there are deficiencies, chiefly of farm labourers. Modern high-productivity enterprises have grown up in certain regions, while in others with excess manpower on the farms it has not yet been possible fully to apply the methods and lessons of up-to-date agricultural techniques. The productivity of the enterprises is then exceedingly low, the more so since too great a proportion of the population is engaged in agriculture. Consequently, the income of these persons remains inadequate and the contribution of the regions in question to the national income is small.

In some regions the problem of manpower surpluses is rendered particularly acute by high birth-rates, as a result of which the numbers of the farming population hardly decrease at all, despite the fact that there is large-scale emigration.

d) General economic trend

19. The important differences which exist in the structure of agriculture, particularly where the area of farms is concerned, and in manpower densities, and consequently in agricultural incomes, are accounted for largely

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by industrial development. In those regions where industry has not developed, or has developed but little, because of the lack of infrastructure (communications, power and water supplies, etc.) or because of an adverse situation in relation to markets, agriculture has remained at the low-productivity closed-economy stage. The primary condition for the favourable development of agriculture in these regions is an improvement of the economy as a whole in the framework of regional development programmes. If openings for employment are cre ted in these regions, persons who do not derive a satisfactory income from agriculture will be led to take up productive work in other branches of the economy without on that account having to leave the countryside.

It goes without saying that under such schemes action to promote the establishment of industries and services (tourism, for instance) and to create approprate opportunites for work must be accompanied by measures to render agricultural labour more mobile. Among such measures are advice on the conversion of enterprises and aid for occupational re-adaptation.

Programmes of this nature for the development of the economy as a whole have so far not existed in most countries, where the lack of the necessary financial and administrative resources has prevented their implementation.

e) Prices of agricultural products

20. The incomes of farmers are directly influenced by the level of prices for farm products in the six EEC countries. These prices vary widely, the differences being due to such factors as the general level of

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prices and purchasing power, the currency exchange rates in operation between the countries concerned and the general price policy applied by the Member States to farm products.

Table 7: Differences in price shown by the chief agricultural products in the Member States - 1958/1959
(arithmetical average = 100) (1958/1959)

Products	Germany (F.R.)	France	Italy	Belgium	Luxembourg	Netherlands
Wheat	109.4	74.9	109.1	100.4	123.3	83.0
Rye	116.7	71.0	101.7	87.1	138.9	84.7
Barley	134.6	76.6	93.4	105.1	98.9	91.4
Oats	121.2	83.6	84.3	100.3	110.5	100.1
Sugar beet (16%)	122.3	81.5	103.9	92.8	-	99.1
Milk (3.7%)	101.6	92.1	98.7	94.3	116.1	97.8
Cattle	101.3	87.8	113.7	89.5	105.9	101.8
Pigs	110.0	93.7	105.7	84.9	115.3	90.4
Eggs	109.4	89.8	113.1	94.5	119.9 (1)	73.2

(1) Estimate

When evaluating these data account should be taken, first, of the difficulties of a statistical nature encountered in comparing the six countries' prices for farm products and, secondly, of the close relation between the prices of these products, the general price level and purchasing power.

.../...

f) Prices of the means of production and services used by agriculture

21. The prices of industrial products and services have an important bearing on the earnings of agricultural output. The more technical progress causes farmers to employ means of production of industrial origin, the more agricultural income is influenced by the price of fertilizers, machinery, fuel, etc.

Table 8: Ratio between prices of wheat and milk and prices of selected means of production and services (1958/59)

	Germany (F.R.)	France	Italy	Belgium	Luxembourg	Netherlands	Arith. Av.
Wheat (in kg) to buy							
1 litre petrol	1.5	2.3	2.0	1.5	1.1(3)	1.6	1.7
(EEC average = 100)	(88)	(135)	(118)	(88)	(65)	(94)	(100)
1 man-hour (1)	3.9	4.9	2.8	5.3	4.1(3)	6.1	4.5
(EEC average = 100)	(87)	(109)	(62)	(118)	(91)	(136)	(100)
1 kg nitrogen (N content)	2.4	4.3(3)	2.8	3.4	2.8(3)	3.5	3.2
(EEC average = 100)	(75)	(134)	(88)	(106)	(88)	(109)	(100)
1 kg phosphates (P_2O_5 content)	1.3	1.9(3)	1.6	1.5	0.5(3)	2.1	1.5
(EEC average = 100)	(87)	(127)	(107)	(100)	(33)	(140)	(100)
1 kg potash (K_2O content)	0.6	1.3(3)	1.4	1.0	0.8(3)	1.3	1.1
(EEC average = 100)	(55)	(118)	(127)	(91)	(73)	(118)	(100)
Milk (in kg) to buy							
1 man-hour (2)	6.0		4.1	9.4	8.2	6.4	6.8
(EEC average = 100)	(88)		(60)	(138)	(121)	(94)	(100)
1 kg linseed cake		1.7	1.3	1.8	1.3(3)	1.4	1.5
(EEC average = 100)		(113)	(87)	(120)	(87)	(93)	(100)

(1) Unskilled labour (incl. social charges)
(2) Cowherds (incl. social charges)
(3) 1957/58

N.B. The figures in brackets refer to the year 1957/58

.../...

The exchange value of agricultural products in relation to the means of production and services varies greatly in the countries of the Community (see Table 8). It may be noted that, in relation to the period before the war, prices for farm products have failed to keep step with those for industrial products and, above all, with the trend of wages. In other words, the exchange value of farm products has weakened. This trend is apparent not only on the world plane, but also in various Community countries, when overall price indices for agricultural products are compared with those for industrial products and the general aspects of the economy are kept in mind.

If the question is considered from the standpoint of the farmer, and if the prices he obtains for his products are compared with those he pays for his means of production, it also becomes apparent that in certain countries there exists a gap to the disadvantage of agriculture: since pre-war days, the price index for the means of production has increased more than that for the prices paid to farmers. In other countries a similar comparison of indices shows that the Governments have tried to counteract the unfavourable repercussions on agriculture produced by these differential trends (i.e. the deterioration of the exchange value of agricultural products). This has been done by subsidising the means of production or by supporting the prices paid to producers.

From this angle, great importance attaches to the trend of the general wage level. In those branches of the economy where productivity is increasing rapidly, wages too are rising relatively quickly. The resultant improvement in purchasing power doubtless provides agriculture with wider outlets for its growing production, chiefly of high-quality foodstuffs. On the other hand, this increase in wages exercises a twofold influence on those branches of the economy in which advance of productivity is slower, particularly agriculture. First, improved productivity in industry is not always sufficiently reflected in lower prices for the industrial products required by farmers. Secondly, agricultural wages, caught up in the rise occuring in the other branches of the economy, have risen more than agricultural productivity. Despite this, there exists in all the countries a gap between the average wage in industry and the wages of farm workers. If the prices of raw material and the wages of farm labourers are brought together in one index representing production expenses, it emerges quite clearly that, by comparison with pre-war, the prices paid to farmers for their produce have risen less than the prices paid for the means of agricultural production and for services.

It is not, however, possible to appraise the significance for the economic and social situation of agriculture of the fall in the exchange value of its products in relation to industrial goods and services simply by comparing price indices. It must be remembered that, under general economic conditions in which the trend is towards greater and greater division of labour, farmers are buying increasing quantities of products from other branches of activity, whereas the price indices are calculated on the basis of constant quantities.

This remark applies in the first place to the means of production: efforts to improve productivity are reflected in growing consumption by the farming community of machines, energy, and fertilisers and by the adaptation of farm buildings to the requirements of economies

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operation. Consequently,any reduction in exchange value in relation to means of production as a whole or to certain important items (machines, new buildings, etc.) and in particular, in relation to wages,has an even more unfavourable influence on the economic situation of the farming enterprises than is revealed by a comparison of indices. It must not be forgotten that, in farming, increases in the amount of capital employed do not always lead to savings or more profitable operation, but in many cases to easier work (milking machines, for instance).

In addition, the farming population is becoming more and more important as a consumer of the finished products of industry (textiles, electrical apparatus) and services (cinema, theatre, etc.). This is due, among other factors, to improved communications. A decline in exchange value in relation to these products and services therefore constitutes a stumbling block to increased demand for them from the agricultural population. In addition, it gives rise in the farming community to a feeling of social inferiority by comparison with those sections of the population which have derived greater profit from general economic progress.

g) Outlets for agricultural products

22. Efforts by the farmers themselves and by the Governments to improve agricultural income have, however, encountered two obstacles which spring from the characteristics of the foodstuffs markets themselves.

First, the quantities of foodstuffs which can be sold are limited by the physical capacity for consumption. As a general rule, consumers will buy more industrial goods and, especially, more services when their income increases or when prices fall. The reaction of demand for foodstuffs to income or price variations is much less elastic. However, there are noteworthy differences in this respect between the various agricultural products. In particular, demand for items with high food value, such as eggs, poultry, beef and veal, butter and fruit, may sometimes increase considerably when consumer income rises or the prices of these products fall. The present trend towards increased demand for ready-to-eat preserved products should also be kept in mind. This applies especially to tinned meat, vegetables, and fruit, and even more to fruit juices. The market opportunites which arise when living standards improve also differ from one Community country to another according to the current level of income and consumer habits.

h) Share of agriculture in consumer expenditure

23. In the second place, a part of the sums spent by consumers on foodstuffs goes to processing and distributing activities. Marketing costs are constantly increasing - among other reasons, because of the growing demands of consumers for services of all kinds - and the share in consumer expenditure which reaches the farmer is tending to decline. It is for this reason that farmers and agricultural organisations in the Member States are often inclined to engage in activities which are outside the scope of the production process in the strict sense.

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CHAPTER II

THE AGRICULTURAL POLICIES OF THE VARIOUS MEMBER STATES OF THE EEC

24. The aims of agricultural policy in each of the six countries are:
To ensure an adequate income to producers,
To enable the consumer to obtain agricultural products at reasonable prices.

At the same time, efforts are made to keep to a minimum the charges on public budgets arising from subsidies to consumers and producers.

25. Each member country attempts to attain a compromise between these various objectives in the light of its own political situation and the state of its market.

Although the methods by which the Member States of the Community try to reach this compromise between conflicting interests vary, their policies generally have features in common. This is chiefly due to the fact that incomes in agriculture have increased less than the Governments would have wished for the purpose of ensuring for producers a fair income.

26. In the matter of agricultural production and prices, however, none of the countries has followed a policy taking into account the interests of the farmer only. The aim of all the Governments has been rather :

a) to influence production as to type, quantity and quality in the light of the needs of consumers,

b) to act on prices of farm products in order to prevent any sharp increase with unfavourable consequences for the purchasing power of consumers.

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The Governments of all the Member States have also sought to give due weight to the legitimate interests of consumers by intervening at the stages of processing and distribution of the agricultural products.

In some cases, this policy has been defined by laws and regulations, but, as a general rule, the Governments have made their decisions in the light of the situation at the time.

27. The fact that agricultural incomes have not kept pace with incomes in general, despite certain price rises and increased productivity, is chiefly to be explained by the more rapid growth of industrial productivity and by the high level of production costs in agriculture. On both the labour and the capital market agriculture has to face competition from other rapidly expanding sectors of the economy; it is therefore obliged to grant its workers wages practically equal to those in industry or to make up for the lack of manpower by investment in farm machinery; the capital necessary for this can be obtained, however, only at relatively high interest rates.

It is this situation which has gradually led the various Governments to attach a certain importance to social objectives in their price policies. In certain cases, a high price level has helped to provide agriculture with support of a social character, and this has sometimes led to difficulties in the form of overproduction. This overproduction itself has brought home to the Member States the fact that there are limits to such a policy and has prompted them to attempt to bring agricultural production more closely into line with marketing possibilities.

28. To give an example: one of the Member States, finding that sales for its livestock products were meeting with difficulties, shifted its support increasingly to crop production. In other countries, the weight of state support has been transferred from crop to animal farming.

It is none the less true that in certain countries plant products have on balance the advantage of greater protection than animal products. Here the fact that action in support of crop production is easier undoubtedly comes into play. Nevertheless, as a result of improved living standards, consumption is increasingly transferring from starchy products to those which are rich in proteins. The output of livestock products and its importance for farmers' incomes are thus in reality greater than might at first sight be supposed in view of the present agricultural policies of Member States.

29. In each Member State specialisation in the various branches of agricultural production has grown organically. Naturally, this specialisation has taken place within the national boundaries, and it is only to the extent that the State concerned has participated in international trade in agricultural commodities that its producers have had a chance to specialise in a setting which goes beyond the national frontiers. Since the Common Market covers trade in farm products, the agricultural production of the Member States will now specialise within wider limits.

30. The chief feature of the marketing situation, however, is the existence of strict measures intended to encourage sales and support the prices of products. This Government action, which was originally of a

limited character, has now become general for the various commodities. The methods used have become both more numerous and more complex. They range from indirect and temporary action on the market to systems of fixed prices; the measures by which the Member States influence the import and export of the various farm products are no less diverse.

31. The repercussions of this Government action have varied. Although in general it has had a favourable influence on prices to farmers and thus helped to slow down the rate at which agricultural incomes are falling behind those of other sectors of the economy, there can be no denying that some of its consequences have been less welcome. It has meant, in certain cases, that producers have not seized the opportunity of adapting their activities sufficiently to fluctuations in the market, and this in turn has resulted in investments not being channelled in a desirable direction and even in the production of fresh surpluses.

32. Generally speaking, it is the responsibility of the Governments of the Member States to see that equilibrium is established between production and consumption of agricultural products. For some time now a tendency has been observed for the Member States to let agricultural producers bear a growing share in this responsibility. This is done, for instance, by limiting guaranteed prices for a commodity to quantities corresponding to normal marketing possiblities, since prices for any remaining production are free, the risks connected with the sale of these quantities must be borne by the producer.

33. In their endeavours to improve the balance between production and consumption, the Governments of the Member States take into account

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imports and exports of agricultural commodities in which they trade with non-member countries - for no Community State practices a policy of economic autarky. On the contrary, they all are concerned to extend their trade, they all practice an active economic policy.

The share of agricultural products in the external trade of the Member States with non-member countries is considerable, as may be seen from the following table for the years 1955-57 and 1958:

Table 9: Share of agricultural products (1) in external trade with non-member countries

	% of all imports		% of all exports	
	1955-57	1958	1955-57	1958
Germany (F.R.)	34.1	32.6	2.9	2.4
France	33.5	36.8	15.8	14.7
Italy	21.7	23.6	19.7	17.7
Netherlands	28.6	30.1	30.7	29.8
B.L.E.U.	19.9	22.2	4.6	4.8

(1) Agricultural products: SITC: 0, 1, 4, 22, 29, 92

This explains why the commercial policies of all the Member States strongly influence external trade in agricultural products and why, conversely, commercial policy measures are also affected by considerations of agricultural policy.

34. However, the commercial policies of the Member States with regard to agricultural products vary appreciably in detail as a result of differences existing in the following fields:

Economic structure and general economic policy,
Policy relating to economic trends, including monetary policy,
Agricultural structure and agricultural policy.

.../...

The varying importance of these factors in the different Member States has not only led to wide diversity in the main lines of their commercial policy in the agricultural sector; it also explains the wide differences in the methods used, particularly in the external systems introduced by the States in order to implement their commercial policies in relation to agricultural commodities.

35. The agricultural trade policies of all Member States nevertheless include three important elements; these are:

- A system of bilateral trade agreements,
- Active co-operation within the international economic organisations of major importance for agriculture,
- Participation in international agreements on the chief basic materials required by agriculture.

36. Although the trend has long been to substitute the system of multilateral trade for that of bilateral trade agreements, the latter still retain a certain degree of importance for trade in agricultural products.

37. The co-operation of the Member States within the chief international economic organisations, such as GATT and OEEC, has also resulted in closer trade relationships in both the import and the export of agricultural products. Here it is not the bilateral arrangements of the Member States but their multilateral obligations which have resulted in the formation of certain trading relationships which these international organisations help to maintain and extend.

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38. In line with the efforts being made on the international plane to stabilise markets for basic materials, all the Member States have adhered to the International Sugar Agreement and the International Wheat Agreement and accepted the obligations which this involves, whether they be importers or exporters.

39. Difficulties in both imports and exports of certain agricultural products have recently been encountered by Member States in their commercial policies vis-à-vis non-member countries. These difficulties result, in the case of imports, from a certain slackening in the demand for imports of the products in question, agricultural production in the various Member States having increased faster than consumption of foodstuffs. In the case of exports, the difficulties have arisen because stepped-up production of foodstuffs in non-member countries has restricted opportunites for selling these commodities on the big markets.

In face of these difficulties, the conviction is growing, both within the Member States and outside, that such traditional measures of commercial policy as the elimination of customs duties, quantitative restrictions and artificial aids to exports will not suffice to improve the situation of world trade in agricultural commodities in adequate and lasting fashion. For this reason, several international organisations to which Member States belong are endeavouring to go beyond the methods of commercial policy and to make agricultural policy proper the focal point of their studies and activities. These efforts help to produce international rules for the implementation of agricultural policies and to ensure that these rules have the widest possible field of application.

40. It is true that considerations of this nature generally go hand in hand with a conviction that respect for such international rules presupposes that the farmers concerned are in a competitive position from which the intrusion of social and economic disturbances is from the outset excluded.

41. In relation to the requirements of modern farming, present agricultural structures are defective in numerous respects. The origin of these structural weaknesses is to be sought primarily in the fact that the agricultural structure of Europe was to a large extent already in existence before the period of industrial development. It has, in fact, changed as a result of the general economic development, but in the main it remains very constant.

These structural weaknesses appear in the member countries more or less openly. The elimination of structural defects in agriculture and, consequently, its adaptation to the present level of technical progress, to the economy and to society form a key problem of agricultural policy in the Member States.

42. In the Member States the term "the structure of agriculture" is being increasingly used to cover the conditions underlying production and work in agriculture.

43. The problems facing improvements in agricultural structure are fairly similar in the member countries. The measures taken should therefore be similar.

Detached from the national context, the following measures are almost all applied by certain States, while other member countries implement only some of them:

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Transfer of farms from villages which are too cramped and in which the farms are too close to each other and work without suitable farmyards and rational buildings. These conditions prevent the introduction of modern farm management adapted to natural conditions and to market requirements;

- Regrouping of excessively small holdings. Very often the land belonging to a farm is spread over wide areas in such a way that it is difficult to apply modern methods of management to the strips which are so far from each other;

- Improvement of country roads. The transition from the subsistence agriculture of yesterday to modern fully-motorised operation makes greater demands on the establishment and development of road networks;

Execution of land-improvement schemes to improve the returns that can be drawn from existing farm units. This includes water supply (draining and irrigation), thus making possible a system of cultivation and use of land well adapted to the natural conditions and the economic factors. In this respect, the exchange of unproductive areas for forest land and vice versa is also encouraged;

Bringing new land under the plough and utilisation of fallow and marsh land to provide new farms. New farms are also established under agrarian reform schemes. The creation of new farms is partly linked with the improvement of the agricultural structures of the old regions;

.../...

- Enlargement of farms which are too small in area. Originally these farms were viable, but when split up as a result of the laws on inheritance, they became too small to occupy a peasant family productively and to ensure it a decent income.

44. The countries differ from each other to a greater or a lesser extent in the emphasis which each lays on structural aids, since their structural policies pursue different aims. Moreover, the structural defects of agriculture vary widely within individual countries on the the regional and local planes, with the consequence that structural measures may be applied which differ from case to case.

45. With these structural aids, which by the very nature of things will vary, the States are endeavouring to foster progressive developments in the structure of agriculture, i.e., the transition from a traditional structure to up-to-date forms of farming. With this end in view, some countries are seeking:

- To harmonise in a rational manner the many means of action at the disposal of those dealing with policy relating to agricultural structures;

- To take individual quick-acting measures that provide solutions which, although indispensable, are incomplete and should be considered as elements of a long-term reform of agricultural structures;

- Either to conserve by various means the results of any improvement of agricultural structures or to maintain a healthy agricultural structure (for instance, legislation to prevent further division of holdings, rules to control transactions in land, credits to improve security of tenure).

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46. The natural development of agricultural structures and the modernisation of farms are made difficult by numerous obstacles, which can be overcome by such methods as the supply of sufficient capital. The farmer himself cannot improve agricultural structures from his own resources because the very large amounts of capital required exceed his financial capacity.

Compared with the immensity of the tasks involved in the improvement of agricultural structures and their effects on the condition of agricultural incomes, the financial aid granted by the State for this purpose is, generally speaking, inadequate.

47. The structural development of agriculture has led to a noteworthy increase in production. This has brought with it the new problem of establishing a link between the interests of structural policy and the possibilities of developing markets. Up to now, the Member States have not been able to establish this link in satisfactory fashion.

48. Recognition of the fact that agriculture is an integral part of the national economy also applies on the regional level. In those regions where the defects of agricultural structure are superimposed one upon the other, there is not only an unsatisfactory relation between the farming population and the conditions of agricultural production but also, as a general rule, an unfavourable relation between the total population and the production capacity of the area. Under these conditions, an improvement of agricultural structures is dependent on an overall economic expansion.

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This interdependence of agricultural and economic development is not yet sufficiently taken into account in the economic and agricultural policy of all Member States.

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CHAPTER III

WORLD MARKETS FOR AGRICULTURAL PRODUCTS

A. DOVETAILING THE EEC INTO WORLD MARKETS FOR AGRICULTURAL PRODUCTS

49. Economic interdependence between the EEC and world agricultural markets is very close and assumes numerous forms. The EEC, as one of the foremost exporters of industrial products, is interested in a lively world market in which its trade partners particularly those exporting agricultural products - have strong purchasing power and a healthy balance-of-payments position. The export of agricultural and food products is, moreover, among the traditional economic activities of vital interest to certain regions of the Community. With over 10% of world exports, the EEC occupies an important place among exporters of agricultural products. Finally, the Community would like, in the interests of the economic development of its overseas territories, to see an expansion in world trade in agricultural and forestry products.

The Community is, first and foremost, the world's leading importer of agricultural products, with the United Kingdom as its only close competitor. It absorbs almost one-third of all world imports of these commodities, the United Kingdom about one-fifth. These two leading buyers each account for a quarter of world imports of foodstuffs and animal feedingstuffs. As an importer of agricultural raw materials, such as cotton, wool, jute, rubber and tobacco, the EEC with 40% is far ahead of all others. It also takes almost half the world's imports of fats and more than a quarter of the world's imports of grain. (Detailed figures for the shares of world agricultural imports taken by the principal countries are given in Table 13.)

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	Foodstuffs and stimulants from all climatic areas								Foodstuffs, chiefly from the temperate areas								
	Rice	Sugar	Fruit and vegetables	Oilseeds, fats and oils (2)	Tobacco	Beverages	Other food-stuffs	Total	Cereals (excl. rice)	Meat	Milk, butter, eggs, cheese	Fish	Total	Agricultural raw materials listed in the Treaty of Rome (3)	Coffee, tea, cocoa and spices	Other agricultural products (4)	Grand total
SITC	042	06	054 +055 +051 +052 +053	22 + 4	12	11	09		04 (excl. 042)	01	02	03		244 + 265	07	(4)	
A. Breakdown of total EEC imports (in %) Value of total imports in 1958 = 100																	
EEC	13	9	28	5	8	12	39	16	11	27	48	23	24	26	4	25	17
Overseas Territories and Departments	14	44	17	26	6	58	1	27	3	1	0	4	2	6	29	6	18
Non-member countries	74	47	55	69	86	30	60	57	86	72	52	73	74	68	67	69	65
B. Breakdown of imports from non-member countries (in %) Value of imports from non-member countries in 1958 = 100																	
a) U.S.S.R. and Eastern Europe	6	1	6	1	5	8	9	4	6	15	16	7	9	8	0	15	6
b) Temperate Regions																	
Australia and New Zealand	1	.	2	0	.	.	.	1	2	3	5	.	2	.	0	1	1
South America (5)	2	.	3	5	0	3	1	3	21	24	3	.	17	0	0	13	8
North America	9	3	11	36	40	0	16	22	46	9	2	4	29	0	1	4	19
Western Europe (excl. EEC)	0	16	34	7	28	48	23	24	8	37	62	61	27	15	2	39	23
TOTAL	12	19	50	48	68	51	40	50	77	73	72	65	75	15	3	57	51
c) Tropical and subtropical regions	82	30	44	51	27	41	51	46	17	12	12	28	16	77	97	38	43

(1) In certain cases, imports less than $ 10,000 in value have been left out of account. (2) Excl. butter. (3) Cork, linseed and hemp. (4) Live animals, chiefly for food (SITC 00) live animals not for food (92). Animal or vegetable crude materials (29), feeding stuffs for animals (08). (5) Argentina, Uruguay, Chile.

This is why it is necessary, in developing the common agricultural policy, to consider not only the present situation of agriculture in the Member States and their agrarian policy, but also a third element, which consists of the structure of world agricultural markets, the trend of supply and prices and, in particular, the conditions of price formation.

Graph 6: Agricultural products imported by the EEC, by areas of origin

50. In this connection, the origin of imports into the EEC is of special interest. Table 10 specifies, for the main products and groups of products, the shares of intra-Community trade, of the Overseas Territories and Departments and of non-member countries in EEC imports, and it also gives information on the origin of imports from non-member countries; these have been grouped as far as possible into two main climatic zones (countries situated in temperate regions and those in sub-tropical regions), a third group being formed by the USSR and the countries of Eastern Europe.

Half the total imports of agricultural and food products into the EEC from non-member countries are accounted for by the temperate regions, which include the highly developed countries (North America, Australia, Western Europe). The substantial share of this group in the EEC's imports of products of animal and vegetable origin (75%) merits attention. Non-member countries situated in tropical and sub-tropical regions have the lion's share in imports of sugar (80%), stimulants (97%) and cork, linseed and hemp (77%). In addition, sugar, tropical fruits, coffee, wine, oilseeds and vegetable oils play a special role in trade with the Overseas Territories and Departments of the Community.

B. STRUCTURE OF WORLD TRADE IN AGRICULTURAL PRODUCTS

a) Share of world agricultural trade in overall world trade

51. Trade in agricultural and forestry products has an important place in world trade in general. About a third (25,000 million U.S.

dollars) of all world exports (1), which in 1957 had a value of 63,000 million U.S. dollars, is accounted for by agricultural products; of this three-fifths (15,000 million U.S. dollars) related to food, feeding stuffs for animals and "colonial" products (2), two-fifths (10,000 million U.S. dollars) to agricultural raw materials (3) and forestry products.

b) Position of various commodities in world agricultural trade

52. The grain market is by far the most important of all world markets for agricultural products. World exports of grain account for more than a quarter of the total exports of food and feeding stuffs for animals; next comes fruit (including citrus fruit), with about 15%, followed by meat, dairy produce, and oils and fats, each with approximately 10%.

Table 11: World agricultural exports by products and groups of products (1957)

The part played by the various markets in world agricultural trade is determined not only by their share in world exports, but also by the degree of concentration of supply and demand and by the economic importance of the product in question for the exporting country.

Table 12: Situation of various markets in the framework of world trade in agricultural products

c) Leading importing and exporting countries in world agricultural trade

53. Among the importing countries first place, as already stated in section 49, belongs to the Community, which is followed by the United Kingdom. Together they absorb more than half of the world's imports of agricultural products.

Table 13: Share of the leading importing and exporting countries in world trade in agricultural products

(1) 64 countries; excl. U.S.S.R., Eastern Europe and China
(2) Coffee, tea, cocoa, spices
(3) Wool, cotton, jute, tobacco, rubber, etc.

.../...

Table 11: World agricultural exports (1957), by products and groups of products (1)

	World exports in millions of dollars (2)		%		%	
Cereals (incl. rice)		3,296.9		26.5		14.6
of which:						
Wheat (incl. flour)	1,808.8		14.5		8.0	
Other cereals (3)	1,488.1		12.0		6.6	
Sugar		859.6		6.9		3.8
Meat		1,422.5		11.4		6.3
of which:						
Beef and veal	395.1		3.2		1.8	
Other meat	1,027.4		8.2		4.5	
Dairy produce		1,223.6		9.8		5.4
of which						
Butter	390.7		3.1		1.7	
Shell eggs	219.4		1.8		1.0	
Other dairy produce	613.5		4.9		2.7	
Oils and fats		1,285.4		10.3		5.7
of which:						
Vegetable oils and fats	1,031.7		8.3		4.6	
Animal oils and fats	253.7		2.0		1.1	
Fruit and vegetables		1,900.4		15.3		8.4
of which:						
Citrus fruit	234.9		1.9		1.0	
Bananas	120.8		1.0		0.5	
Other foodstuffs and feeding stuffs for animals (4)		2,459,0		19.8		10.9
Total foodstuffs		12,447.4		100.0		55.1
"Colonial" products		2,465.4				11.0
of which:						
Coffee	1,333.9				6.0	
Others	1,131.5				5.0	
Agricultural crude materials		7,648.2				33.9
of which:						
Wool	1,742.9				7.7	
Cotton	1,698.9				7.5	
Other textile fibres	695.5				3.1	
Tobacco	829.3				3.7	
Rubber	1,280.3				5.7	
Other	1,401.3				6.2	
Total agricultural products		22,561.0				100.0

(1) Excl. forestry products
(2) 64 countries, excl. U.S.S.R, China and Eastern Europe
(3) Incl. rice
(4) Fish, feeding stuffs for animals, beverages and other foodstuffs

Table 12: Situation of various markets in the framework of world trade in agricultural products (1) (1957)

Commodity	Main exporting countries	Degree of concentration of supply	Economic importance for the exporting country	Degree of concentration of demand	Leading importing countries
		Share of the exports of the leading exporting countries in world exports (%)	Share of the quantities exported in the production of the leading exporting countries (%)	Share of the imports of the leading importing countries in world imports (%)	
Wheat	United States, Canada, Argentina Australia, France	93	41	58	Great Britain, Germany (F.R.), India, Japan, Brazil
Maize	United States, South Africa, Argentina	89	7	60	Great Britain, Netherlands, Germany (F.R.), Japan, Belgium, Luxembourg
Barley	France, Canada, United States, Australia, Argentina, Near East	94	28	71	Germany (F.R.), Great Britain, Japan, Belgium, Luxembourg, Netherlands
Sugar (unrefined)	Cuba, Australia, Taiwan, Federation of West Indies, Philippines	58	85	64	United States, Great Britain, Japan, Canada, Germany (F.R.)
Meat (2)	Argentina, New Zealand, Australia, Denmark	79	20	80	Great Britain, Italy, United States, Germany (F.R.)

Butter	New Zealand, Denmark, Australia, Netherlands	72	56	84	Great Britain, Germany (F.R.)
Citrus fruit	United States, Spain, Italy, Israel, Algeria	71	21	81	France, Germany (F.R.), Great Britain, Canada, Netherlands, Belgium, Luxembourg
Coffee	Brazil, Colombia, French West Africa, Mexico, San Salvador	64	69	74	United States, France, Germany (F.R.), Italy
Wool (clean basis)	Australia, New Zealand, Argentina, South Africa	77	88	86	Great Britain, France, United States, Germany (F.R.), Japan, Italy
Cotton	United States, Mexico, Egypt, Pakistan, Brazil	75	59	69	Japan, Great Britain, Germany (F.R.), France, Italy, India

(1) Excluding Eastern Europe, U.S.S.R., Continental China
(2) Beef and veal, pigmeat and mutton

Sources: FAO. Production Year Book 1958, Trade Year book 1958

Table 13: Share of the leading importing and exporting countries in world trade in agricultural products

(Value of world imports (1) and world exports (1) 1957 = 100)

(See Graphs 7a + 7b)

	Numb. of countries	Foodstuffs and stimulants (4)								Agricultural crude materials (6)				Total agricultural products (5) (6)
		Cereals	Sugar	Meat	Dairy products	Oils and fats	Fruit and vegetables	Coffee, tea cocoa	Total (2)	Tobacco	Textile fibres	Rubber	Total (3)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
							Imports							
Europe	18	58	45	79	72	72	66	45	59	73	68	42	65	63
EEC	6	27	12	14	24	44	30	22	26	28	42	21	38	33
United Kingdom	1	19	26	60	43	16	27	15	24	32	19	16	19	22
Others	11	12	7	5	5	12	9	8	9	13	7	5	8	8
North America	2	4	36	15	4	9	20	48	23	13	10	30	15	19
United States	1	3	31	13	3	6	11	45	19	13	8	28	13	16
Central and South America	15	5	0	1	3	1	3	1	3	1	0	3	1	2
Oceania	5	1	1	1	0	1	1	2	1	5	1	2	1	1
Others	27	32	18	4	21	17	10	4	14	8	21	23	18	15
World	67	100	100	100	100	100	100	100	100	100	100	100	100	100
							Exports							
Europe	18	10	39	43	56	12	42	7	29	17	17	5	19	29
EEC	6	7	21	11	19	3	22	3	11	3	9	0	9	14
United Kingdom	1	1	15	2	3	1	2	3	4	0	7	5	6	5
Others	11	2	3	30	34	8	18	1	14	14	1	–	4	10
North America	2	61	6	12	15	47	25	1	28	46	27	0	24	26
United States	1	43	5	9	13	44	24	1	21	43	27	–	22	21
Canada	1	18	1	3	2	3	1	0	7	3	0	0	2	5
Central America	9	0	18	0	0	1	7	11	4	1	1	–	1	3
South America	3	9	7	21	2	2	3	39	13	2	5	0	5	9
Oceania	5	6	14	23	26	4	5	0	8	0	34	0	20	11
Others	27	14	16	1	1	34	18	42	18	34	16	95	31	22
World	64	100	100	100	100	100	100	100	100	100	100	100	100	100

(1) 64 countries excl. U.S.S.R., Eastern Europe and China
(2) Incl. other foodstuffs and beverages and feeding stuffs for animals
(3) Incl. other agricultural crude materials
(4) Excl. trade between EEC countries
(5) Excl. forestry products
(6) Incl. trade between EEC countries

The greatest exporting area in world agricultural trade is the United States, which furnishes more than one-fifth of all products exported, and in particular over 75% of the wheat and half the coarse grains and vegetable fats. Other countries occupy dominating positions as suppliers of certain products (see Table 13). With a share of about 10% in world exports - but a considerable distance, it is true, behind the United States (21%) - the Community is among the leading exporters of agricultural products; this applies in particular to exports of sugar, dairy produce, fruit and vegetables.

54. The volume of trade in agricultural products from Russia, Eastern Europe and China has increased in recent years for certain commodities and certain trading partners. This applies both to trade between these countries and also to their trade with non-member countries. However, information on trade between these countries is very limited.

Imports by the U.S.S.R. and Eastern European countries from non-member countries have increased during the last few years, especially imports of tropical and sub-tropical products.

The U.S.S.R.'s chief exports to the non-member countries are cereals, cotton, linseed and sugar. In addition to cereals and sugar, Eastern Europe also exports meat, butter, eggs and oilseeds. Deliveries of some products (cereals, linseed, meat and eggs) have increased in recent years but at present their volume is insignificant compared with that of world exports or with that of trade between the Eastern bloc countries themselves.

Nevertheless, the Eastern bloc countries would seem to be making an effort to maintain and even increase the volume of their agricultural exports and to establish permanent trade with the free world. Bilateral trade agreements have been concluded with certain West European countries (France, German Federal Republic, Denmark) and with countries in the Near East and Latin America.

C. SITUATION ON WORLD AGRICULTURAL MARKETS

55. On many of the major world agricultural markets the balance between the expansion of supply and of the demand backed by purchasing power has been upset or can only be maintained by artificial measures. This trend, which has been latent for several decades, but which has from time to time been concealed by scarcities occurring during periods of war or in the post-war years, by periods of drought in important producing regions and by world crises, did not emerge clearly until the Korea boom began to wane. Since the 'twenties and 'thirties, production and consumption have developed very differently, not only among the various agricultural commodities, but also from region to region.

In the very advanced countries agricultural production has greatly increased. Technical possibilities resulting from the spread of better production methods have been widely exploited thanks to the economic advantages of all kinds (attractive producer prices and more favourable outlets under a preferential system or an agricultural policy aimed at self-sufficiency). However, it must not be forgotten at the present time that these production increases helped in overcoming the scarcities of the early post-war years.

Once normal conditions were re-established, however, the production thus stimulated had as its counterpart consumption of only relatively slow growth in these countries, since the population increase was on a modest scale and the elasticity of demand for food products in relation to income was small.

.../...

In the countries in course of development, on the other hand, production of basic foodstuffs has not, despite strenuous efforts by the Governments, succeeded in keeping up with demand, which has increased rapidly with the growth of the population. At the same time the sale of agricultural raw materials, which could have improved the purchasing power of these countries on the world market, has met with increasing difficulties, either because the advanced countries are now themselves producing these raw materials or because of the rapid expansion in the use of synthetic substitutes.

56. As a result of the trends described above, the present situation in world agricultural markets shows the following salient features:

- Large-scale regional shifts of trade compared with the period before the great crisis of the thirties. The most important change lies in the fact that the United States, which before the war was a net importer, has become the largest exporter on the world market for agricultural products (see section 53 and Table 13), while many developing countries in the Near East and Far East have become net importers of food;

- Pressure of supply on almost all the big world markets and falling prices for agricultural products. At the same time, industrial prices as a whole are rising, with the result that there is a constant deterioration in the terms of trade (see Graph 8).

Graph 8: Terms of trade on world markets for agricultural products

Both the exporting and the importing countries have protected producers in the agricultural sector against this pressure on prices, either by divorcing their internal prices from world values by means of various manipulations, or by withdrawing from the market ever-increasing quantities of products at support prices. The final result of this latter policy has been the building-up of growing stocks of agricultural products as a charge on national budgets; this has been the case particularly in the United States.

57. On the other hand, there have been various attempts to restore order on world markets for agricultural products. Since efforts aimed at reducing production, or even merely at slowing down rates of increase (limitation of plantings, Soil Bank) have failed, and since recourse to price policies to bring about changes in the types of crop sown has only had limited success, the most important of the remaining alternatives is the conclusion of international agreements on certain commodities.

D. WORLD PRICES

58. Broadly speaking, price developments on the world markets for agricultural products correspond to the relationship between supply and demand. Since 1952, prices for the majority of products have shown a continuous, and in some cases considerable, decline. There are only a few exceptions to this rule, among them beef and certain vegetable oils (1), world production of which has not been able to keep up with demand. Prices for maize and butter are among those which have declined sharply. Against this, it has proved possible, on the whole, to stabilise prices of wheat and sugar under international agreements. However, almost all the large exporting and importing countries have more or less divorced their own producer prices from the direct pressure exerted by world market prices.

---

(1) Production of crops which take years to mature (palm kernels, copra, coconut oil) has not progressed commensurately with the increase in demand, as a result of which prices have risen. On the other hand, the annual crops (soya, groundnuts) have encountered price pressure.

.../...

Table 14: Trend of world market prices for the principal agricultural products, 1954-1958
(Index of unit values: 1952/53 = 100)

	1954	1955	1956	1957	1958 (prov.)
Total foodstuffs and feeding stuffs for animals	95	89	90	91	87
Cereals	85	79	76	75	75
Meat	103	102	101	100	104
Dairy produce	95	95	97	91	78
Oils and fats	97	87	94	91	90
Agricultural raw materials	91	96	91	94	79

59. On some large world markets for agricultural products, however, prices are not shaped by the free play of competition in relation to supply and demand. On the contrary, their formation is either influenced indirectly or controlled directly by measures taken by the Governments of the exporting countries, to the extent

- That the oligopolic character of the market permits;

  That it is possible to arrive at an agreement between the most important of the possible suppliers, and

- That the Governments concerned are prepared to devote the necessary financial resources to a stockpiling policy and are in a position to do so.

The markets for beef and veal, wheat and coarse grains are among the examples which show that the trend of prices on world markets is influenced or controlled by measures taken by the Governments of the exporting countries.

.../...

A further "exogenous" factor which largely determined world prices cif Europe, particularly of heavy commodities like cereals, should be pointed out. This factor is maritime freights, the fall in which during 1956-57 was in itself sufficient to bring down prices for North American cereals cif North Sea port by 10% to 15%.

E. STOCKS OF AGRICULTURAL PRODUCTS

60. World stocks of food and agricultural raw materials swelled by 80% between 1952 and 1959. At the present time, they amount to over 10% of world agricultural production and, in the case of certain commodities, several times the annual export tonnage.

Four-fifths of these stocks are in the United States, where their value was set at 9,000 million dollars in April 1959, the annual cost of stockpiling plus interest charges totalling 1,000 million dollars.

Table 15: Stocks of agricultural products in the leading exporting and importing countries (1959)

61. Table 15 summarizes the stocks of several agricultural products and their volume in relation to exports. For a long time now world stocks of cereals have been above the level they reached in the thirties, even when the increase in population is taken into account. Cereals stocked in the United States alone, which were 35 million tons in 1959, will probably exceed the 40 million mark at the end of the present harvest, i.e. four times the average quantity annually exported by that country.

Table 15: Stocks of agricultural products in the leading exporting and importing countries (1959)

Product	Country	Stocks 1959 (millions of tons)	Exports av.1956-1958 (millions of tons)	Stocks as % of exports
Wheat	4 leading exporting countries (1)	50.8	22.0	231
	incl. U.S.	34.9	10.5	332
Coarse Grains (3)	2 leading exporting countries (2)	67.2	8.9(7)	755
	incl. U.S.	63.0	6.8(7)	926
Sugar (4)	World	12.2	14.7(7)	83
Butter	U.S., Canada, Australia, New Zealand, 10 countries of Europe	0.19(5)	0.57(7)	33
Coffee	Brazil	1.31	0.93(7)	141
Cotton	World (6)	3.9	3.0(7)	130
	incl. U.S.	2.0	1.3(7)	153

(1) U.S., Canada, Argentina, Australia
(2) U.S., Canada
(3) Maize, barley, oats, rye, sorghum
(4) In terms of unrefined sugar
(5) 1958, figures for 1959 not yet available
(6) Excl. U.S.S.R., Eastern Europe and China
(7) Av. 1956 and 1957

In August 1959 world stocks of sugar stood at 12.2 million tons, or more than 80 % of the total annual exports. This is certainly the highest figure ever registered, but it must not be forgotten that, because of the wide fluctuations in crops from year to year and the political instability of important producing regions, certain stocks are justified as a factor contributing to the stabilisation of world prices for this product.

F. INTERNATIONAL AGREEMENTS ON COMMODITIES.

62. The international agreements on commodities, of which the International Wheat Agreement and the International Sugar Agreement are by far the most important, represent the most noteworthy attempt yet made to restore the balance between supply and demand on the chief world markets for agricultural products, to keep prices at a specific level and to counter wide price fluctuations.

It was only after the second world war that serious efforts were made to conclude agreements on a world scale for the wheat and sugar markets. The chief producing and consuming countries, including all the Member States of the EEC, are parties to these agreements, and some of the Eastern bloc States have joined the International Sugar Agreement. Both agreements expired about a year ago but werd extended, for three years in the case of wheat and for five in that of sugar.

63. The International Wheat Agreement covers about one-third of trade in wheat on the world market, while two-thirds of world trade in sugar is carried on under the International Sugar

Agreement (1). On the whole, it has been possible to maintain wheat prices on the world market at a stable level within the range laid down in the Agreement, but world sugar prices have now been below the I.S.A. minimum for a fairly long time and it has proved impossible in times of scarcity to prevent speculative increases and price rises above the agreed maximum. This difference is attributable to the concentration of offerings of wheat in the United States and Canada, the agreement on price policy between these two countries and their great financial strength - particularly that of the United States - with the possibilities this affords for generous financing of stockpiles.

64. All the international commodity agreements have hitherto been confined to exercising an influence on the trend of world market prices by stockpiling, i.e. in the main by reducing supplies. This also applies to the attempts to obtain an agreement on the international coffee market. However, it has not yet proved possible, under either the wheat or the sugar agreement, to gear long-term production to potential outlets and thus ensure normal and lasting stability of world markets.

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(1) Excl. U.S.S.R., Eastern Europe and China

ANNEX

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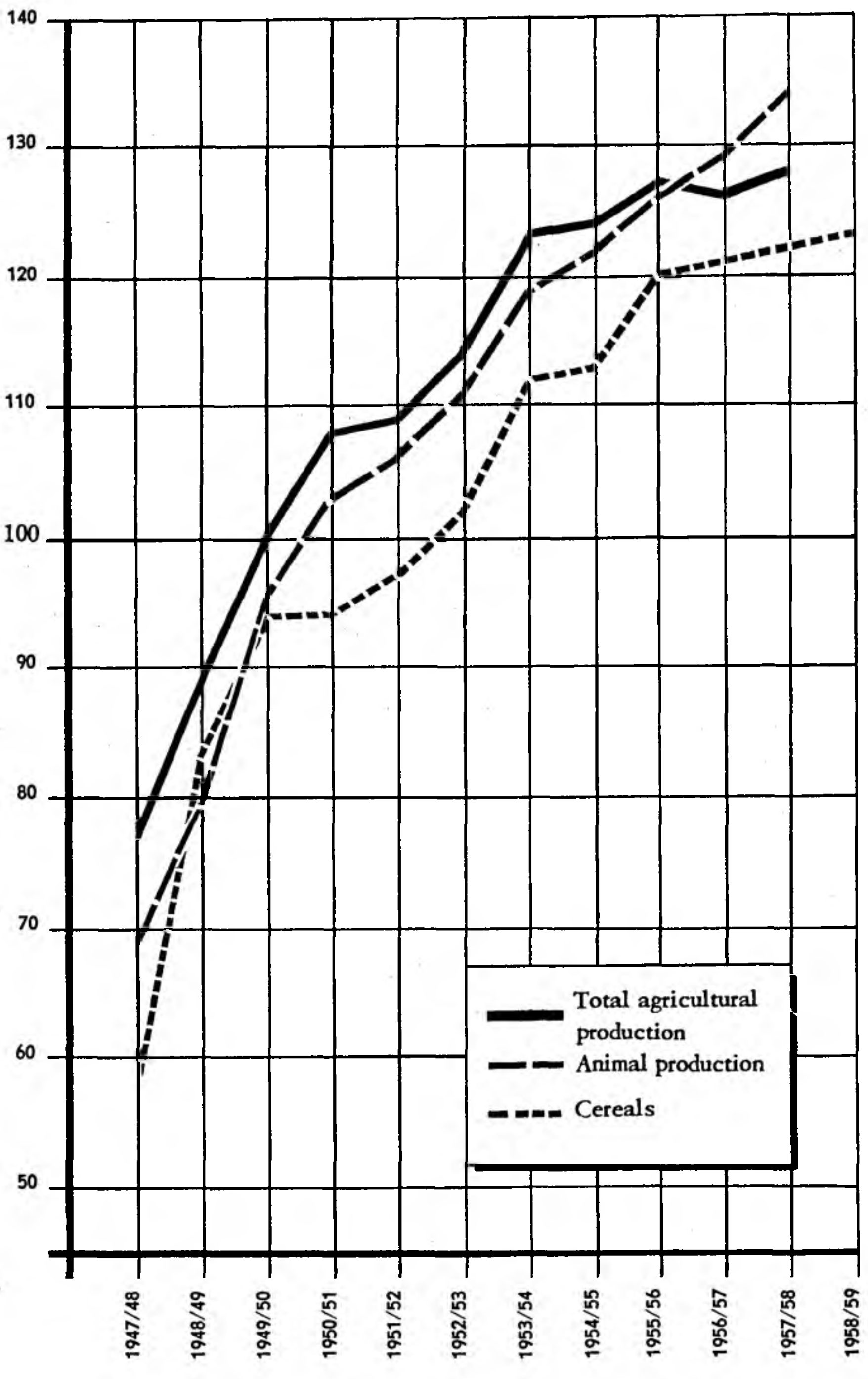
Graph 1

DEVELOPMENT OF AGRICULTURAL PRODUCTION IN THE E E C

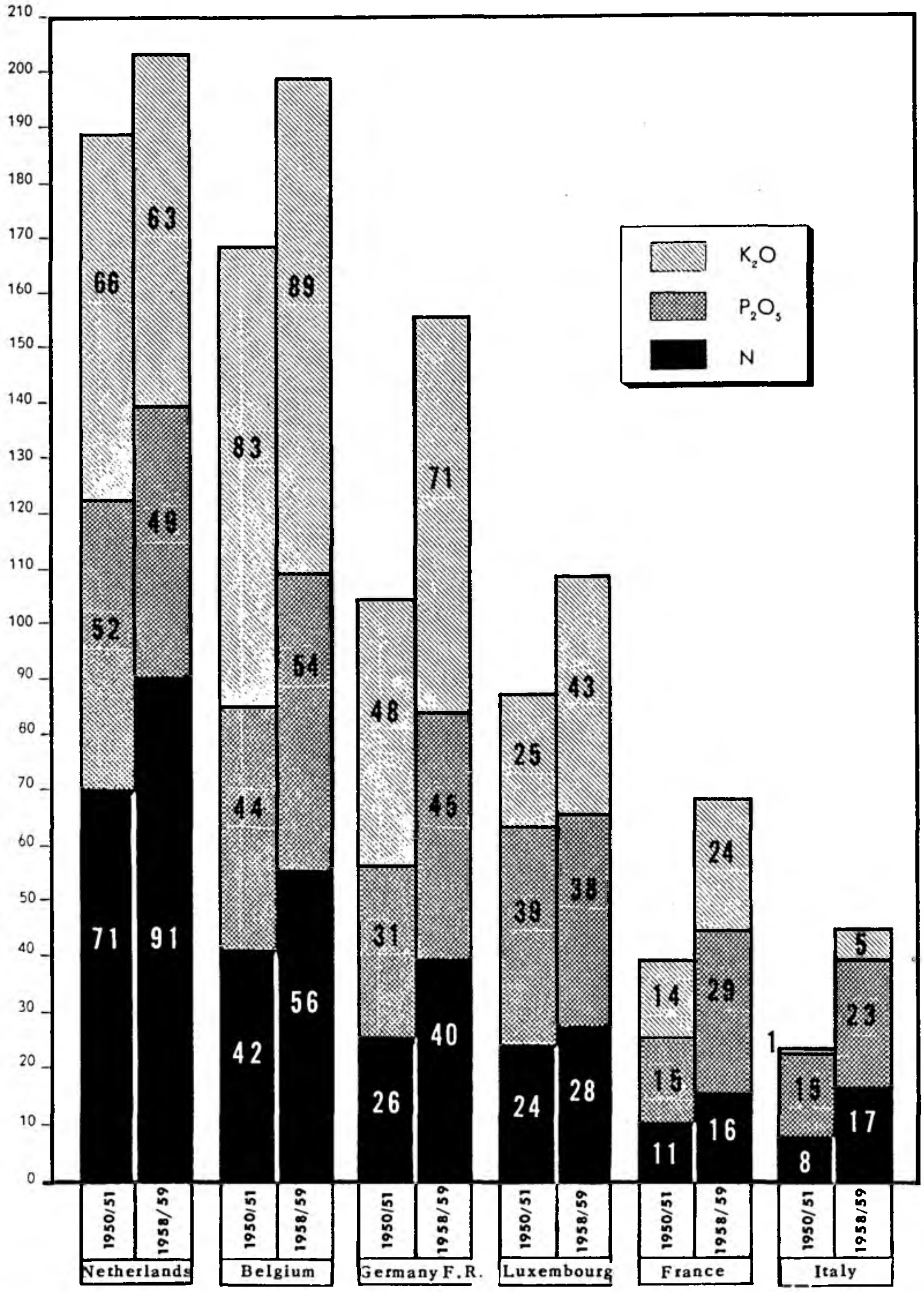
Pre-war = 100



Graph 2

QUANTITIES OF FERTILIZER USED PER HECTARE
OF AGRICULTURAL LAND IN THE E E C COUNTRIES

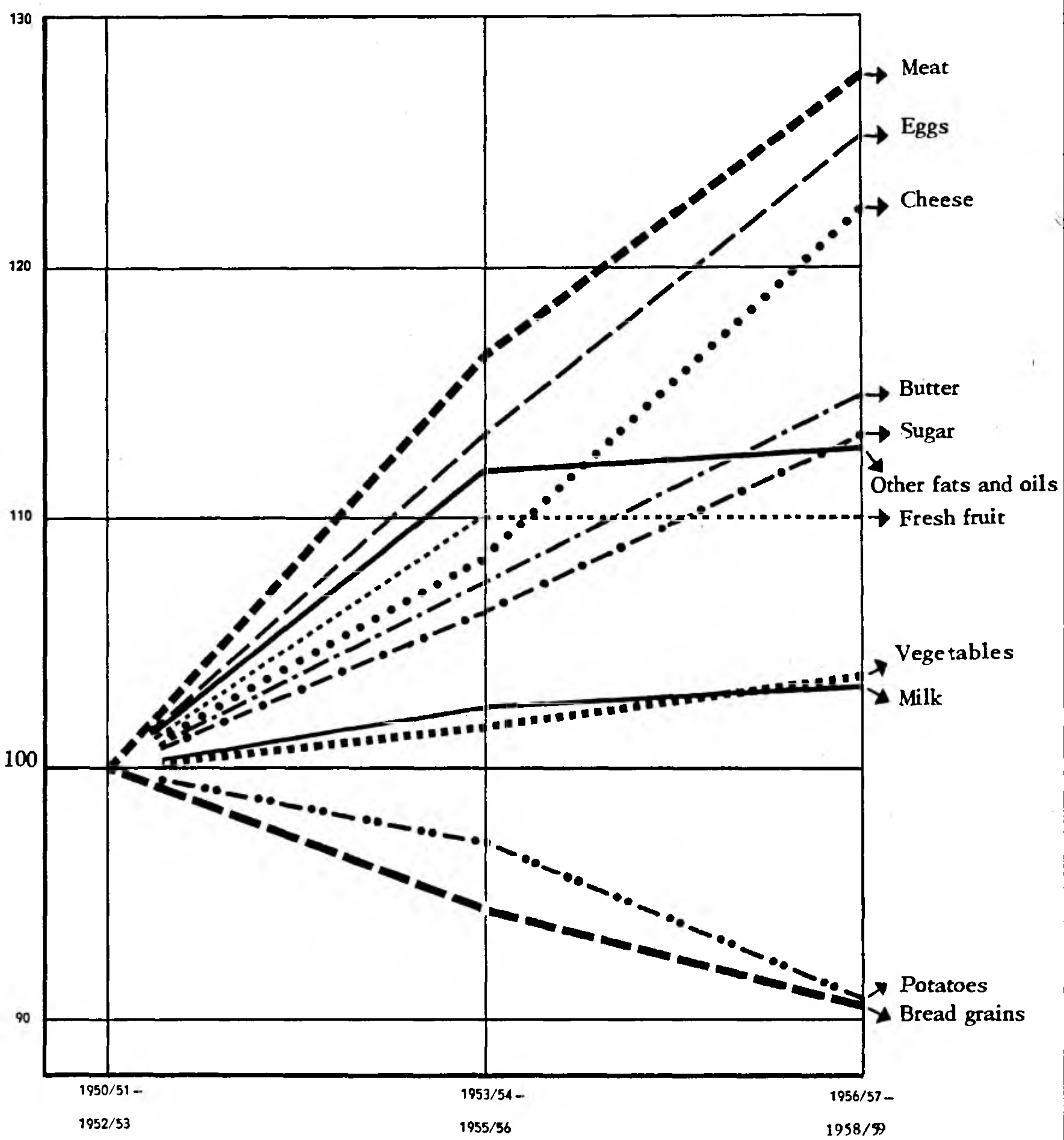
(in kg)



Graph 3

TREND OF FOOD CONSUMPTION PER INHABITANT IN
THE E E C COUNTRIES

1950/1951- 1952/1953 = 100

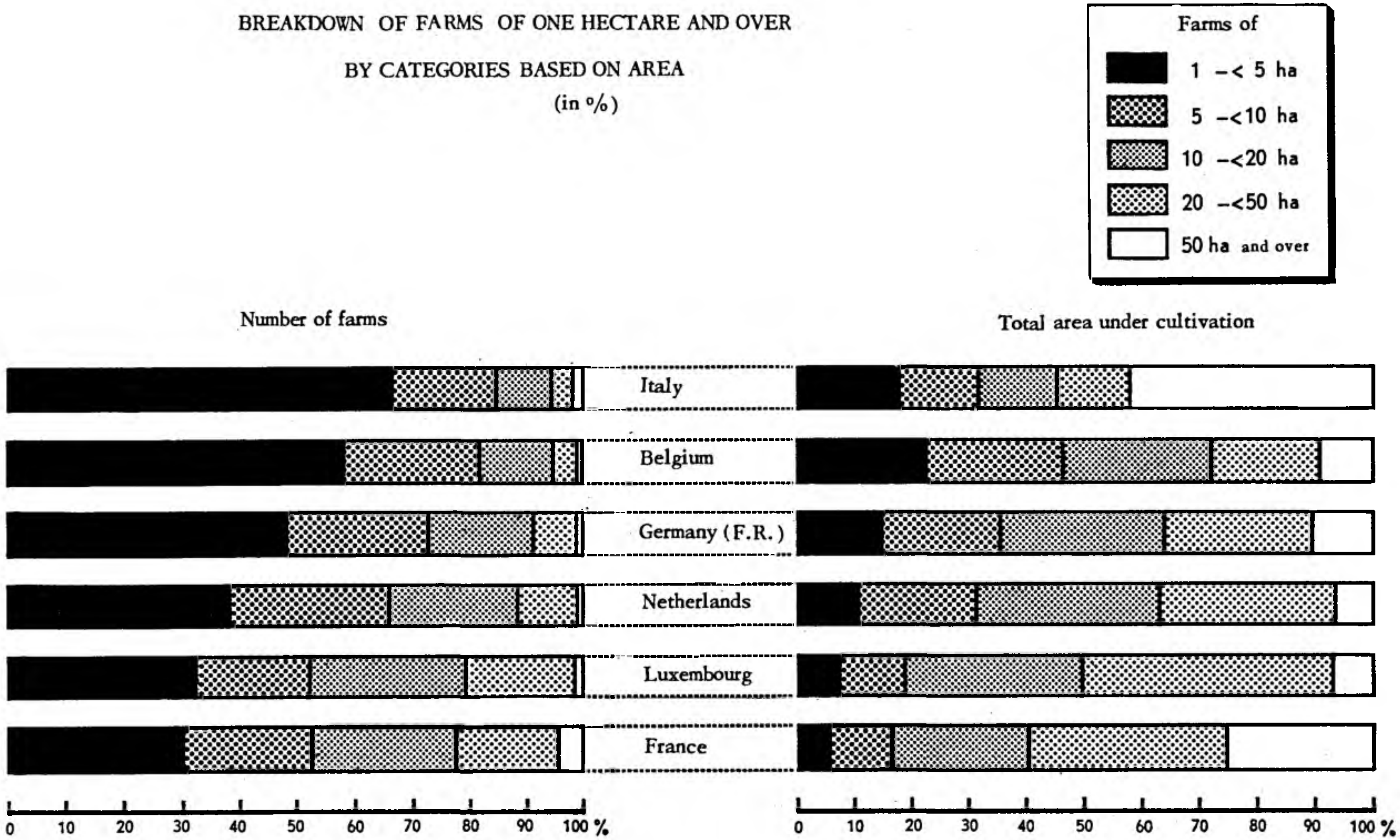


Graph 4

BREAKDOWN OF FARMS OF ONE HECTARE AND OVER

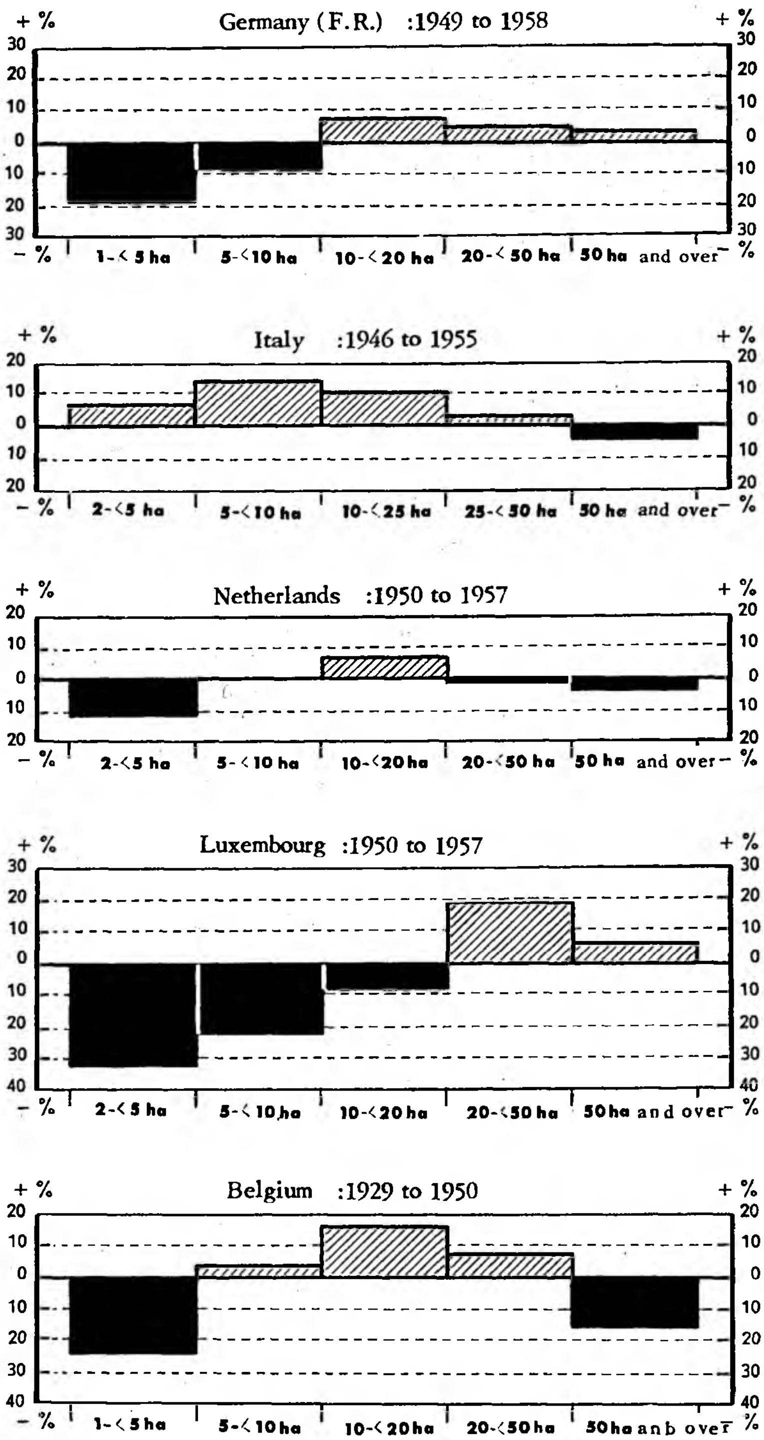
BY CATEGORIES BASED ON AREA

(in %)



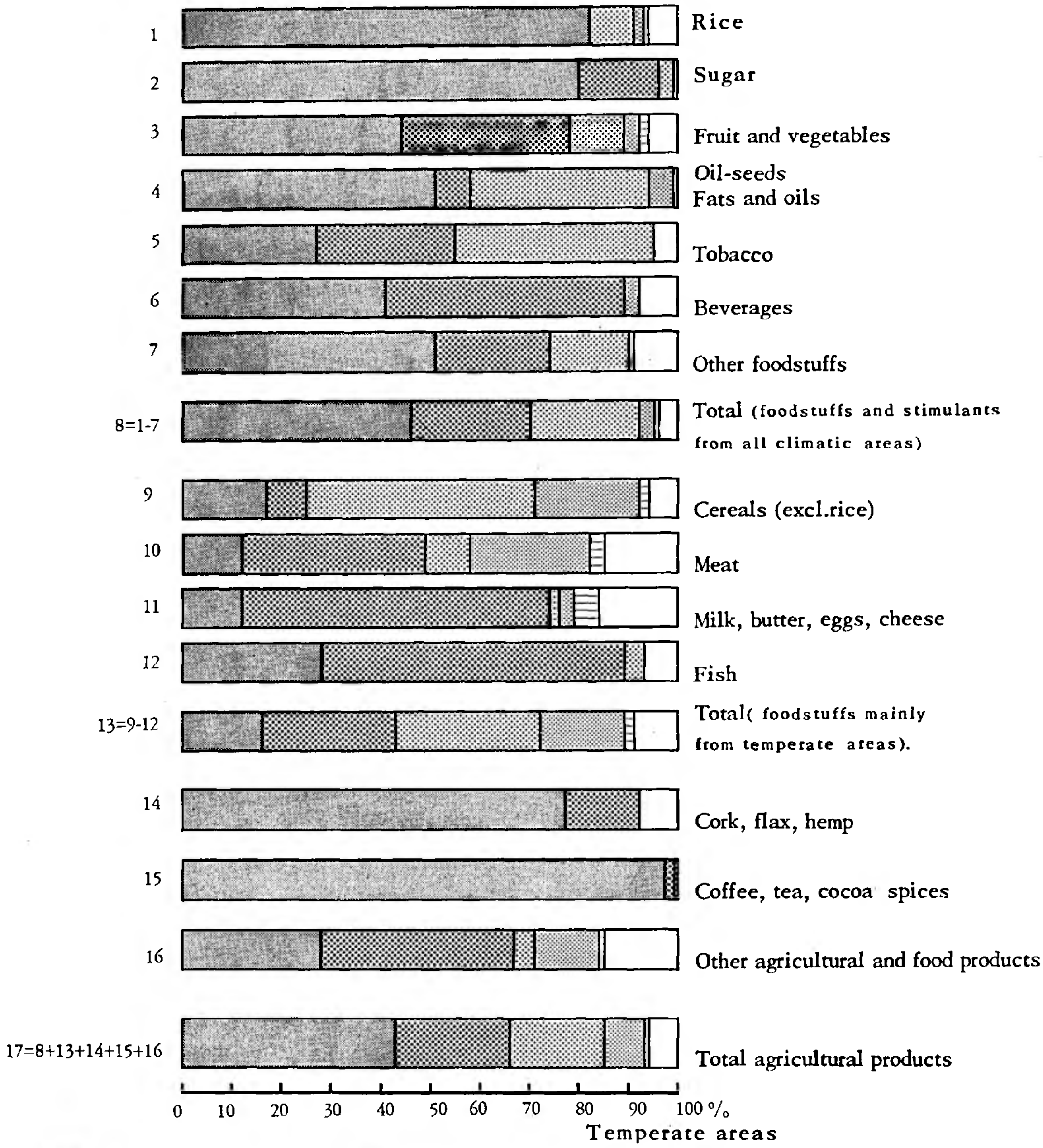
Graph 5

TREND OF THE NUMBER OF FARMS IN THE VARIOUS CATEGORIES BASED ON AREA



Graph 6

AGRICULTURAL PRODUCTS IMPORTED BY THE EEC, BY AREAS OF ORIGIN
(VALUE OF IMPORTS FROM THIRD COUNTRIES 1958 = 100)



Tropical and sub-tropical areas

Western Europe (excl. EEC)

South America (Argentina, Uruguay, Chile)

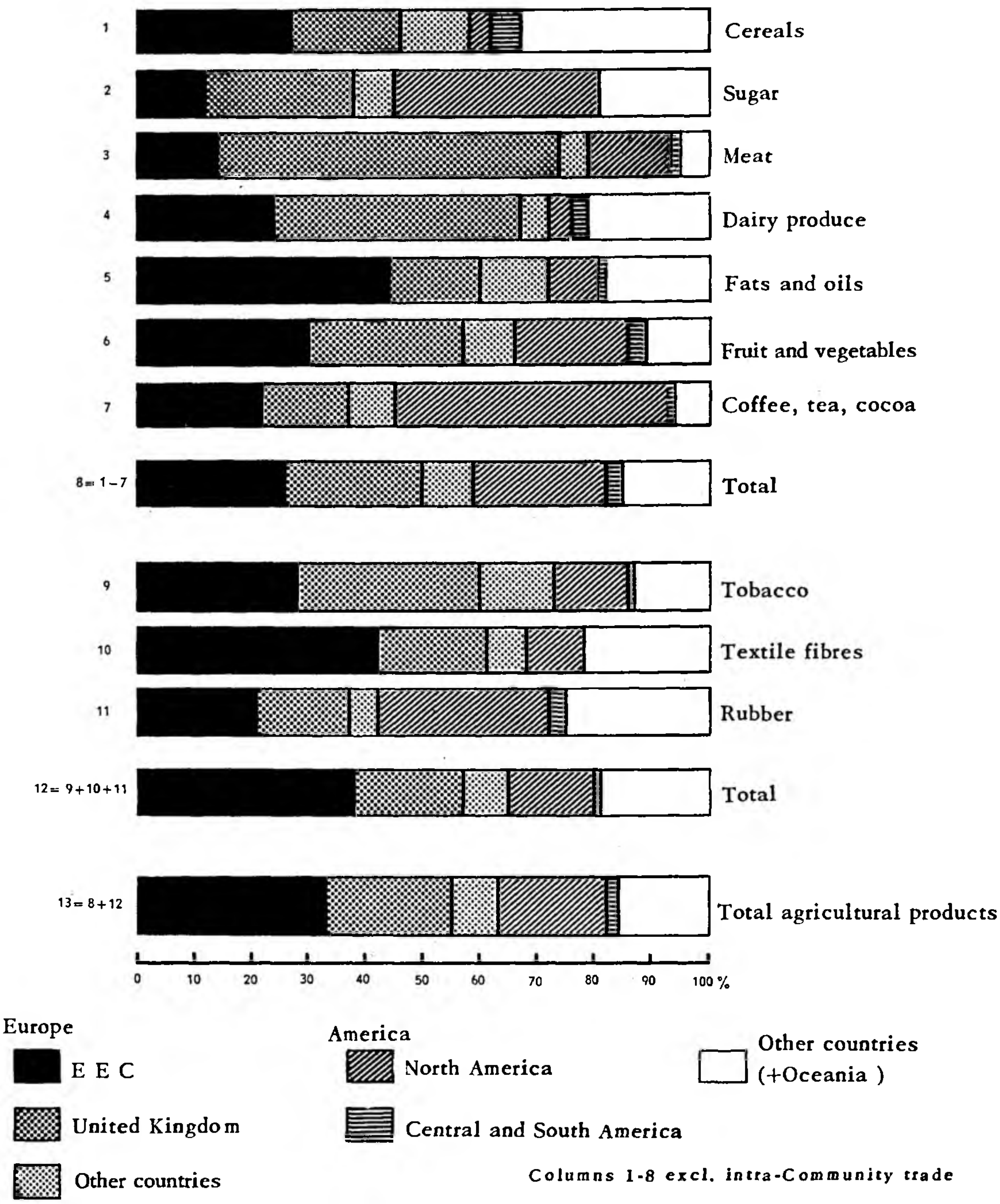
USSR and Eastern Europe

North America

Australia, New Zealand

Graph 7a

SHARE OF THE LEADING IMPORTING AND EXPORTING COUNTRIES IN WORLD TRADE IN AGRICULTURAL PRODUCTS IN 1957 BASED ON THE VALUE OF WORLD IMPORTS (excl. U S S R , Eastern Europe and China)

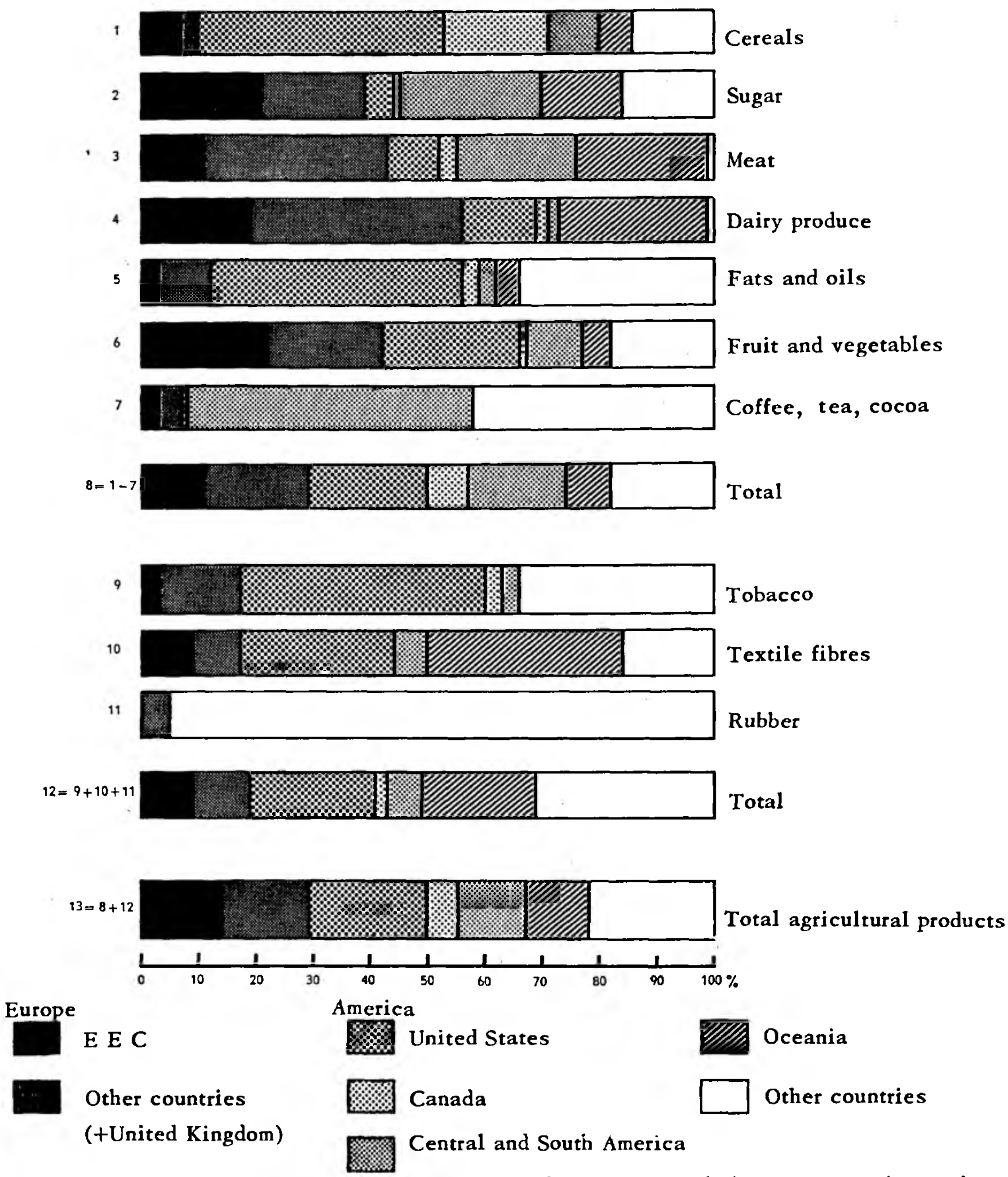


Columns 1-8 excl. intra-Community trade

Columns 9-12 incl. intra-Community trade

Graph 7b

SHARE OF THE LEADING IMPORTING AND EXPORTING COUNTRIES IN WORLD TRADE IN AGRICULTURAL PRODUCTS IN 1957 BASED ON THE VALUE OF WORLD EXPORTS (excl. U S S R ,Eastern Europe and China)



Columns 1-8 excl. intra-Community trade

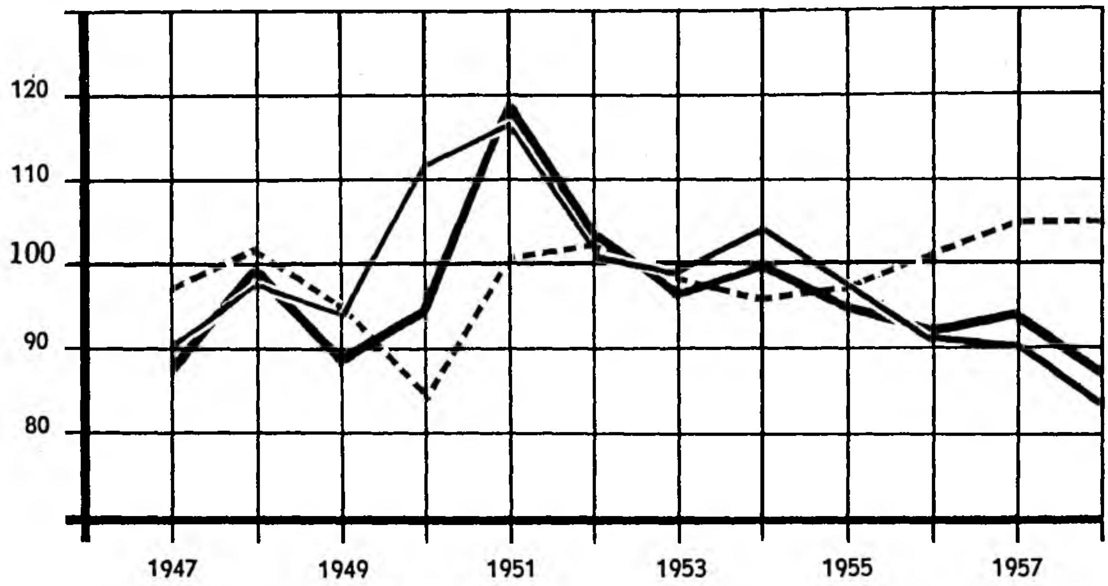
Columns 9-12 incl. intra-Community trade

Graph 8

TERMS OF TRADE ON WORLD MARKETS FOR AGRICULTURAL PRODUCTS

INDICES OF AVERAGE UNIT VALUES (averages prices) OF EXPORTED AGRICULTURAL AND MANUFACTURED PRODUCTS IN WORLD TRADE

INDEX, average 1952/1953 = 100



Total agricultural products

Manufactured products

Terms of trade: Ratio of purchasing power of exported agricultural products to manufactured products

PART II

Basic principles of the common agricultural policy

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C. Principles of market policy	37 - 46
D. Principles of commercial policy	47 - 57
E. Principles of social policy in the agricultural field	58 - 60

INTRODUCTORY REMARKS.

1. By the Treaty of Rome the Member States agreed that agriculture and trade in agricultural products should be included in the Common Market. This means that free circulation of goods within the Community must be gradually introduced for agricultural products as for other commodities.

At the same time, and by reason of the special character of the agricultural economy and the existence of divergent national agricultural policies, the Treaty provides that the functioning and development of the common market in agricultural products shall be accompanied by the establishment of a common agricultural policy among the Member States.

2. According to the Treaty, the objectives of the common agricultural policy shall be:

a) to increase agricultural productivity by developing technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, particularly labour;

b) to ensure thereby a fair standard of living for the agricultural population, particularly by increasing the individual earnings of persons engaged in agriculture;

c) to stabilize markets;

d) to guarantee regular supplies; and

e) to ensure reasonable prices in supplies to consumers.

.../...

The Treaty further indicates the principal means and the institutional procedure to be used to create the common market in agricultural products and to develop the common agricultural policy.

3. In shaping the common agricultural policy, the Community's institutions are confronted with a situation and with trends resulting from a long historical development and the application of national policies which have hitherto differed one from another. The task of the common agricultural policy will therefore not only be to enable agriculture in the six countries to pass from its present state to that of the common market; it must also endeavour to resolve the problems already facing agriculture in each Member State by making use of the new opportunities which the establishment of the Community offers in this connection.

4. The first step required by the Treaty in preparation for the common agricultural policy was the calling of an agricultural conference of the Member States. This conference was held in Stresa from 3 to 12 July 1958.

In addition the European Parliament, at its session of 26 June 1959, approved the attitude and general tenor of the reports of M. Troisi (Doc. No. 63/58), M. Lücker (Doc. No. 39/59) and M. Vredeling (Doc. No. 41/59) dealing with problems of agriculture in the European Economic Community.

At the beginning of 1960 the Council of the EEC transmitted to the European Parliament for information "Draft proposals on the working out and putting into effect of the common agricultural policy in conformity with Article 43 of the Treaty establishing the European Economic Community". This draft, along with a number of reports on the various aspects of the common policy presented on behalf of the European Parliament's

.../...

Committee on Agriculture (1), provided the basic material for a further debate on the common agricultural policy when the Parliament met from 26 March to 2 April 1960.

Acting in conformity with Article 43 (2) of the EEC Treaty the Commission, on 7 November 1959 submitted its draft proposals to the Economic and Social Committee for an opinion. The Agricultural Section of this Committee agreed on its position on 23 April, and the Committee itself formulated the required opinion on 6 May 1960.

5. Having taken into consideration the position of agriculture in the Member States, the preliminary work done by the Agricultural Conference of the Member States, by the European Parliament and by the Economic and Social Committee, and also the principles laid down in Article 39 (2) of the Treaty, the Commission proposes that the common agricultural policy be based on the following principles and considerations.

A. GENERAL PRINCIPLES

6. Agriculture is to be considered an integral part of the economy.

The links between agriculture and the other sectors of the economy are many and close:

- The general standard of living plays an important part in shaping agricultural income, since it determines the level of consumption and, consequently, the opportunities for disposing of the products of agriculture.

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(1) See Documents of the European Parliament, Nos. 3 to 10/1960-61, presented by MM. Lücker, Carcassonne, van Dijk, Legendre, Troisi, Richarts and de Vita.

.../...

- At the same time, the level of prices and the quality of agricultural products in turn influence the level of consumption and, to some extent, the purchasing power of consumers.
- Traders and the processing industries act as intermediaries between the agricultural producer and the consumer.
- Agriculture is one of the big clients of industry and of enterprises supplying services; the requirements and the purchasing power of agriculture therefore have direct repercussions on the activities of other sectors of the economy.
- Imports and exports of agricultural products are important elements in the Community's external trade. This trade in its turn has a considerable influence on the general economic situation, and thus on the living standards of the population of the Community.

The general economic development of the Community is only possible with the harmonious participation of all sectors of the economy. It is therefore in the general interest that the particularly serious problems facing the Community's agriculture should be resolved, thus paving the way for an economically prosperous agriculture.

7. Agriculture is also an essential factor of social life.

- It constitutes one of the characteristic elements of the civilisation of European countries.
- The rural population in the villages and small towns forms a whole which, in addition to farmers and farm workers, includes artisans, shopkeepers, entrepreneurs, industrial workers and employees, all of whose activities are complementary to each other.

If the social situation of the farming population is unsatisfactory, the harmony of society at large is affected. Conversely, the farming population suffers when difficulties of a social nature arise among other sections of the population.

The structure of society must develop harmoniously by continuous adaptation to economic change in the Community. This requires that the members of each social group should have the right to join other groups with better occupational opportunities.

8. The links between agriculture and the other sectors are such that the solution of agricultural problems cannot be found in the framework of agriculture alone. The development of other sectors must play its part in making the solution of certain agricultural problems possible. In this context particular importance attaches to the development of the economic sectors in question in the rural regions themselves.

The common agricultural policy can therefore be wholly successful only if it is supported by the general economic policy of the various Member States and is backed by a regional development policy. If the Community is to progress economically and socially, the contributions which agriculture and the other economic sectors make to each other's prosperity must be increased under fair conditions for all concerned.

9. Since the action to be taken on both the national and Community plane must be coherent and effective, and since all discrimination between producers and consumers within the Community is to be excluded, the common agricultural policy must cover the chief fields dealt with by the national agricultural policies as at present applied. This is why it is essential to define at one and the same time

a) The policy on the structure of agriculture

b) The policy on agricultural markets

c) The commercial policy (to the extent necessary for putting the market policy into effect)

d) The social policy in the agricultural sphere to be applied in the Community.

10. The various aspects of agricultural policy must be brought into close correlation:

- Structural policy must help to reduce and approximate costs in the agriculture of the six countries and to guide production rationally in the light of market trends.

- Market policy must take into account the need for improving agricultural productivity and to this end be based on the conditions found in economically viable enterprises of adequate productivity.

- Commercial policy in the agricultural sector must contribute to the success of the market policy by stabilizing and facilitating trade in agricultural products between the Community and non-member countries. At the same time it forms part of the general commercial policy, which is directed to the harmonious growth of world trade. It is of great importance for the contribution to this growth made by the agricultural sector that the competitive capacity of agricultural enterprises should be improved, particularly by means of an active structural policy.

- Social policy in the agricultural sphere is a part of general social policy and must contribute, simultaneously with structural, market, and external trade policy, to improving

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the living and working conditions of the farming population and bringing these conditions closer to the level obtaining in other comparable occupational categories.

11.. Although one aim of the common policy is to raise the individual incomes of those engaged in agriculture, the application of the common market policy may, in given areas or given types of farm, create special problems in connection with maintaining the living standards of the active agricultural population. In such cases special aid to maintain incomes in the areas or enterprises affected may be justified by social considerations or required by the length of time it takes to convert farms or improve their structure.

12. In accordance with Article 40 (1) of the Treaty, the common agricultural policy is to be developed gradually. This makes it possible to profit from lessons learned in the earlier stages and to adapt the policy to the possibilities opened up by general economic and social advance.

By reason of the particular character of agriculture, and in line with Article 39 (2) of the Treaty, all adjustments or conversions which become necessary in the agricultural sector must be carried out gradually.

To this end, the proposals for a common agricultural policy envisage two stages - a preparatory stage and a common-market stage. They will be supplemented and more clearly defined by later proposals in which it will be possible to take account of the experience acquired.

The preparatory stage must not in general extend beyond 30 June 1967. This time-limit is considered adequate for the execution

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of the measures needed to reach the common-market stage, provided that progress in achieving the aims of the EEC Treaty is also satisfactory in the other economic and social sectors in so far as these exercise an influence on production and market conditions in agriculture. Similarly, the time-limit set enables agriculture to adjust itself rapidly to the new conditions which will face it in the common market. In this way farmers will be spared ill-advised investments which would be inevitable if uncertainty concerning the final situation were unduly protracted and would render more difficult the necessary task of transforming and adapting agricultural enterprises.

B. PRINCIPLES OF STRUCTURAL POLICY

13. According to the EEC Treaty the aim of the Community is to promote a harmonious development of economic activities and a continuous and balanced expansion in all its constituent regions with a view to the establishment of a common market.

14. Within the European Economic Community, a comparative analysis of regions shows extremely wide differences in their economic capacities. It can be seen in particular that the unfavourable situation of incomes in agriculture is often accompanied by defective agricultural structures. These are characterized on the one hand by an unfavourable ratio between

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the number of persons working on farms and the productive capacity of these farms, and on the other by the high proportion of the working population engaged in farming and their relatively limited mobility. A situation such as this reduces the chances of benefiting from technical progress and so increasing incomes.

15. The speedier economic growth resulting from the establishment of the Common Market will give a strong impetus to industrial production. Unless care is taken, this growth could well be confined exclusively to existing industrial centres, thus aggravating the process of urban and industrial concentration without any benefit to the economically backward regions.

The increasing concentration of industry combined with mass flight from the land involves, both for the regions which are less fortunate in their agricultural structure and for the highly industrialised areas, increasingly grave social and economic disadvantages which must be obviated.

16. The aim of the Community's policy must be lasting improvement in the present inadequate level of incomes and the adverse social conditions of large sections of the agricultural population. This can be achieved by using the instruments of regional structural policy in the general economic field and in agriculture in particular, but it is unlikely to be possible unless the measures taken are designed not simply to remedy the low income level as a symptom but to strike at the root causes of this unsatisfactory situation.

17. Agricultural development and general economic growth are very closely related.

Measures for the improvement of agricultural structures also benefit the other economic sectors, just as investments in the general economic field improve the economic capacity of agriculture.

The task of the Member States and of the Community is to further the overall economy of the rural areas in course of development. Measures for the improvement of agricultural structures must take account of regional development policy, itself an integral part of general economic policy.

18. New occupational openings for a part of the population in the backward regions should be provided by the development of centres of industrial production and of services. The population of farms where there is no prospect of development will be guided into other employment without this process being resented as a break or ending in a flight from the land which would jeopardise the functioning of cultural and social institutions. Furthermore, the establishment of industrial centres in regions hitherto predominantly rural will open up a regional market which will offer farm workers the chance of a rapidly rising income per head.

19. If the rural regions are to advance economically, great efforts will be needed to improve their economic and social structure. Moreover, the development of the Common Market and the putting into effect of the common agricultural policy are altering the economic conditions of agricultural production.

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The common transport policy, too, will have to take into account, within the possibilities provided for in the Treaty, the requirements which spring from regional development and the adaptation of agricultural enterprises to changing economic conditions.

At the present time there are considerable differences in the transport rates ruling in the various Member States. These are largely attributable to the fact that transport policies are geared to the requirements of the national economy and also, more particularly, to the diverse forms of Government action in the various Member States. A common transport policy will have to eliminate unjustified differences in order to create comparable conditions of competition for agricultural producers. It will thus play its part in the changes leading towards a rational agriculture.

20. A further need is for an improvement in all systems of teaching and occupational training which will facilitate the transfer of part of the agricultural population to more productive activities and turn to greater advantage the new opportunities offered by freedom of movement and freedom of establishment in the Community. It will also be necessary actively to prepare the population at large for the economic and social repercussions of these developments.

21. The difficulties of adapting agriculture and the need to improve agricultural structure are already present in varying degrees in all Member States. The advent of the Community will not change these problems as they now exist on the national level in each of the six countries, but the need to further the general process of adapting agriculture and to remedy defects in agricultural structures will become more urgent. This is because

- The establishment of the Common Market will lead to the elimination of national protective measures; this will reveal structural defects hitherto concealed and will make it essential to adapt the organisation of farming enterprises.

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- The economic expansion inherent in integration may aggravate regional disparities in agriculture and in the economy as a whole.

Taking due account of these considerations and of the intentions of the Treaty, priority should be given to aiding the economically weak regions with a structurally deficient agriculture in their efforts to rid themselves of their short-comings as one part of the regional development policy. In so doing, however, it must not be forgotten that regions with a relatively efficient agriculture may also have specific problems of structural improvement.

22. Although it is for the Member States to take the appropriate measures to improve agricultural structures, the structural policies of these States need to be co-ordinated within the common agricultural policy

- In order that the intensified development of the economy in general shall not lead to more pronounced disparities in agriculture and that the less developed regions may be brought closer to the general economic and social level, by the more active implementation of improvement measures.
- In order that market and structural policies may be combined to the best advantage in the common agricultural policy so as to obtain, in the long-run, a proper balance between production and potential outlets.

23. There are nevertheless situations in which opportunities to improve agricultural structures are limited. This is the case in particular with marginal land (exceptionally difficult conditions in the matter of soil, topography and climate), which confronts even the capable farmer with insuperable obstacles as regards the development of modern productive enterprises.

In such instances other uses must be found for the land hitherto cultivated. In this respect, afforestation of uncultivated land or of agricultural land with inadequate yield may prove indispensable. This may also be the case with replanting for purposes of soil conservation and regulation of the water system.

24. A common forestry policy must find its appropriate place in the agricultural policy proper. Nearly half the agricultural enterprises in the six countries include some woodland. Furthermore, farmers can add to their incomes by planting quick-growing trees outside forests. Trees are also a factor in protection against wind, the safeguarding of beauty spots and the harmony of the countryside.

25. Of the several objectives which can contribute to a healthy agricultural structure and which represent a combination of diverse views and factors, two are of general application and should be noted in connection with the organisation of farms:

- On the social plane, peasant farms contribute an essential element in the system of free enterprise. Hence the need to develop modern types of farm which enable the farmer, who retains his full independence and his own responsibilities, to enjoy satisfactory living conditions and to participate in the progress of civilisation;
- On the economic plane, the aim must be farms which, through the use of modern methods of cultivation, ensure that profitable operation and productivity of labour will be attained and maintained.

26. The general objective resulting from the combination of these various requirements can be attained by developing and improving family farms within an agricultural structure in which farms of various types and sizes complement each other, and in

which the farm operating with paid labour - a form that is sound from the socio-economic point of view - will have its place. This diversity will also permit a division of labour between family farms and enterprises employing wage-earners which may well help to maintain the balance between supply and demand on agricultural markets. In this respect, the family farm and the enterprise employing wage-earners should both be considered as forms of the European agricultural structure which are economically and socially justified.

The division of labour within agriculture should also be furthered by creating differentiated farming systems. Such geographical and economic specialization of agriculture, the need for which will become more imperative with the establishment of a wider internal market, should be considered not as a step in the direction of particular products (single-crop farming) but as a flexible adaptation of farming systems to the special characteristics of the soil, the climate and the situation of markets, due account being taken of the varying sizes of farms. This trend will also make for a more even flow of work in the enterprises, resulting in greater security of employment for farm workers.

27. The family farm is to be considered as an enterprise which enables effective employment to be given to at least one or two full-time workers (the lower limit) whom a family may include in its varying composition as the generations develop, and which, if efficiently managed, can ensure for each worker an income that is fair in relation to other comparable occupational groups.

The economic freedom of the farmer to make his own decisions is essential to the success of the family farm. In this respect the legal security of ownership is an important factor,and here the traditional situation calls for critical examination, particularly as regards the share-farming system.

28. In the various Member States, the present legislation on property and rural estate can prevent or hinder in varying degree the adaptation and structural transformation of agriculture. It is therefore important to know these provisions and, if necessary, to adapt them in order to further the development of rationally organised farms. As part of the co-ordination of structural policy it will be necessary to submit to the Council proposals on this matter based on a comparative study and critical examination of the situation.

29. The measures of encouragement contained in the structural policy are intended to improve the bases of production and working conditions and thus permit all agricultural workers to obtain, by their own efforts and without extra work, a fair income and a social situation equivalent to that of comparable occupations. With this end in view encouragement should be given in particular to the measures initiated in the various countries to consolidate holdings, relieve congestion in villages, move farms out and establish them on a sufficiently broad basis. These measures also apply in part to forestry undertakings, which do not produce steady economic returns. Ways must also be found of avoiding excessive fragmentation of forest properties.

30. The redistribution of scattered holdings is to be followed by improvement of the general agricultural conditions through the building of new country roads, land improvement, the regrouping of widely dispersed properties and better siting of farms.

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The shifting of certain farms should make it possible to relieve congestion in cramped villages, consolidate scattered holdings and set up new centres of activity. These forms of decentralised siting have already been applied in certain regions in the Member States and have proved a favourable element in the satisfactory development of enterprises.

31. The bringing of further fallow land under the plough and the reclaiming of new land need to be reconsidered in the light of the aims of the common agricultural policy. They must not make equilibrium between production and market requirements still more difficult to achieve. As a general rule, these methods should only be resorted to when they enable small enterprises to acquire an adequate basis for production or, again, when it is possible to improve the structure of agriculture by the exchange of marginal against high-quality land or even by giving up an old farm and moving to a new area.

32. The magnitude and the urgency of the measures to be taken demand increased capital expenditure for the improvement of agricultural structures in the Community. The policy of the Member States and of the EEC must consequently provide for a vast increase in the volume of public money allotted to this task. Here it must be remembered that wide differences at present exist between the amounts of public funds devoted to the improvement of agricultural structures by Member States.

In addition, an efficient system of agricultural credit must be developed, with conditions - interest rates, duration of loans and guarantee procedures in particular - corresponding to the special requirements of farmers. In this respect, particular importance attaches to the regional and local distribution of agricultural credit institutions.

33. An efficient co-operative organisation can help considerably to improve both living conditions and the conditions governing production, income and work in agriculture. By mutual co-operation in the spheres of supply, processing and marketing, and also in the services sector, it is possible to improve the competitive capacity of agriculture, and of family farms in particular. The development of appropriately organised co-operatives and their association with agricultural work can have a favourable influence on the vertical integration of agriculture.

34. Agricultural productivity largely depends on the standard of the farmers' technical knowledge, and this in turn depends in particular upon an efficient system of research, instruction, occupational training and advisory services.

Young people intending to adopt farming as a career, the owners of farms and agricultural wage-earners must be in a position to take full advantage of the opportunities offered, and the appropriate educational and advisory services must be given assistance wherever they are still inadequate.

35. The success of the measures to improve agricultural structures depends on the understanding shown and the attitude taken by the farmers themselves towards the adaptation of structures which is at present unsatisfactory. It is the responsibility of the governmental organisations and services to stimulate the initiative of those concerned and to use their official support

to encourage it. If this is to be achieved, all concerned should be made aware of their situation and the opportunities open to them, and they should receive advice on the technical, economic and social aspects of any official action taken. The farming population and the public agricultural services should be in a position to form a picture of the future development of their particular region.

36. The policy of improved agricultural structures and the regional economic policy, the effects of which will only be felt after a fairly long period, will not in themselves suffice to solve the problems of the Community's agriculture. Market policy, for its part, must meet the requirements which stem from the implementation of the aims set forth in the Treaty.

C. PRINCIPLES OF MARKET POLICY.

37. The market policy must integrate the agricultural markets of the Member States into a common market with the characteristics of an internal market.

In view of the difficulties which would arise from a state of permanent overproduction, the common policy will have to aim at balance between production and potential outlets both in and outside the Community. In all endeavours to achieve this balance due weight will be given to specialization appropriate to the economic structure and internal natural conditions of the Community.

The market policy must also allow for the development of production and demand in the associated countries and territories.

Imports and exports in the external trade of the Community with non-member countries must also be given due weight when working out the market policy.

38. Agricultural policy must not only take into account economic considerations of a general nature, it must ensure that the value attached to agricultural products is such that it helps to guarantee to farming activities a fair remuneration approaching that obtained in the other sectors of the economy. It must stabilize agricultural markets in order to prevent excessive price swings with their unfavourable consequences for farmers' incomes. It should not, however, completely eliminate economic risks and retard possible adaptation to any changes in demand.

39. In order to implement this market policy, and by reason of the more or less limited elasticity, according to the product, of output or of demand (or both), and also because of the differences between the national market policies hitherto applied, cmmmon measures of a direct or indirect character are needed on the agricultural markets of the Community.

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These measures must help to bring about the common market for agricultural products; they are an integral part of the common organisation of agricultural markets which, by the terms of Article 40 of the Treaty, assumes one of the following forms according to the commodities involved:

a) Common rules concerning competition;

b) Compulsory co-ordination of the various national market organisations;

c) A European market organisation.

40. The common organisation of agricultural markets must introduce a common level for agricultural prices while allowing regional differentiation of prices, corresponding to differences in marketing conditions, to develop.

In the Member States the prices of certain agricultural products, in particular those of most basic products, are at present fixed by the Government or under its supervision. For these products, therefore, the common price level can only be achieved by direct measures for the approximation of prices.

41. Action on the prices of the various agricultural products must be concerted in such a way as to contribute to guiding agricultural production in the light of demand, under the conditions referred to in sections 32 to 35.

42. Approximation of the prices of primary products must be carried out gradually. The final common level to be reached will be fixed in the light of the repercussions of the first stages of approximation in the various regions and types of enterprise and by adaptation to the trend of agricultural markets as a whole and to the general economic situation in the Community countries.

It is, however, desirable, in order to avoid any strains occurring between the primary products sector and the other sectors which depend on it, and to facilitate the establishment of a common market in the dependent sectors, that the common price level for primary products should be reached by 30 June 1967.

43. To achieve the stabilization of agricultural markets necessary in the interests of both producers and consumers in the Community, it is essential to eliminate the influence of excessive fluctuations in world market prices on the agricultural markets of the Community.

Account will also have to be taken of the fact that the conditions of production and the characteristics of farms in the Community differ from those in the extra-European countries which are large-scale agricultural exporters. In addition, the prices of agricultural products on the world market are still frequently distorted by artificial measures. This is why, generally speaking, prices for agricultural produce cannot be at the same level within the Community as those at present obtaining on the world market, but must be stabilised at a higher level. However, every effort must be made to improve the conditions of production and the productivity of the Community's agriculture and to bring about normalisation of conditions on the world market.

44. The application, as a transitional measure in particular cases, of Articles 44, 45 and 46 of the Treaty (minimum prices, long-term agreements or contracts, countervailing charges) must from now onward be based on the principles of the market policy as set out above.

45. In the preparatory stage itself the various measures to be taken to achieve a common market in agricultural products and the common organisation of agricultural markets should be synchronised. This applies in particular to the following measures:

- The approximation of prices of agricultural products;
- The progressive elimination of obstacles to trade in agricultural products within the Community;
- The establishment of rules governing competition and, in particular, the adjustment, harmonisation and progressive reduction of subsidies, reimbursements or other financial aid in support of prices or of agricultural markets;
- The harmonisation of legislation, especially where it affects trade in agricultural products;
- The co-ordination of the national market organisations;
- The co-ordination of the commercial policies of Member States and the gradual introduction of the common system for external trade.

46. The common organisation of markets must be as efficient and flexible as possible.

It should endeavour to obtain that all whose work is concerned with its activities participate in its running.

For making any adaptation that may prove necessary it will be possible for the common organisation, in the three forms provided for in Article 40 of the Treaty, to use the existing institutions or agencies in the Member States.

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Common European agencies will be set up where required to guarantee that the conditions for trade within the Community shall be similar to those in a national market.

In a certain number of cases, the functioning of the common organisation or the exercise of the Community's responsibilities will require action by the common guidance and guarantee funds which are to be set up under the Treaty and are as far as possible to be self-financing.

D. PRINCIPLES OF COMMERCIAL POLICY.

47. In conformity with the principles of market policy indicated above it is necessary, as part of the task of organizing the market, to shape the prices of agricultural products in such a way as to achieve balance between production and marketing possibilities and, at the same time, to ensure a fair level of income to producers. This policy has repercussions on trade in agricultural products with non-member countries.

48. It would indeed be impossible, as part of the contemplated market organisation, to follow a price policy consonant with the aims defined above unless a common commercial policy were applied at the same time. Consequently, and not later than the date upon which the common market organisation takes effect, a common commercial policy will have to be introduced in the relevant fields.

49. Under the provisions of the Treaty it is possible for a common commercial policy to be pursued even before the expiry of the transition period. Furthermore, in the case of the common

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agricultural policy the Treaty expressly provides that the common market organisation may include all measures necessary to achieve the aims laid down for it. Among these measures is common machinery for the stabilization of imports and exports.

50. Agriculture being an integral part of the economy as a whole, commercial policy on agricultural products cannot pursue only the aims of agricultural policy in the Community but must also take into account the general objectives of the Treaty. This means that, in the common agricultural policy, commercial policy must take account simultaneously of the following factors:

a) The general aims of the commercial policy of the Treaty;

b) The international obligations, bilateral and multilateral, of the Member States and of the Community;

c) The aims and requirements of the common agricultural policy.

51. The Treaty invokes the principle of the harmonious development of world trade. This principle involves international co-operation for the reduction of customs duties and the elimination of restrictions on world trade.

52. All the Member States belong to the international economic organisations which are the most important for agriculture, such as OEEC, GATT and FAO. All these organisations include among their aims the expansion of multilateral trade. Up to the present, all Member States have in principle adopted these aims in their economic and trade policies and accepted the responsibilities arising from membership of these organisations. The Treaty establishing the EEC does not affect these obligations; in principle therefore they apply to the Community also and to its policy, including its agricultural policy.

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53. Independently of their multilateral obligations, all Member States have, under sets of bilateral trading agreements, greater or lesser commitments to import and chances to export agricultural products. These currents of trade, some of them old-established, must also be taken into account when introducing a common commercial policy for agricultural products.

54. As regards both their bilateral and their multilateral relationships with non-member countries, the Member States recognised at the Stresa Conference that due regard must be paid to the necessity of maintaining commercial exchanges and contractual links of a political and economic nature with non-member countries.

55. On the commercial policy level, the trends of agricultural policy in the strict sense are not uniform. The common agricultural policy will have, moreover, to be such that it can stimulate the Community's exports of agricultural products. But it is also important that industrial exports should develop favourably, since the general economic situation is largely determined by the vigorous growth of these exports. It is therefore in the interests of the common agricultural policy that trade in general should expand and, in fact, agricultural and industrial exports on the one hand and agricultural and industrial imports on the other are inevitably interdependent.

Furthermore, the immediate tasks of the joint market organisations are to take such action on the level of prices for

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agricultural products as will maintain the level of agricultural incomes and to seek a balance between production and outlets. If these tasks are to be fulfilled, it is essential not to expose the agricultural production of the Community to the full blast of competition from the world market; however, this necessity is not present to the same extent for all the products concerned.

56. One important reason why the Community's agriculture cannot be unreservedly exposed to competition from the world market lies in the fact that conditions of competition are considerably distorted on that market. World market prices are often very far removed from those applied to production and consumption in numerous regions of the globe. To remedy this state of affairs every support should be given to the efforts already undertaken in the international organisations to work out a Code of Good Behaviour for competition, with the widest scope possible, and to ensure international respect for this Code.

57. The considerations influencing the common commercial policy with regard to agricultural products therefore reflect differing tendencies. On the one hand their aim is to expand external trade, but on the other they set limits to the influence of international competition. The relative importance of these trends is continually changing under the pressure of the dynamism inherent in the agricultural and commercial developments.

As a result it will not be possible for the common commercial policy for agricultural products to apply a single formula to all cases and at all times. On the contrary, this policy will constantly have to harmonize the varying needs of the

Community's commercial and agricultural policies.

In point of fact, the commercial policy requirements of the Community will not be permitted to endanger the vital interests of its agriculture, and agriculture will have to reckon with outside interests which the Community cannot renounce.

E. PRINCIPLES OF SOCIAL POLICY IN THE AGRICULTURAL FIELD.

58. Structural policy, market policy and commercial policy are destined to have favourable social repercussions by reason of their unquestionable influence on the level of agricultural incomes.

Furthermore, economic expansion in general and the improvement of the economic situation of agriculture in particular will create the essential basic conditions for the harmonisation of social systems in the interests of farm workers and the improvement of their living and working conditions.

59. The social aims of the Treaty require that agricultural policy should give the social aspect its due place.

In comparison with other occupational categories workers in agriculture, whether they be wage-earners or self-employed, have a certain leeway to make up in the social sphere.

The social policy for agriculture must form an integral part of the Community's overall social policy. In fact, the aims and princ ples of this social policy hold good for all workers, whatever their calling. Nevertheless, as applied to the agricultural

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sector, the Community's social policy must be concerned with the effects produced by certain conditions peculiar to agriculture and by its typical social structure, which make it legitimate to apply this policy in ways or by measures which differ from those used in other sectors.

60. Within the Community's overall social policy, the general principles and the essential aims of agricultural social policy may be defined as follows:

- To ensure that all categories of wage-earners in agriculture, and their dependants enjoy social protection equivalent to that enjoyed by other categories of workers;
- To promote the adaptation of the contractual relations between landlords, farmers and workers to present conditions of social progress;
- To improve the social situation of wage-earners in agriculture by bringing it closer to that of wage-earners in other comparable branches of activity, both from the point of view of remuneration and from that of social security and working conditions, taking into account the characteristic features of agricultural production;
- To ensure that children in rural areas have the same opportunities for general education and occupational training as those elsewhere, thus putting them on a similar footing as regards the choice of a career in or outside agriculture;
- To aid young country-dwellers wishing to set up as independent farmers or to change to another kind of agricultural work;
- To ensure through the European Social Fund,or other means, that those leaving agriculture to take up other productive occupations may have the best conditions for success;

.../...

To facilitate the retirement on pension of farmers and agricultural wage-earners who have reached the age at which the active exercise of their calling normally ceases;

- To improve and modernize rural housing;

- To improve the general social and cultural infrastructure of rural areas.

PART III

Development of the common agricultural policy

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Part III of this document contains the Commission's proposals on

a) The common action to be taken on the structure of agriculture;

b) The common organization of the main agricultural markets.

I. GENERAL PROVISIONS

A. SCOPE OF THE PRESENT PROPOSALS AND FIELDS IN WHICH SUBSEQUENT PROPOSALS WILL BE MADE

1. The proposals on agricultural structure have as their object the co-ordination and stimulation of the policies of the Member States in this field and the granting of financial aid from the Community designed to stimulate and speed up improvements in the structure of agriculture. This initial form of Community action will later be rounded off by others, which will be the subject of further proposals.

2. Under Article 41 of the Treaty and as part of the policy of improving agricultural structure, proposals will be submitted on such matters as research, teaching, occupational training and advisory services.

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3. In view of the complexity of the social problems in agriculture and their numerous ramifications and implications, the Commission is not at present in a position to submit a detailed programme based on the lines indicated above. In 1960, it will organise a Consultative Conference on the social aspects of the common agricultural policy. The purpose of this Conference is to furnish precise information on the principles, objectives and programme of a social policy for agriculture. After the Conference the Commission will draw up proposals on a programme for the development of social policy for agriculture integrated into the social policy of the Community.

4. The proposals for the organization of markets cover the following products: wheat, coarse grains, sugar, dairy produce, beef and veal, pigmeat, poultry, eggs, fruit and vegetables, and wine.

These products account for 80% to 90% of the agricultural production of the six countries.

Proposals on rice will be made before 31 December 1960.

The Commission will draw up, at the earliest possible moment, proposals for a range of other products, notably fats, fish and raw tobacco. In the case of fats, it will take account of the fact that certain market organizations already existing in this sector include the Associated Overseas Countries and Territories.

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In addition, the Commission will make subsequent proposals concerning products for which the market is to be organized in harmony with that for the products which form the subject of the Commission's present proposals.

It is also necessary to carry out harmonization of the external system for certain processed products with the system to be applied to the primary products. On this too the Commission will work out proposals.

5. The Commission will submit to the Council proposals for the co-ordination of the forestry policies of the Member States; these proposals will be based on the conclusions approved at the conference of forestry experts from the Member States.

B. THE COMMON AGRICULTURAL POLICY AND THE ASSOCIATED OVERSEAS COUNTRIES AND TERRITORIES

6. Certain of the products which are shown in Annex II, and on which proposals have been made for a common agricultural policy, are of particular concern to the Associated Overseas Countries and Territories and their trade with the Member States of the Community.

These products, in order of priority, are

Oil-yielding products, by reason of the interdependence of the fats of various origins and the vulnerability of the production of groundnuts, a commodity essential to the ecconomies of certain territories;

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Rice, sugar and tobacco, of which the Associated Overseas Countries and Territories are very small exporters and relatively large importers;

Some commodities such as cereals and dairy produce, which the Associated Overseas Countries and Territories have for some years been importing on an increasing scale.

In applying the common agricultural policy, there will have to be, for the products in question , a system which makes possible the harmonious development of trade between the Associated Overseas Countries and Territories and the Member States.

Furthermore, the Community will have to assist in establishing multilateral agreements on the primary products (coffee, cocoa, cotton). Support for the anti-cyclical action taken locally by the organisations for the protection of producers will also make it possible to improve the stability of the Associated Countries and Territories' export revenues.

C. ANNUAL REPORT ON THE SITUATION OF AGRICULTURE

7. In order to make it possible to appraise the situation of agriculture, to assess the effects of the common agricultural policy and to guide this policy for the future, the Commission will prepare and publish each year a detailed report on the situation

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of agriculture in the Community. This report will cover such matters as developments in agricultural productivity, the trend shown by prices paid to producers and by the prices of the means of production, the wages paid by farmers and the prices paid by consumers; it will also analyse processing and distribution margins, and compare the trend of living conditions of various classes of agricultural worker with those of comparable classes in other occopations.

The Commission will ask the Governments of the Member States to furnish it with the information it requires for this report.

D. FORECASTS AND GUIDANCE FOR PRODUCTION

8. Each year, the Commission will draw up forecasts concering the most important products. These will relate in particular to availabilities (production, imports and stocks) and needs (internal consumption, including processing and exports), and also to the probable trend of prices. The forecasts will be revised periodically in the light of market trends.

The results of these forecasts will be used as an instrument of analysis for the guidance of production and of the action taken in connection with both the internal and the external market.

.../...

General

9. The Commission will encourage any action, both individual and collective, by the farmers themselves or by their organizations, which may lead to a better knowledge of markets, improve their stability and facilitate the adaptation of production to the trend of consumer demand, with due allowance for changes in purchasing power.

E. EXPANSION OF OUTLETS

10. Balance between production and consumption is one of the guiding principles of market policy. In view of the increase in production due to the rapidity of technological progress, the expansion of outlets is particularly important. The Commission will accordingly enquire into

(a) The practical possibilities of expanding outlets in and outside the Community, in particular by research into new markets in the Associated Overseas Countries and Territories and in non-member countries;

(b) Measures to be taken in order to utilise these possibilities.

11. If outlets are to be increased, various steps will have to be taken or stimulated. It will be primarily for the parties concerned to take such measures themselves, but they may be given assistance by the Governments and the Commission. The latter will ensure that all such efforts are co-ordinated as closely as possible.

.../...

F. CONSULTATIVE COMITTEES

12. With regard to improvements in the structure of agriculture, a committee will be set up which will enable the Commission to consult the circles concerned.

This committee wil contain representatives of the organizations which serve, at Community level, to group the farmers, the agricultural workers and the other activities concerned in improving the structure of agriculture.

13. In order to enable the Commission to include in its consultations circles concerned with the common organization of the various markets, a Committee will be created for each product or group of products.

These committees will contain representatives of the organizations which serve at Community level, to group the farmers, the agricultural and foodstuff industry, traders in agricultural produce, the workers in the agricultural and foodstuff sector, and consumers.

G. LENGTH OF THE PREPARATORY STAGE

14. In part II of the proposals it is stated that the preparatory stage must not in principle extend beyond 30 June 1967. This time-limit is considered sufficient to carry out the measures necessary for moving to the common-market stage provided that in the other economic and social sectors, in so far as they exercise an influence on agricultural market and production conditions, satisfactory progress is also achieved in fulfilling the aims of the EEC Treaty.

.../...

If the Commission finds that the progress made in the other economic and social sectors in question is not satisfactory, it will propose to the Council that the preparatory stage in the development of the common policy for agriculture be prolonged.

II. MARKET POLICY

15. The proposals for the market policy to be followed in respect of the various products relate to both the objectives to be attained and the measures to be taken to achieve them in the common market as well as in the preparatory stages.

A. COMMON MARKET STAGE

16. The aim is to create for the various products in question a common market in which trade will be carried on in conditions similar to those existing in a domestic market.

17. Products may be divided into three groups according to the systems proposed for the common market stage.

In the case of wheat, coarse grains, sugar and dairy produce, the market organization is characterized by a system of target and intervention prices, by support purchases to be effected in

.../...

certain conditions on the internal market and by external protection in the form of variable levies. In order to ensure the working of this system, import certificates are to be issued.

As regards the second group of products, comprising beef and veal, pigmeat, poultry and eggs, the main instrument for market support will be appropriate external protection. In the case of beef and veal, this will take the form of a customs duty. For pigmeat, poultry and eggs there is to be, in addition to a reduced customs duty, a variable levy whose sole purpose will be to iron out the differences in costs of animal feeding. All the products in this second group will be subject to a threshold import price as a safety measure for coping with exceptional situations.

In the fruit, vegetables and wine sector, quality will be the major determining factor. The common organization is to allow standardized or graded goods to circulate freely within the Community. Provision has also been made for measures intended to achieve more efficient adaptation of production . External protection is afforded by a customs duty.

18. To help these various forms of market organization to attain the aims set forth in Article 39 of the Treaty, Stabilization Funds are to be established for the majority of the products or groups of products. These Funds will constitute branches of the European Agricultural Guidance and Guarantee Fund.

.../...

B. PREPARATORY STAGE

19. The broad lines of action in the preparatory stage will be
The approximation of prices;
Co-ordination of the national market organizations;
Application of the rules of competition contained in Community law;
The harmonization of legislation;
The increase of intra-Community trade;
Co-ordination of commercial policy toward non-member countries.

Approximation of prices

20. The Commission's proposals will make it possible for the approximation of prices to be completed before the end of the preparatory stage. They suggest the methods which would gradually bring about this approximation under conditions that would make it possible for the common organization of the market in the product concerned to operate within the prescribed time-limit.

21. The approximation of prices may give rise to difficulties in certain regions or certain types of farming. A solution to these difficulties should be sought through converting the enterprise to other forms of production or by adapting it. In certain cases, however, it may be necessary to supplement this policy, in conformity with the principles set out in Part II, by a policy of direct subsidies. The granting of such subsidies should be confined to certain regions or certain types of farming which are particularly sensitive.

General

The policy of aid should be not only regional but also provisional in character. In applying it, account will be taken of the effects of the general economic development of the various regions and also of possibilities of employment in other activities. Furthermore, the level of these subsidies will diminish as the beneficial effects of the other measures for developing the common agricultural policy, and in particular those relating to structural policy, make themselves felt.

Co-ordination of the national market organizations and setting up of the European Offices.

22. The Commission proposes that the national market organizations should be co-ordinated in those sectors in which such co-ordination appears necessary for the development of the common agricultural policy. To attain this end it will enlist the co-operation of the responsible officials in the national organizations.

23. For the implementation of the market organization measures there is to be a European Office for each of five groups of products, namely cereals, sugar, dairy produce, eggs and poultry, and meat. These offices, which will be under the authority of the Commission, will have the task of

.../...

(a) Supervising the trend of the market;

(b) Furnishing basic data for fixing the levies and for any action taken on the market;

(c) Executing the decisions taken on the application of these measures;

(d) Co-ordinating the activities of the national market organizations.

Application of the rules of competition under Community law

24. As part of the task of devising and applying the common agricultural policy the Commission will propose to the Council, in application of Article 42 of the Treaty, that the rules of competition under Community law (Articles 85 to 94 of the Treaty) should be extended to agricultural products, with due regard to the aims stated in Article 39 of the Treaty. In order to take account of the special conditions affecting production of and trade in agricultural products and to make possible the gradual achievement of the objectives of the common agricultural policy, it has been found necessary to render more flexible the provisions relating to practices employed by enterprises and to dumping, and to incorporate in the provisions relating to State aids certain categories of aid which may be considered compatible with the Common Market within the meaning of the second paragraph of Article 42.

.../...

General

25. As regards in particular aids granted by States or from State funds, a schedule of existing aids will be drawn up. Such aids will be examined together with Member States, as required by Article 93.

On the conclusion of this examination, such aids as may be deemed by the Commission to be incompatible with the Common Market within the meaning of Article 92 and which are not covered by the exceptions already provided for in the Treaty or by those which are deemed to be consistent with the gradual development of the common agricultural policy, will have to be either discontinued or modified.

In certain cases the Commission may consider that the reduction of an aid by stages (e.g. in line with the approximation of prices of agricultural products) will make it consistent at each stage with the gradual development of the common agricultural policy on the one hand and not contrary to the common interest on the other; thus it would be compatible with the Common Market.

Harmonization of Legislations

26. One of the chief difficulties raised by the common agricultural policy derives from the great differences between the regulations obtaining in the several countries, both in the field of production and in that of marketing. A harmonization carried out rapidly yet in accordance with the needs of agriculture is therefore one of the essential aims of the common policy.

.../...

In order to achieve such harmonisation, it is necessary to examine thoroughly the disparities in the regulations for each product or group of products, taking into account the special nature and complexity of the problems affecting agriculture and their interdependence. The Commission will in the very near future and as a matter of priority arrange for the approximation of the regulations which directly affect attainment of the aims of the common agricultural policy and the development of the common market in general . Examples that may be quoted are legislation on veterinary and plant health matters and legislation on foodstuffs and supplies of seeds for agriculture, horticulture and forestry.

To carry through this task the Commission will be appealing for the support of government experts from the Member States. If the work undertaken is to be a sucess it will in addition be necessary to have the co-operation of the organizations at Community level which represent the circles concerned..

If difficulties over harmonization should arise in spheres which closely concern public health, the Commission will be entitled to take the advice of scientists.

.../...

Increase of intra-Community trade

27. For the progressive achievement of the common organization of the market, it will be necessary during the preparatory phase to supplement the measures relating to the approximation of prices and the co-ordination of regulations with special measures designed to speed up the abolition of restrictions on trade.

In most cases, the Commission recommends the introduction at the earliest possible moment of a system of decreasing levies, which will cease to operate as soon as the common level of prices has been reached. Such a system of levies will function only if

Quantitative restrictions on imports and measures with equivalent effect are abolished;

Every form of export aid and refund which obstructs the functioning of the proposed levy system is excluded;

Recourse to Article 44 of the Treaty is renounced, and

Internal regulations are adjusted in such a way as to permit free circulation of goods within the Community.

28. For the period preceding the putting into force of this system of levies, it is obvious that the rules of the Treaty, together with additional provisions enacted by Member States, will continue to be applied.

.../...

General

Co-ordination of commercial policies toward non-member countries

29. The development of the common market, like the liberalization of trade within the Community, requires that in the agricultural sector the commercial policies and practices of the Member States shall be brought increasingly into line.

The Commission has drawn up proposals for co-ordinating the commercial policies of the Member States and applying in advance certain of the measures recommended for trade with non-member countries in the common-market phase.

Such provisions are necessary

To facilitate the setting up of the common organizations;
To make possible co-ordination of the national organizations during the preparatory phase and, in particular, to avoid the diversions of trade which could occur as the obstacles to intra-Community trade are removed during the preparatory phase;
To permit the introduction of a common commercial policy for the products concerned as soon as the common organization begins to operate.

30. For both imports and exports the Commission will submit new proposals to the Council as soon as additional measures prove to be necessary for the development of the agricultural policy, and in particular for the liberligation of trade within the Community.

PROPOSALS FOR A COMMON POLICY ON AGRICULTURAL STRUCTURE

I. REASONS FOR A COMMON POLICY

1. One of the essential aims of the common agricultural policy, as stated in Article 39 (1) of the Treaty of Rome, is to increase the individual incomes of persons engaged in agriculture and to ensure a fair standard of living for the agricultural population.

The measures of market and price policy cannot of themselves achieve these objectives entirely, for they cannot eliminate the causes which lead to inadequate incomes, and they would only accentuate the existing disparities between the various regions. Only improvements in the structure of agriculture will make it possible to increase productivity, which is deemed in the Treaty to be essential if individual incomes in agriculture are to be raised. It is just these improvements which create suitable conditions for application of the latest developments in technological progress, for the rational expansion of output and for getting the most out of the factors of production. An improved agricultural structure is therefore an important element in the overall plan for attaining the aims of the Treaty.

2. The establishment of the common market is designed to promote harmonious development of economic activities throughout the Community. It is therefore the responsibility of the Member States and the Community as a whole to ensure that the economically backward regions, where the level of incomes is unsatisfactory in almost every sector, share in the general economic development.

.../...

Structure

The participation of the various regions in a balanced economic expansion as elements of the Community associated in the division of labour is an objective which can only be attained if the improvement of the structure of agriculture is carried out as part of the general economic development of these regions.

The problem of reforming the structure of agriculture must therefore be viewed against the background of a broad improvement in the economic structure of the region. For this reason, it is of capital importance to eliminate the deficiencies in agricultural structure, which all tend to disturb the general economic growth. Thus the considerable expenditure which improvement of the structure of agriculture calls for on the part of the Member States and the Community will not be of value to agriculture only but will also benefit the whole of the Community's economy.

3. The present deficiencies in agricultural structure are a considerable impediment to the desired adaptation of agricultural enterprises to local natural and economic conditions. The improvement of the structure of agriculture should enable such enterprises to adapt themselves with the necessary flexibility to progress in agricultural technology and thus create modern types of farm with high productivity and satisfactory incomes. In this connection the encouragement of family farms assumes particular importance. In a complex agricultural structure, where the type of farm management, the organization of work and the size of the farm all differ, the family farms should complement each other, just as they should complement the farms employing paid labour, as part of a division of labour made to meet the needs of the market.

.../...

Through the steps taken to reform the structure of agriculture it is intended that production shall be adapted to local conditions, and this in turn will make it possible to establish the conditions necessary for a lasting improvement in the social and economic situation of agricultural workers.

The agricultural structure to which efforts must be directed in this context appears to be attainable only on condition that special measures are taken, within the general programme of economic development, to secure structural improvements in the relatively backward regions (consolidation of holdings, transplantation, enlargement of farms, land improvement) and that the growth of the other sectors of the economy (industry, crafts, services) is promoted.

4. The measures for the improvement of the structure are designed to eliminate the fundamental causes of the inadequate level of incomes. It lies in the very nature of the problem that the relative importance of the various causes of this unsatisfactory socio-economic situation can only be determined by regional studies. The results of these studies will make it possible to ascertain the priority and relative importance of the various measures. It will then be necessary to strike a judicious balance, from the standpoint of the general economic development of these territories, between the measures taken inside and those taken outside the field of agriculture.

5. If the measures needed for improving the structure of the economic regions were not taken in the Member States and in the Community, there would be a danger that

The structural deficiencies and their effects would stand out in the sharpest relief and could be extremely serious in the regions where the economic and agricultural structure is particularly unfavourable;

.../...

Structure

Above all, severe difficulties would be encountered not only by some regions adjoining the internal frontiers of the Community and more exposed to the influence of new currents of trade, but also the regions whose general economic development has lagged well behind that of the others.

6. The deficiencies in agricultural structure were already present when the Member States founded the Community. However, they have in many cases been alleviated by the price and income r policies practised by the Governments.

The elimination of the measures of protection dividing the various countries in the Common Market and the expansion of the Community's economy in general will bring out the deficiencies in agricultural structure by accentuating the regional disparities.

The Member States and the Institutions of the Community will therefore have to try to develop an efficient policy for the improvement of the structure of both agriculture and the economy in general. The Community must seek appropriate solutions, and also the means of applying them, in order to speed up in particular the improvement of the structure of agriculture in the Member States.

7. As the problems of structure arise on the local or the regional plane, it is the governments of the Member States which must assume the chief responsibility in this sphere. By reason,

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however, of the decisive extent to which improvements in structure can influence the success of the common agricultural policy, the Community cannot abandon the task of efficiently co-ordinating the measures taken by the Member States. It must find methods which guarantee that financial resources will be used where they are needed in the interests of the common market.

8. Independently of the recommendations that it will be submitting on the policy of improving the general structure of the economy, the Commission proposes that a special instrument should be created which could help in the attainment of the objectives of the common agricultural policy.

In the immediate future the Institutions of the Community can follow three lines of action which all contribute to the achievement of these aims; they are

1. Co-ordination of the Member States' policies on agricultural structure;
2. Encouraging the Member States to step up their action and to devote adequate funds for the improvement of agricultural structure;
3. The grant of financial aid by the Community in order to align with the objective of the common agricultural policy the various structural improvement programmes established by the Member States and/or the regional bodies. The purpose of this financial aid would be

   To facilitate in the various regions the adaptation of agriculture to the new situation created by the development of the Common Market;

   To promote agriculture in certain backward regions in so far as there are reasonable prospects of harmonious development.

.../...

II. CO-ORDINATION

9. Every proposal, every action taken in the field of agriculture at Community level must be based first and foremost upon an objective judgment of the situation of the Community in the sphere concerned. Knowledge of this situation is based mainly on an exhaustive review of the facts and of the particular structural policies of the Member States. Such a review can only be really efficient if it is made periodically, thus affording a clearer idea of trends. For this purpose, the Member States are to inform the Commission regularly of their projects and of the results obtained through their structural policy for agriculture.

10. The Commission proposes to submit to the Council each year,

A report on the conclusions drawn from comparison of each country's policy for the structure of agriculture;

Proposals on the measures to be taken for the guidance and approximation of these policies.

III. INTENSIFICATION OF EFFORTS.

11. The repeated deferment of reforms in agricultural structure under the economic and agricultural policies followed by the Member States is reflected in disparity, which is growing greater every year, between the situation as it exists and the situation considered desirable. The resultant leeway is a serious threat to the balanced development on which the prosperity of agriculture depends. This situation is all the more critical as the creation

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of the Common Market will involve all the various regions in the Community without exception in increased competition. Such a prospect means that the Member States themselves will have to make greater efforts backed by more ample funds.

12. The Commission will at all times collaborate with the persons nominated by the Governments of the Member States as responsible in their own countries for the application of policy on agricultural structure. This collaboration will assist the Commission in its task of co-ordinating the structural policies of the Member States.

13. A Committee will be set up which will enable the Commission to consult the producers', traders' or industrial organizations concerned on the problems involved in the policy of making structural improvements in agriculture. The organizations at Community level which group farmers, agricultural workers and other branches of activity interested in the improvement of agricultural structure will be represented on this Committee.

14. The Commission will each year submit to the Council recommendations, based in particular on the report referred to in section 10 above, on the intensification of the action taken by Member States and the extent of the funds to be assigned to improving the structure of agriculture.

IV. FINANCIAL AID FROM THE COMMUNITY

15. The adaptation of agricultural structure invariably requires capital investment, and usually on a substantial scale.

.../...

Structure

Those concerned cannot raise this capital from individual savings. As the yield is relatively low and redemption is spread over a long period, the necessary investments can only be effected by recourse to the capital market. Additional investment facilities must be made available in the form of constant aid from the authorities, whether regional or national.

16. Fairly considerable difficulties must be expected in the future, especially in the areas where the deficiencies in agricultural structure are most marked. In such cases the financial measures taken by the Governments should be supplemented by aid from the Community. The Community as a whole will benefit if these areas can share in the improvement in earnings and living conditions which occurs when the common agricultural policy is put into effect. Agriculture and the economy of all member countries will benefit if the strengthening of the competitive capacity and the improvement of the incomes in agriculture are not impeded by the backwardness of certain regions when the common market comes into being. This can only be the case if far-reaching structural measures are carried out.

17. These aids from the Community should not, however, be made a substitute for the financial efforts of the Governments. On the contrary, they must complement these efforts in order to meet these special situations, which are bound up with the introduction of the common agricultural policy.

18. In order to have a chance of succeeding, aid by the Community must be based on the free decisions and the free co-operation of both the authorities and the individual. It must be in

.../...

such a form as to stimulate personal effort. Farmers must accordingly be encouraged to make use of it and carry out all the prior and parallel actions which make for efficiency in aid from an authority.

19. The Commission proposes that a "European Fund for Structural Improvements in Agriculture" be established, not later than 1961, by granting conditional financial aids; this Fund is to stimulate the adaptation of agricultural structure in accordance with the aims of the common agricultural policy.

Co-ordination is necessary between the activities of the Fund for Structural Improvements in Agriculture and those of the Social Fund and the European Investment Bank. The procedure for and forms of activity deployed by the Fund for Improvements in Agricultural Structure have consequently been selected in such a way as to permit this co-operation.

20. The European Fund for Structural Improvements in Agriculture is to have the following features:

A. PROCEDURE AND ACTIVITIES

The purpose of the Fund is to facilitate improvements in the structure of agriculture. When applying it, however, account will be taken of the requirements arising out of the marked interdependence between improvements in agricultural structure and general economic development.

The Fund will in particular grant financial aid of a non-recoverable character either to reduce the rate of interest or to extend the period of redemption of loans raised in order to put through programmes for improvements in the structure of agriculture.

.../...

Structure

Such loans may have been granted by either the European Investment Bank or public or private bodies in the individual States, regions or localities.

Action by the Fund will be confined to projects satisfying a certain number of well-defined conditions. By "project" is meant any programme of governmental or other origin which consists wholly or partly of action in the field of agricultural structure.

Aid from the Fund, although in the final analysis benefiting individuals, will only be accorded at the level of bodies responsible for authorizing expenditure under projects.

B. CONDITIONS OF ACTION

Projects for which the resources of the European Fund for Structural Improvements in Agriculture may be made available must fulfil criteria of two categories, namely:

a) Limits of the field of action

The project must be part of a large-scale regional programme for the improvement of both the economic structure in general and the agricultural structure of the region concerned, intended either

To cope with a situation resulting from the measures taken to implement the common agricultural policy, or

To make good the leeway of certain regions where financial support is justified both from the social and economic point of view and in the interests of the common agricultural policy.

b) Aims to be pursued

The projects must at one and the same time

1. Have objectives which conform with the broad lines of the common agricultural policy (structure and markets) and must in particular produce enterprises - especially family farms - which

   Make possible an optimum combination of the factors of production while taking due account of the natural, economic and social context;

   Have a structure sufficiently open to new developments, i.e. ready for progress and adaptable to change, particularly where conditions of the market and manpower potential are concerned;

   Make it possible to obtain a fair rate of income;

2. Be part of a series of concerted actions including, in addition to basic structural improvements in agriculture,

   The creation of fresh employment;

   A more intense diffusion of technical progress in agriculture;

3. Offer an assurance that the results obtained will be of a lasting character, in particular by

   Ensuring that there is no risk that the land concerned will cease to be used for agriculture in the near future or even within the next few years;

   The existence of legislative, administrative or contractual provisions which preclude any return to the original situation.

Structure

C. RESOURCES

The European Fund for Structural Improvements in Agriculture is to be financed by

a) A contribution made by the Community out of its budget;

b) The participation of the European Agricultural Guidance and Guarantee Fund in accordance with the decisions taken by the Council on a proposal from the Commission.

The Fund will have a special budget. Credits not used in the course of any year will be carried forward to succeeding financial years.

The Commission considers that in order to fulfil its function the Fund will have to help in connection with investments to the tune of 4,800 million B.frs. each year. Where, for example, the rate of interest has to be reduced by 4 %, the sum that will have to be made available by the Fund will be 192 million B.frs. This amount will increase from year to year if the level of financing by the Fund remains the same. It should also be possible to increase it further in order to facilitate greater efforts at improving the structure of agriculture.

D. ADMINISTRATION

The Fund is to be administered by the Commission.

On a proposal from the Commission, made after consulting the Economic and Social Committee, the Council will lay down the statute of the Fund and also the manner in which its resources are to be administered.

VI/COM(60)105
Part III

ESTABLISHMENT OF A EUROPEAN AGRICULTURAL

GUIDANCE AND GUARANTEE FUND

VI/COM(60)105
Part III

PROPOSAL FOR THE ESTABLISHMENT OF A EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND

1. In order to ensure realization of the common organization of the various agricultural markets, Guidance and Guarantee Funds are to be created for certain products or groups of products, as provided by Article 40 (4), of the Treaty.

2. These funds will be branches of the European Agricultural Guidance and Guarantee Fund. The European Fund will be administered by the Commission and will itself administer the funds for the various products or groups of products.

3. The various funds will be financed in accordance with the proposals for the common organization of the markets for the various products or groups of products.by means of

a) Import levies,
b) Contributions from Governments,
c) Contributions by the producers in the respective sectors,
d) perhaps also by other resources decided on by the Council, acting by means of a unanimous vote and on the proposal from the Commission.

4. The expenditure of the various funds will have to conform with the provisions governing the common organization established for the various markets.

5. Transfers of financial resources from one fund to another will be made under the following conditions:

a) The Stabilization Fund for the coarse grain market will receive from the funds for animal products based on coarse grain as

.../...

Agricultural Fund .
.gricultural
feed the sums required for

Refunding a sum corresponding to that part of the production costs of exported animal products which is due to the import levy on coarse grains - the refund being made at the time of export;

The stabilization of the internal market for pigmeat.

b) Other transfers between the various funds may be decided upon by the Council, acting by means of a qualified majority vote on a proposal from the Commission;

c) Transfers from a guidance and guarantee fund for a particular product or group of products to the European Fund for Structural Improvements in Agriculture (1) may be effected on a decision of the Council, acting by means of a qualified majority vote on a proposal from the Commission.

6. The amount of the contributions paid by the producers to a fund for a particular product or group of products cannot be transferred to any other fund.

7. Since the common organization of agricultural markets covers Algeria and the French Overseas Departments, the Commission, as part of the proposals it is required to make under Article 227 of the Treaty, proposes that the provisions of Article 40 (4) should be applied to Algeria and these Departments as well.

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(1) See Chapter on Structural Policy

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Part III

PROPOSALS FOR A COMMON POLICY

ON GRAIN

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Part III

- Part I: WHEAT -

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A. PRESENT SITUATION

I. STATEMENT OF RESOURCES AND NEEDS

1. The average production of wheat in the EEC countries for 1957-1958 was nearly 25 million tons and consumption over the same period averaged 27 million tons. According to the data obtained for 1958-59 these figures have not changed a great deal. However, the supply position differs quite appreciably from country to country, as is shown in Table 1.

Quantities of wheat produced in 1959 were slightly lower than those produced in 1958, this being due in part to a decrease in sowings (about 300,000 hectares since 1957-1958). The degree of self-sufficiency has fallen from 93 % in 1957-1958 to about 91 %.

Compared with the pre-war years, the expansion of production has been exceptionally marked and is to all intents and purposes the result of the one-third increase in the yield, i.e. from 16.4 Quintals per hectare to 22.

2. As regards the supply position for the EEC as a whole, Table 2 shows that 4/5 of wheat consumption is used as foodstuff or for industry.

.../...

Grain

Table 1: Production and consumption of wheat in the EEC countries

in '000 tons

	Production	Availabilities	Percentage self-sufficiency	Human consumption (in terms of flour) Global	per head per year in kg
Germany (F.R.)					
1953/54-1955/56	3,150	5,535	56.9	3,222	63.0
1957/58	3,843	5,876	65.4	3,190	60.1
1958/59 (1)	3,693	5,711	64.7	3,118	58.1
France (Metrop.)					
1953/54-1955/56	9,970	8,179	121.9	4,695	106.5
1957/58	11,082	8,778	126.2	4,650	102.6
1958/59 (1)	9,577	8,777	109.1	4,837	105.6
France (Metrop. and Overseas Depts. (2)					
1953/54-1955/56	11,173	9,533	117.2	5,463	101.7
1957/58	12,340	10,359	119.1	5,575	100.6
1958/59	10,706	10,317	103.8	5,724	100.4
Italy					
1953/54-1955/56	8,615	8,769	98.2	5,812	121.3
1957/58	8,478	8,892	95.3	5,890	121.2
1958/59 (1)	9,815	9,200	106.7	5,925	121.2
Netherlands					
1953/54-1955/56	332	1,152	28.8	834	78.1
1957/58	393	1,418	27.7	832	74.9
1958/59	402	1,391	28.9	827	73.4
B.L.E.U.					
1953/54-1955/56	657	1,277	51.4	863	94.2
1957/58	799	1,187	67.3	810	86.7
1958/59 (1)	832	1,233	67.5	810	86.2
EEC (Metrop.)					
1953/54-1955/56	22,724	24,912	91.2	15,426	94.6
1957/58	24,595	26,151	84.0	15,372	91.8
1958/59 (1)	24,319	26,290	92.5	15,517	91.8
EEC (Metrop. and Overseas Depts. (2)					
1953/54-1955/56	23,927	26,266	91.1	16,194	93.8
1957/58	25,853	27,732	93.2	16,297	91.8
1958/59	25,448	27,830	91.4	16,404	91.0

(1) Provisional figures
(2) Overseas Departments - Algeria, Guadeloupe, Guiana, Martinique, Réunion. In the case of these Departments, the figures employed for the compilation of the present table are provisional or estimated.

.../...

Table 2: Disposal of supplies of wheat in the EEC countries

in '000 tons

	1953/54 - 1955/56		1957/58		1958/59 (1)	
	EEC (Metrop.)	EEC (2) (Metrop. and Overseas Depts.)	EEC (Metrop.)	EEC (2) (Metrop. and Overseas Depts.)	EEC (Metrop.)	EEC (2) (Metrop. and Overs. Depts)
Crop	22,724	23,927	24,595	25,853	24,319	25,448
Total consumption	24,912	26,266	26,151	27,732	26,290	27,830
Food and industry	20,480	21,639	20,370	21,761	20,572	21,928
Fodder	1,854	1,854	3,157	3,157	3,132	3,132
Seed and waste	2,578	2,773	2,624	2,814	2,586	2,770
Percentage of total consumption						
Food and industry	82.2	82.4	77.9	78.5	78.3	78.8
Fodder	7.4	7.1	12.1	11.4	11.9	11.3
Seed and waste	10.4	10.5	10.0	10.1	9.8	9.9
Degree of self-sufficiency (ratio of production to consumption in %)	91.2	91.1	94.0	93.2	92.5	91.4

(1) Provisional figures
(2) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réunion. In the case of these Departments, the figures employed for the compilation of the present table are either provisional or estimated.

Grain

3. As to imports, their volume is tending to fall off as a consequence of the heavy increase in production and stagnation in demand for human foodstuffs.

For imports of wheat the figures of the past few years (see Table 3) show that approximately 70 % comes from North America, 14 % from Latin America, 4 % from the member countries of OEEC and 12 % from the rest of the world.

On the exports side it can be seen (also Table 3) that approximately 54 % of the wheat exported is absorbed by the member countries of OEEC. Exports to countries outside OEEC, which were negligible in 1956, accounted for about 28 % of the total in 1958.

Since imports of high-grade wheat and durum wheat are necessary and will no doubt remain so for technical reasons and in order to maintain certain currents of trade with non-member countries, the Community's balance sheet will continue to show an export surplus for common or fodder wheats. On the basis of the short-term crop estimates, this surplus will be of the order of 2.5 million tons.

It should be noted that, as a result of the general progress recently achieved and the creation of new varieties of durum wheat, Southern France, Italy and perhaps North Africa will probably step up their wheat production within a few years.

Table 3: WHEAT - External trade of the EEC countries with non-member countries

	1956 '000 tons	%	1957 '000 tons	%	1958 '000 tons	%
A. Imports from non-member countries Total	6,152	100	4,707	100	3,419	100
Zones of origin:						
North America		68.9		71.3		69.6
Latin America		15.8		14.9		12.9
Sterling area countries not in the OEEC		5.4		3.0		0.1
Eastern Europe (excluding Finland and Yugoslavia)		0.7		0.7		1.2
Other countries not in the OEEC		0.6		6.1		11.5
Member countries of the OEEC (with the exception of member countries of the EEC)		5.2		3.5		3.2
Overseas Territories of the OEEC (excl. Overseas Territories of the EEC)		0.3		0.5		1.5
Overseas Territories of the EEC		3.1		-		-
Intra-EEC trade (as % of total wheat imports)	642	5.6		11.6		13.9
B. Exports to non-member countries Total	642	100	950	100	1,313	100
Zones of destination:						
North America		-		0.5		-
Latin America		-		0.01		0.01
Sterling area countries not in the EEC		-		4.2		0.8
Eastern Europe (excluding Finland and Yugoslavia)		43.7		1.1		0.2
Other countries not in the OEEC		0.2		32.4		27.7
Member countries of the OEEC (with the exception of member countries of the EEC)		45.6		54.2		56.4
Overseas Territories of the OEEC (excl. Overseas Territories of the EEC)		0.6		2.7		0.9
Overseas Territories of the EEC		9.9		4.9		14.0
Intra-EEC trade (as % of total wheat exports)		35.3		39.6		29.0

.../...

Grain

II. COMMON AND DIVERGENT LINES OF PRICE AND MARKET POLICY

Prices

4. In every EEC country, the price of grain is higher than the world price.

Producer prices in the EEC countries for common wheat are as follows:

Table 4: Average price obtained by producers for common wheat

in DM/100 kg

Year	Germany (F.R.)	France	Italy	Belgium	Luxembourg	Netherlands
1953/54	41.80	38.88	47.75	39.43	47.04	28.29
1954/55	40.70	38.94	49.20	39.27	47.04	28.29
1955/56	41.40	38.60	47.01	37.46	45.78	27.92
1956/57	40.30	45.48	46.40	39.48	49.14	29.04
1957/58	42.00	29.41	47.04	39.23	49.14	30.61
1958/59	42.10	28.80	41.98	38.64	47.46	31.92

The price of durum wheat, which in France is fixed at F.fr. 4,800 and in Italy at approximately 8,200 lire, is so high that it is likely to encourage expansion of this crop.

.../...

With regard to prices on the world market, these may be broken down as follows:

Table 5: Prices of wheat on the world market

Year	Prices in DM/100 kg.		
	Export Prices (Canada, Winnipeg, Northern Manitoba I)	North American Wheat - free North Sea Port	
		Manitoba II	Red Winter II (Shipments within IWA
1956	27.20	35.40	31.20
1957	26.40	32.70	30.00
1958	25.90	31.30	29.10
1959	26.70	31.50	26.50

In none of the six countries can the price be fixed with complete freedom. The State fixes it, guides it or indirectly supports it.

The domestic price applies to the whole of the crop except in Luxembourg and France (quantum) and to a certain degree in Italy (compulsory delivery), where the price received by the producer is influenced by the extent of the deliveries effected, on the basis of the quantum or the compulsory delivery. In Germany and Italy, regional prices are in operation.

Organization of the market

5. In all the EEC countries the market is subject to organization, which varies according to the ratio of the volume of production to that of the volume of consumption.

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In the exporting countries action by the State is very far-reaching, in the sense that there is compulsory delivery, with full control or direction by the State, of all or part of the crop. Imports are subject to a State monopoly.

In the importing countries action is confined to the possibility of temporarily withdrawing from the market the marginal quantities which are liable to jeopardize the fixed prices.

In Holland and Belgium, the volume of imports is determined indirectly by a system whereby a certain percentage of home-grown wheat must be incorporated in flour for bread.

In Germany, external trade, is influenced in two ways:

1. Application of quantitative restrictions linked with compulsory mixing regulations,
2. Sliding-scale levies at the frontier, which make it possible to influence prices.

III. SUMMARY

6. At present there is a surplus of common wheat, thanks to which the needs of the EEC countries can be covered by internal production.

For practical reasons, the EEC will continue to be obliged to import both durum wheat and high-grade wheat.

Production of wheat per hectare must be expected to improve and consumption per head to remain, at best, stationary.

In all the Community countries wheat production is protected by means of action taken to influence both the market and prices.

.../...

The main problem lies in the co-ordination of wheat policies so as to bring supply and demand into balance.

B. AIMS OF A COMMON ORGANIZATION FOR THE WHEAT MARKET

7. In conformity with the provisions of the Title on agriculture in the Treaty of Rome, and more particularly of Articles 40 and 43, the general aim of a common organization for the wheat market is to create a market for this product in which

Any discrimination between producers and consumers will be excluded;

Trade will take place in conditions similar to those existing on a domestic market.

The common market in wheat will come into operation on 1 July 1967. This time-limit corresponds to a preparatory phase during which the economic and technical conditions must be created and the institutional infrastructure adjusted as required for the implementation of the fundamental principles of a common organization for the wheat market.

I. GUIDANCE FOR PRODUCTION

8. The present and foreseeable tendencies in production and consumption show - and this is confirmed by examination of the policies followed in each of the six countries - that it is desirable and urgently necessary for the production of wheat, or at all events production of wheat intended for human consumption, to be stabilized at its present level.

In view of the fact that certain quantities of common wheat will have to be disposed of on other markets, the future price policy will have to be established in such a way that no disequilibrium is created between production and needs.

.../...

Grain

Such stabilization does not mean that an attempt must be made to crystallize the present situation. Quite the contrary, in fact; the common wheat policy must be directed towards

Encouraging the production of durum wheat and common wheat of high baking quality and able to meet the requirements of the processing industries;

More intense geographical specialization, so that the bulk of the marketable wheat may be produced under the best conditions.

II. PROFITABILITY.

9. The price level, and the methods employed for ensuring that it is duly observed, must be such as to afford a satisfactory income to producers whose enterprises attain the normal standard of productivity in the predominantly grain-growing regions.

In determining the level and extent of the guarantees to be given, account will have to be taken of the position held by wheat production in the earnings of agriculture.

III. STABILIZATION OF THE MARKET

10. It is desirable that equilibrium between supply and demand should be maintained satisfactorily throughout the crop year. In view of the low coefficient of elasticity and the steadiness of demand it is essential, if the disposal of the quantities produced is to be levelled out, to supplement the activities normally carried on by the trade and co-operatives with action by the public authorities. The spread of offerings, by bringing the market into balance, will facilitate observance of a generally stable price and make bear speculation more difficult.

.../...

Wheat being one of the basic commodities of international trade, it is in the interests of the Community countries that the stability of the world market should be maintained. It is their intention to associate themselves with any collective efforts which may be undertaken for this purpose with the co-operation of the other major importing and exporting countries.

IV. INTERESTS OF THE TRADE, THE PROCESSING INDUSTRIES AND THE CONSUMER

11. One of the fundamental principles of the common organization of markets is that support should be given to the progressive establishment of a policy which will enable the market to play its part in price formation and guidance for production. The measures to be taken must therefore as a general rule eliminate all obstacles which may impede satisfaction of the quantitative and qualitative needs of the processing industries and the consumer and also enable the trade to carry out its tasks unhampered, provided of course that the stability of the market is not jeopardized.

12. The general economic expansion and the raising of living standards which the development of the Common Market is designed to achieve must not be allowed to obscure the necessity of ensuring that the prices paid by consumers, users (including, in the case of forage wheat, stock-breeders) and exporting industries shall be as low as possible.

13. Generally speaking, wide differences have been observed as regards the margin which exists between the price of wheat paid to the producer and the price of bread paid by the consumer. The common market organization and free circulation of goods will call for efforts to rationalize processing and distribution.

.../...

C. SUMMARY OF THE MEASURES TO BE TAKEN TO ACHIEVE THESE AIMS

14. Common-market phase

I. Measures to be taken on the internal market:

Fixing of a target price and an intervention price for various intervention centres;

Other measures.

II. Measures to be taken at the common external frontier:

Action to influence prices of imported and exported products;
Application of an import certificate system and measures of safeguard;

Export system.

III. Organizational form:

Organization of the market at European level by a European Grain Office which will be responsible, under the control of the Commission, for carrying out the measures decided upon by the Council or the Commission;

Creation of a Consultative Committee for the grain market;

Establishment of a Guidance and Guarantee Fund for the wheat market.

15. Preparatory phase

I. Approximation of prices.

II. Organization of the market.

III. Intra-Community trade.

IV. Harmonization of legislation.

V. Commercial policy toward non-member countries.

D. PROPOSALS FOR THE COMMON ORGANIZATION OF THE WHEAT MARKET

I. MEASURES TO BE TAKEN ON THE INTERNAL MARKET

Fixing of target prices

16. The salient features of the wheat market are such that, for the purpose of ensuring price stability and judicious guidance for production, the producers must be given guarantees that they will not suffer from the more serious consequences of a marked fall in prices and must also be able to begin the preparations for a new farming year with some assurances on the continuity of the current policy. In order to meet these requirements it is essential to provide

a) That before the end of the preparatory phase the level of prices in the Community shall be fixed for the first year's crop in the common-market phase;

b) That each year, before the winter sowings, a target price shall be fixed for the following year's crop and the standard of quality to which this price will apply shall be laid down;

c) That the Council, acting by means of a qualified majority, shall decide as to the criteria to be employed for fixing the target price. The criteria are to be proposed by the Commission after consulting the Economic and Social Committee. The target price shall be proposed annually by the Commission. It shall be deemed to have been adopted by the Council if within a specified time-limit the latter does not take a unanimous vote fixing it at a different level.

17. The wheat market in the Community must be organized in such a way that natural advantages resulting from the difference in market conditions are reflected in freely formed prices.

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The general level of prices will be established on the basis of the target price fixed, as laid down in section 16, for a centre where production is insufficient to cover requirements.

By reference to this target price, the Commission will determine for a certain number of marketing centres target prices corresponding in each case to the normal marketing conditions.

18. Determination of the target price will be followed by publication of a table of monthly target prices calculated by increasing the price ruling at the beginning of the farming year by storage costs and interest for the monthly carry-forwards. These carry-forwards will not be paid for in the last three months of the farming year.

19. In order to guarantee that the producers will be able to sell their production at a price which takes account of market swings and is also as close as possible to the target price, the Commission will fix for each of these centres an intervention price 5 % to 7 % lower than the target price.

This will be the price at which the European Grain Office will intervene, making in particular any purchases necessary for restoring the market. The points at which such action occurs will correspond with the usual trading centres and will be chosen in the light of the facilities offered by the arrangements for stockpiling and transport.

Furthermore, holders of locally-grown grain will have the right to offer their produce at the place in which intervention is effected and to sell it at the intervention price.

In addition, the Grain Office may throughout the farming year intervene, mainly by purchases, whenever the market situation requires.

.../...

Other measures

20. Other requirements for the wheat market are

Facilities for the export of wheat by the trade for account of the European Grain Office. For this purpose the Grain Office, employing the tendering procedure, will appoint and give appropriate instructions to the exporter who offers the most favourable conditions;

Development of a system of loans on crops secured by the quantities stored at the farm or in approved establishments. The granting of such loans will in particular prevent small and medium-sized enterprises from being obliged to enter the market at the least propitious moment;

The drawing up each year of forecasts covering, in particular,

Availabilities and needs;
The trend of prices.

21. The chance of limiting these diverse forms of intervention will vary with the ability of the trade and of co-operatives to play their part and to shoulder permanently their responsibilities for solving the technical problems of disposal and storage.

II. MEASURES TO BE TAKEN AT THE COMMON EXTERNAL FRONTIER

Intervention in prices of imported and exported products

22. In order that the target price may be sufficiently independent of any fluctuations in and measures distorting the world price, it will be necessary to offset the difference between world price and target price. One solution is to use for this purpose a tariff

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protection obtained by applying a customs duty, but this does not provide the flexibility required to adapt conditions rapidly, and as closely as possible, to those ruling on the world market. This requirement may be satisfied by introducing a compensatory levy fixed by the Commission on the basis of the target price on the one hand and the most favourable buying opportunities offered by the world market on the other. This levy, which will be the same throughout the Community, will be applied in a non-discriminatory manner vis-à-vis countries outside the EEC.

The levy system must also be applied to imports of flour and semolina in conditions to be determined.

The European Grain Office, being responsible for recording the most favourable prices, will collect the necessary information on each of these products.

23. The urgent need to stabilize the internal market, which justifies the charging of a compensatory levy when world market prices are lower than the target prices, will in the reverse case justify reduction of the price of imported wheat (and of products after the first processing stage, i.e. flour, oatmeal, semolina) to the level of the European price, by way, for instance, of a subsidy direct subsidy to users. In this case exports of wheat and processed products would attract a levy.

Application of an import certificate system and measures of safeguard

24. The effectiveness of the levy system must be kept continuously under supervision, since the methods of international trading are liable to change. The instrument for this supervision will consist in a system of import certificates.

.../...

The import certificates will be issued on demand. Their validity is limited to three months. Upon the issue of the import certificates the importers will undertake to effect the import within three months and will be required to deposit a surety representing a part of the levy.

If imports increase to such an extent or occur on such a scale or in such conditions as to cause or threaten to cause serious injury to Community producers the Commission will decide, without prejudice to exceptions for certain grades, to suspend the issue of import certificates until there is no further injury or threat of injury. A case in point is where the market price reaches the level of the intervention price, when the Grain Office will be obliged to intervene on the internal market on a substantial scale.

Export system

25. For exports, the following principles should be applied:

1. In view of the fact that the system advocated envisages permanent imports, there must also be opportunities for permanent exports, so that the Community will be assured of a fair share of world trade for its products.

2. For this purpose steps will be taken to make exporting possible through refunds on exports corresponding to the charges made on imports.

3. The export of wheat is in principle free; nevertheless the Commission may decide, when the market situation requires, that exports should be made subject to the issue of a licence.

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III. FORM OF ORGANIZATION OF THE MARKET

European Grain Office

26. A comparative analysis of the various domestic markets shows that because of the special features of their markets and because of the degree of state intervention deemed desirable, the solutions adopted by the Member States vary greatly.

In the common-market phase, it is not possible merely to co-ordinate domestic systems which differ so widely or to adopt any one of them unchanged for application to the market as a whole. The aim must be to arrive at a new form of organisation, selecting its elements from the various existing forms and wherever possible enlisting the assistance of the market organizations of the various countries.

27. The creation of a European Grain Market within the framework of the provisions contained in Article 40 (2) will make it possible to employ the most appropriate instrument for the practical execution of the measures advocated above. This Office, acting in accordance with directives from and under the control of the Commission, will have the following duties:

Any necessary intervention on the market;

Fixing and collection of levies;

The issue of import certificates;

The technical measures required to fulfill obligations under the International Wheat Agreement.

.../...

The European Grain Office will also be instructed to promote all technical measures likely to facilitate attainment of the aims referred to above. One of its principal responsibilities will consequently be to propose to the competent authorities of the Community appropriate measures for rationalizing the system of stock-piling.

Fulfilment of the aims of a common organization of the market requires the co-operation, in the form of a Consultative Committee for Grain of the farmers', traders' and industrial organizations concerned.

Fund

28. This activity will involve a certain amount of expenditure arising from the need to take certain steps referred to above, in particular stock-piling.

To ensure the availability of the money necessary for the organization of the market, it is clearly essential that there should be a Guidance and Guarantee Fund , as provided in Article 40 (4). This Fund will be one of the branches of the European Guidance and Guarantee Fund , the establishment of which is the subject of a special proposal.

The Wheat Fund will draw its main income from the proceeds of the levy on imports of wheat.

In case of necessity it may be credited with sums transferred from the other funds in accordance with the procedure laid down in the chapter on the European Agricultural Guidance and Guarantee Fund.

Should the revenue of the Fund prove insufficient, it may be increased by contributions from the producers.

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E. PROPOSALS FOR A COMMON ORGANIZATION FOR THE WHEAT MARKET

PREPARATORY PHASE

I. APPROXIMATION OF PRICES

a) Principle

29. The process of approximating prices will last until 30 June 1967, the time-table being as follows:

(i) Farming year 1960/61: the Member States will avoid taking measures liable to widen the differences between domestic prices;

(ii) Farming year 1961/62: first approximation of prices;

(iii) Subsequent farming years: continuation of approximation of prices.

It will be important to know well in advance the level of the target price proposed for the farming year 1967/68. A decision on this matter will in any case have to be taken before 1 July 1964.

b) First approximation of prices

30. For the farming year 1961/62 the Member States will take the first steps in approximation of prices. The countries in which prices are highest (Germany, Luxembourg, Italy) will reduce their prices, while the countries in which prices are lowest (France, the Netherlands) will raise theirs.

On the basis of current prices and forecasts of their trend for the farming year 1960/61, the Member States will in 1961/62 be required to carry out the following increases or decreases in relation to their prices for the preceding farming year:

Luxembourg	- 1.50	DM/100 kg.
Italy	- 1.00	"
Germany	- 1.00	"
Netherlands	+ 0.50	"
France	+ 1.00	"

Belgium will refrain from increasing its price.

.../...

c) Further approximation of prices

31. At the same time as the foregoing decision is taken, the Council will decide on the principles to govern the further approximation of prices during subsequent farming years.

On a proposal of the Commission, the Council will fix the extent of the approximation to be carried out in the farming years 1962/63 and 1963/64.

During the farming years 1964/65 to 1966/67 the approximation of prices will be brought to its conclusion. This final approximation will be made after the fixing of the criteria to be used as a basis for the establishment of the estimated target price, which will itself be determined in the light of the experience acquired during the first approximation and also of its effects on agriculture in the various countries.

Once the estimated target price for the first crop year in the common-market phase (1967 crop) is thus fixed, each Member State will have three years in which it can automatically and autonomously adapt its own prices to the level of this target price.

d) Fixing of criteria

32. In view of the fact that the approximation of prices will entail changes in the farmers' incomes, the criteria will be fixed in the light of

a) The first price approximations;

b) The analysis of the effects produced by these approximations;

c) Observations made at the marketing centres.

A decision on the criteria is to be taken before 1 May 1964.

.../...

Grain

II. ORGANIZATION OF THE MARKET

a) Co-ordination of the national organizations

33. The Member States will take the internal measures necessary to enable them to bring in, from the outset of the farming year 1962/63, a system of target prices and the collection of levies (see section 37 below).

b) Setting up the common institutions

34. (i) In the course of 1961 the Commission will draw up statutes and regulations on the execution of the tasks assigned to the European Office and the adaptation to the Community system of the existing national offices. The European Office will begin to function on 1 January 1962.

(ii) Before 1 July 1962 the Member States will take the measures necessary to enable their national offices to adapt themselves to the Community organization.

(iii) The Consultative Committee for Grain will start work before the end of 1960.

(iv) The Commission will propose a statute for the European Wheat Fund to be adopted by the Council before 1 January 1963.

The Commission will propose, for adoption by the Council before 1 July 1963, the budget of the European Wheat Fund, which will be established in the light of the progress made in the common organization of the grain market.

As from the entry into force of the levy system, the Commission will centralize permanently the information on the accounting position resulting from the application of the system.

.../...

c) Harmonization of means of intervention

35. In order to achieve close co-operation of the agencies responsible for the market and the application of price policy, the Commission will obtain the assistance, in the form of a Committee of Directors, of the responsible heads of the offices in the several countries which deal with the execution of grain policy.

The Committee of Directors will start work before 1 January 1961.

III. INTRA-COMMUNITY TRADE

a) Expansion of trade

36. The Commission will draw up forecasts of resources and requirements and will formulate specific proposals for the progressive liberalization of trade, as well as for the harmonization of import systems.

b) Application of levy system

37. Not later than for the farming year 1962/63 the Member States will take the measures necessary for the replacement of customs duties and import taxes by a levy system to operate from 1 July 1962 and to be based on common lines still to be settled.

These levies will be of an amount equal to the difference between the prices ruling in the importing country and those of the exporting country, and will decrease as the gap between the prices concerned narrows.

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Grain

A reduction of an absolute value, still to be decided on, will also be applied to these levies, though care will be taken to ensure that the expansion of intra-Community trade shall be gradual.

When the levy system comes into force, the Member States will abolish all quantitative restrictions and will proceed to adjust their internal regulations in such a way as to permit free circulation of wheat within the Community.

c) Abolition of export aids

38. As soon as the levy system referred to in section 37 comes into operation, the Member States will be required to abolish all export aids in intra-Community trade.

The amount of the refund granted on an export not exceed the amount of any levy which would have been charged had the item been imported from the country to which it was in fact exported.

IV. HARMONIZATION OF LEGISLATIONS

39. In the course of 1961 the Commission will have studies made for the purpose of creating bases of comparison between types and varieties of wheat. It will submit to the Council directives for defining criteria for grades and harmonizing regulations on plant health and approved seeds.

V. COMMERCIAL POLICY TOWARD NON-MEMBER COUNTRIES

a) Import system

40. Instead of a customs duty, there will be a variable levy representing the difference between the world market price and the home market price of the importing country.

.../...

The differences between these levies will disappear as prices are aligned throughout the Community. This means that from 1967 onward the levy will be the same for all member countries.

b) Co-ordination of commercial policies

41. In the case of wheat and the products directly affected by the common organization of the wheat market, it is essential to ensure that the national regulations are duly superseded by the common regulations. To ensure this Member States will be required, from 1 January 1961 at the latest, to

Undertake to submit to the Commission at an early date, in respect of these products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures which might be planned in the sphere of external trade in these products are not applied without prior consultation with the Commission and the other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire at the end of the preparatory period or be adapted to the requirements of the common agricultural policy;

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Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States.

- Part 2: COARSE GRAINS -

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A. SITUATION IN THE COARSE GRAIN SECTOR

I. SUPPLY POSITION

1. In 1958/59, around 26 million tons of coarse grains were produced and approximately 33 million tons were consumed in the territory covered by the EEC. The Community was thus able to satisfy 79 % of its requirements from its own crops. Of the total quantities available, 73 % is used for feeding livestock and 19 % for making bread, foodstuffs, beer, etc.

2. Home-produced coarse grains are consumed mainly by cattle either on the farm itself or at least in the grain-growing regions. For the EEC territory as a whole, only about one third of the production finds its way on to the market. The proportion marketed will undoubtedly increase as production itself increases, especially in France. In any case, imported coarse grains have the lion's share of the quantities traded, with the result that the volume and prices of these imports decisively influence price formation on the internal market.

3. The development of production and consumption shows a vigorous expansion. Since 1950 production of coarse grains has risen by 25 %. This increase is due almost entirely to the improvement in yield, which has climbed from 17.8 quintals per hectare to 23.2 quintals per hectare.

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Grain

Despite this, production has not hitherto kept pace with the rapid expansion of demand for coarse grains, which may be attributed in particular to the continuous upward trend in the consumption of meat, eggs and poultry. Net imports of coarse grains have consequently shown a steady increase. For 1950/52 their total volume was 3.4 million tons, for 1953/56 it was 4.8 million tons, for 1957/58 it was 5.6 million tons and for 1958/59 it amounted to around 6.5 million tons. (It may, however, be pointed out that net imports of cereals of all types fell from 9.1 million tons in 1950/52 to 6.5 million tons in 1957/58 by reason of the sharp decrease in imports of wheat.) With this amount, however, the ceiling for the requirements of net coarse grain imports may have been reached.

4. The future trend of the supply position for coarse grains and that of imports over the next few years will depend mainly on the following factors:

General economic conditions, whose influence on the rate of increase in demand for meat, eggs and poultry, and thus indirectly on demand for coarse grains, is decisive;

Cutlets on markets outside the Community for these animal products based on grains;

The EEC's price policy in the coarse grain sector; not only the absolute level of prices of coarse grains is of importance in this respect but also, and even more, the relation between these prices and those of wheat.

.../...

Table 1: Production and consumption of coarse grains (including rye) in the EEC countries

in '000 tons

	Production	Availa-bilities	Percentage self-suf-ficiency	Human consumption (in terms of flour)	
				global	per head per year kg
Germany (F.R.)					
1953/54-1955/56	9,190	10,920	84.2	1,665	32.5
1957/58	9,641	11,977	80.5	1,555	29.3
1958/59 (1)	9,660	11,731	82.3	1,491	27.8
France (Metrop.)					
1953/54-1955/56	7,769	8,215	94.6	161	3,7
1957/58	8,287	8,039	103.1	284	6.3
1958/59 (1)	8,864	8,958	99.0	265	5.8
France (Metrop. and overseas Depts.) (2)					
1953/54-1955/56	8,607	9,005	95.6	687	12.6
1957/58	8,948	8,774	102.0	702	12.5
1958/59 (1)	9,724	9,822	99.0	929	16.3
Italy					
1953/54-1955/56	4,100	4,336	94.6	856	17.9
1957/58	4,466	5,404	82.6	702	14.4
1958/59 (1)	4,644	5,524	84.1	650	13.3
Netherlands					
1953/54-1955/56	1,340	2,838	47.2	119	11.1
1957/58	1,370	3,188	43.0	107	9.6
1958/59	1,328	3,463	38.3	108	9.6
B.L.E.U.					
1953/54-1955/56	1,041	2,221	46.9	65	7.1
1957/58	1,014	2,481	40.9	46	4.9
1958/59 (1)	1,036	2,528	41.0	44	4.7
EEC (Metrop.)					
1953/54-1955/56	23,440	28,530	82.2	2,866	17.6
1957/58	24,778	31,089	79.7	2,694	16.1
1958/59 (1)	25,532	32,204	79.3	2,558	15.1
EEC (including overseas Depts.(2)					
1953/54-1955/56	24,278	29,320	82.8	3,392	19.6
1957/58	25,439	31,824	79.9	3,112	17.4
1958/59 (1)	26,392	33,068	79.8	3,222	17.9

(1) Provisional figures

(2) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réunion. For these Departments, the figures used in this Table are provisional or estimated.

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Grain

Table 1a: Production and consumption of rye in the EEC countries

in '000 tons

	Production	Availabilities	Percentage self-sufficiency	Human consumption (in terms of flour) global	per head per year in kg
Germany (F.R.)					
1953/54-1955/56	3,798	3,739	101.6	1,513	29.6
1957/58	3,995	3,678	108.6	1,376	26.0
1958/59 (1)	3,918	3,583	109.3	1,311	24.4
France (Metrop.)					
1953/54-1955/56	474	483	98.1	36	0.8
1957/58	481	432	111.3	49	1.1
1958/59 (1)	454	442	102.7	45	1.0
France (Metrop. and overseas Depts. (2)					
1953/54-1955/56	474	483	98.1	36	0.7
1957/58	481	432	111.3	49	0.9
1958/59	454	442	102.7	45	0.8
Italy					
1953/54-1955/56	122	209	58.4	116	2.4
1957/58	92	168	54.8	95	2.0
1958/59 (1)	105	161	65.2	88	1.8
Netherlands					
1953/54-1955/56	469	593	78.8	80	7.5
1957/58	458	616	74.4	72	6.5
1958/59	427	572	74.7	72	6.4
B.L.E.U.					
1953/54-1955/56	235	373	63.0	27	3.0
1957/58	199	305	65.2	21	2.3
1958/59 (1)	210	274	76.6	20	2.1
EEC (Metrop.)					
1953/54-1955/56	5,098	5,399	94.4	1,772	10.9
1957/58	5,225	5,199	100.5	1,613	9.6
1958/59 (1)	5,114	5,032	101.6	1,536	9.1
EEC (including overseas Depts.(2)					
1953/54-1955/56	5,098	5,399	94.4	1,772	10.2
1957/58	5,225	5,199	100.5	1,613	9.0
1958/59 (1)	5,114	5,032	101.6	1,536	8.5

(1) Provisional figures
(2) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réunion. For these Departments, the figures used in this Table are provisional or estimated.

.../...

Table 1b: Production and consumption of coarse grains in the EEC countries (1)

in '000 tons

	Production	Availa-bilities	Percentage self-suf-ficiency	Human consumption (in terms of flour)	
				global	per head per year in kg
Germany (F.R.)					
1953/54-1955/56	5,392	7,181	75.1	152	3.0
1957/58	5,646	8,299	68.0	179	3.4
1958/59 (2)	5,472	8,148	67.2	180	3.4
France (Metrop.)					
1953/54-1955/56	7,295	7,732	94.3	125	2.9
1957/58	7,806	7,607	102.6	235	5.2
1958/59 (2)	8,410	8,516	98.8	220	4.7
France (Metrop. and overseas Depts.)(3)					
1953/54-1955/56	8,133	8,522	95.4	651	12.1
1957/58	8,467	8,342	101.5	653	11.8
1958/59	9,270	9,380	98.8	884	15.5
Italy					
1953/54-1955/56	3,978	4,127	96.4	740	15.5
1957/58	4,374	5,236	83.5	607	12.5
1958/59 (2)	4,539	5,363	84.6	562	11.5
Netherlands					
1953/54-1955/56	871	2,243	38.8	39	3.6
1957/58	912	2,572	35.5	35	3.2
1958/59	901	2,891	31.2	36	3.2
B.L.E.U.					
1953/54-1955/56	806	1,848	43.6	38	4.2
1957/58	815	2,176	37.5	25	2.6
1958/59 (2)	826	2,254	36.6	24	2.6
ECC (Metrop.)					
1953/54-1955/56	18,342	23,131	79.3	1,094	6.7
1957/58	19,553	25,890	75.5	1,081	6.5
1958/59 (2)	20,148	27,172	74.1	1,022	6.0
ECC (Metrop. and overseas Depts.)(3)					
1953/54-1955/56	19,180	23,921	80.2	1,620	9.4
1957/58	20,214	26,625	75.9	1,499	8.4
1958/59	21,008	28,036	74.9	1,686	9.4

(1) Excluding rye
(2) Provisional figures
(3) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réunion. For these Departments, the figures used in this Table are provisional or estimated.

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Grain

Table 2: Disposal of coarse grain supplies in the EEC countries (1)

In '000 tons

	1953/54-1955/56		1957/58		1958/59 (3)	
	EEC (Metrop.)	EEC (2) (Metrop. and Overseas depts.)	EEC (Metrop.)	EEC (2) (Metrop. and Overseas depts.)	EEC (Metrop.)	EEC (2) (Metrop. and Overseas Depts.)
Crop	18,342	19,180	19,553	20,214	20,148	21,008
Total consumption	23,131	23,921	25,890	26,625	27,172	28,036
Food and industry	3,404	3,935	3,719	4,248	3,716	4,378
Fodder	17,954	18,103	20,516	20,620	21,771	21,881
Seed and waste	1,772	1,883	1,655	1,757	1,685	1,777
Percentage of total consumption						
Food and industry	14.7	16.4	14.4	16.0	13.7	15.6
Fodder	77.6	75.7	79.2	77.4	80.1	78.1
Seed and waste	7.7	7.9	6.4	6.6	6.2	6.3
Degree of self-sufficiency (ratio of production to consumption in %)	79.3	80.2	75.5	75.9	74.1	74.9

(1) Excluding rye
(2) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réunion. In the case of these Departments, the figures employed for the compilation of the present table are either provisional or estimated.
(3) Provisional figures

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Table 2a: Disposal of rye supplies in the EEC countries

In 1000 tons

	1953/54-1955/56		1957/58		1958/59 (2)	
	EEC (Metrop.)	EEC (1) (Metrop. and Overseas depts.)	EEC (Metrop.)	EEC (1) (Metrop. and Overseas Dept.)	EEC (Metrop.)	EEC (1) (Metrop. and Overseas Dept.)
Crop	5,098	5,098	5,225	5,225	5,114	5,114
Total consumption	5,399	5,399	5,199	5,199	5,032	5,032
Food and industry	2,253	2,253	2,051	2,051	1,984	1,984
Fodder	2,582	2,582	2,609	2,609	2,525	2,525
Seed and waste	564	564	539	539	523	523
Percentage of total consumption						
Food and industry	41.7	41.7	39.4	39.4	39.4	39.4
Fodder	47.8	47.8	50.2	50.2	50.2	50.2
Seed and waste	10.5	10.5	10.4	10.4	10.4	10.4
Degree of self-sufficiency (ratio of production to consumption in %)	94.4	94.4	100.5	100.5	101.6	101.6

(1) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réeunion. In the case of these Departments, the figures employed for the compilation of the present table are either provisional or estimated.

(2) Provisional figures

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Grain

Table 2b: <u>Disposal of coarse grain supplies in the EEC countries</u> (1)

In '000 tons

	1953/54-1955/56		1957/58		1958/59 (3)	
	EEC (Metrop.)	EEC (2) (Metrop. and Overseas Depts.)	EEC (Metrop.)	EEC (2) (Metrop. and Overseas Depts.)	EEC (Metrop.)	EEC (2) (Metrop. and Overseas Depts.)
Crop	23,440	24,278	24,778	25,439	25,262	26,122
<u>Total consumption</u>	28,530	29,320	31,089	31,824	32,204	33,068
Food and industry	5,657	6,188	5,770	6,299	5,700	6,362
Fodder	20,536	20,685	23,125	23,229	24,296	24,406
Seed and waste	2,337	2,447	2,194	2,296	2,208	2,300
<u>Percentage of total consumption</u>						
Food and industry	19.8	21.1	18.6	19.8	17.7	19.2
Fodder	72.0	70.5	74.4	73.0	75.4	73.8
Seed and waste	8.2	8.4	7.0	7.2	6.9	7.0
Degree of self-sufficiency (ratio of production to consumption in percentage)	82.2	82.8	79.7	79.9	78.4	79.0

(1) Including rye
(2) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réeunion. In the case of these Departments, the figures employed for the compilation of the present table are either provisional or estimated.
(3) Provisional figures.

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Grain

Table 3: External trade in coarse grains (including rye) of EEC Countries with non-member countries

	1956 '000 t.	1956 %	1957 '000 t.	1957 %	1958 '000 t.	1958 %
A. Imports from non-member countries	7,614		5,684		7,433	
Total		100		100		100
Zones of origin:						
North America		38.8		35.8		37.8
Latin America		20.7		31.2		28.4
Sterling area countries not in the OEEC		13.6		14.8		11.6
Eastern Europe (excl. Finland and Yugoslavia)		6.1		6.9		3.6
Other countries not in the OEEC		2.8		6.1		8.7
Member countries of OEEC (excl. member countries of EEC)		8.5		3.7		7.3
Overseas Territories of the OEEC				0.6		1.1
Excl. Overseas Territories of the EEC		9.5				
Overseas Territories of the EEC				0.9		1.5
Intra-EEC trade (as % of total coarse grain imports)		5.8		18.2		4.3
B. Exports to non-member countries	484		800		93	
Total		100		100		100
Zones of destination:						
North America		0.2		0.1		0.9
Latin America		0.1		..		0.1
Sterling area countries not in the OEEC		-		..		0.3
Eastern Europe (excl. Finland and Yugoslavia)		56.2		22.4		0.4
Other countries not in the OEEC		0.3		3.6		0.5
Member countries of OEEC (excl. member countries of EEC)		43.0		73.6		96.5
Overseas Territories of the OEEC				0.1		0.4
Excl. Overseas Territories of the EEC		0.2				
Overseas Territories of the EEC				0.2		0.9
Intra-EEC trade (as % of total coarse grain exports)		52.5		57.1		73.6

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Grain

External trade

5. World trade in coarse grains has been expanding appreciably in recent years. From 13.3 million tons in 1953/55 it increased to 17.5 million tons in 1957/58. Of the total volume of such trade, barley and maize account for more than 40% each. Some 70% to 80% of the total exports of coarse grains are absorbed by West European countries whose output is insufficient to meet their requirements, the EEC countries taking more than half of this percentage. In 1958 imports of coarse grains by the EEC countries from non-member countries amounted to 7.4 million tons, 38% of which came from the countries of North America and 28% from the Latin American countries.

6. The Community's import needs are concentrated in the German Federal Republic, the Netherlands and Belgium; Italy's production more or less covers its relatively low consumption, while France has had exportable surpluses since 1957/58 (cf. Table 4). After effecting a regional compensation, the EEC is seen to contain a zone (approximately bounded by Antwerp-Rotterdam-Oldenburg-Cologne-Liege-Brussels-Ghent) in which there is always a shortfall in coarse grains. This shortfall has to be met by imports from non-member countries.

7. In the chief importing countries, imports are spread almost evenly throughout the farming year.

.../...

Table 4: External trade of EEC countries in coarse grains and animal products based thereon (1957/58)

Country	Imports ('000 tons)	Exports ('000 tons)	Net Imports (5) ('000 tons)	Degree of self-sufficiency (%)
	Coarse grains (1)			
Germany (F.R.)	2,533	335	+ 2,198	80.8
France (2)	336	744	- 408	103.1
Italy	530	13	+ 517	89.7
Netherlands	2,087	269	+ 1,818	43.0
B.L.E.U.	1,600	142	+ 1,458	41.3
Total EEC	(7,086)(4)	(1,503)(4)	+ 5,583	80.8
	Animal products based on grain (in grain units) (3)			
Pigmeat (3)	(340)(4)	(672)(4)	- 332	101.9
Eggs (3)	(1,364)(4)	(716)(4)	+ 648	91.1
	Coarse grains and animal products based thereon (in grain units) (3)			
Total EEC	(8,790)(4)	(2,891)(4)	+ 5,899	80.0

(1) Coarse grains, including rye

(2) Imports and exports of grain comprise: grain in the strict sense; flour, expressed in terms of grain, and flour contained in processed products, expressed in terms of grain.

(3) Basis of calculation: 1 kg. of meat = 4 kg. of grain; 1 kg. of eggs = 4 kg. of grain.

(4) Total imports and exports of the EEC countries, including trade between them.

(5) + import surplus; - export surplus.

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Grain

Table 5: Breakdown of coarse grain imports between the main importing countries - crop year 1957/58

-	Germany (F.R.)	Netherlands	B.L.E.U.	Total for the main importing countries
Quantities imported (1) in '000 tons	2,413	2,001	1,513	5,927
	As percentage of annual imports			
July-October	20.7	32.3	34.0	28.1
November-February	47.0	34.1	35.0	39.5
March-June	32.3	33.6	31.0	32.4

(1) Gross imports of coarse grains incl. rye

.../...

II. PRICE AND MARKET POLICY IN THE MEMBER COUNTRIES

8. Prices of barley, which are the main factor determining prices of coarse grains, are generally - in all the EEC countries - higher than those of comparable grades on the world market. In France, average producer prices are at a level close to that ruling on the world market. In the crop year 1958/59 average producer prices of barley in the Community countries ranged from DM 42.30 per 100 kg. to DM 24 per 100 kg. (cf. Table 6). At the beginning of 1959, fodder barley on the world market was quoted at DM 23.60 per 100 kg. cif North Sea port. The relation between prices of barley and those of wheat also differs considerably in the EEC countries (cf. Table 4 of the section on wheat and Table 7 below).

9. The price support enjoyed by coarse grains in certain countries is appreciably less than that accorded to bread grains. In the Netherlands, Belgium and Italy, imports of coarse grains are no longer subject to restrictions on quantity, date of import or country of origin. The protection given to domestic agriculture in the price field is confined to divorcing prices on the home market from those on the world market and stabilizing them at a higher level by means of import levies, either fixed or variable.

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Grain

Table 6: Average price obtained by producers for oats.

in DM per 100 kg.

Year	Germany (F.R.)	France	Italy	Belgium	Luxembourg	Netherlands
1953/54	32.50	..	30.31	23.02		23.48
1954/55	31.10	..	25.99	25.87		28.40
1955/56	34.10	..	37.94	24.86		25.64
1956/57	33.50	23.52	33.47	25.28		27.67
1957/58	33.60	23.66	26.33	22.68		29.95
1958/59	35.00	24.14	24.35	28.98		28.90

Table 7: Average price obtained by producers for barley.

in DM per 100 kg.

Year	Germany (F.R.)	France	Italy	Belgium	Luxembourg	Netherlands
1953/54	40.50	34.79	34.81	24.11		25.25
1954/55	41.60	30.55	27.13	27.38		27.68
1955/56	42.20	..	37.91	26.54		27.18
1956/57	42.00	29.95	37.31	27.38		27.24
1957/58	42.20	25.84	29.74	25.12		29.06
1958/59	42.30	24.08	29.33	33.01		28.73

Table 8: Average price obtained by producers for rye

in DM per 100 kg.

Year	Germany (F.R.)	France	Italy	Belgium	Luxembourg	Netherlands
1953/54	39.80	33.88	36.76	22.01	42.42	22.87
1954/55	37.70	30.60	29.45	24.70	49.98	26.80
1955/56	39.00	29.38	36.81	22.85	43.68	27.57
1956/57	37.90	32.87	38.38	26.96	47.83	27.57
1957/58	39.60	26.18	37.22	24.36	47.88	29.50
1958/59	38.80	23.60	33.82	28.98	46.20	28.18

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In the German Federal Republic, coarse grain prices are supported in a manner similar to that applied to bread grains, namely by fixing maximum and minimum prices, regulating imports and raising the price of imported grains to the level of the home market price by means of sliding-scale levies. In France the market, like that of wheat, is controlled by the Office National Interprofessionnel des Céréales.

In some countries exports of processed products or animal products based on coarse grain are subject to reimbursement of the levy effected when coarse grains are imported. In others exports or re-exports of coarse grains enjoy the benefit of a reduction to the level of prices on the world market.

10. The EEC Commission, which at first found it necessary to confine its proposals to products which were of interest to the Community as a whole both from the angle of production and that of trade, has under this head dealt with grains for bread and for fodder.

The Commission proposes to prepare a statement of resources in and requirements of rice and to make an analysis of the common and divergent lines of price and market policy in this field.

As rice-growing in the Community countries is limited to Italy and France and as in both these cases there is a national market organization, the Commission, while considering that the rice problem concerns the Community as a whole, advocates that the existing national market organizations be co-ordinated under its auspices. Before 31 December 1960 it will submit proposals for the establishment of this co-ordination.

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Grain

III. SUMMARY

11. The situation in the coarse grains sector differs in essential points from that in other sectors of agriculture, in particular wheat. It is consequently necessary to reckon, in the case of coarse grains, with certain special factors:

Within the traditional currents of trade the EEC has considerable and permanent needs of imported coarse grains, totalling 5,000,000 to 6,000,000 tons a year;

Exports to non-member countries of animal products derived from grains are part of the traditional - in some regions, indeed, vital - economic activities of agriculture and the food industry;

The demand for these animal products, and thus also for coarse grains, is elastic and can be expanded when economic conditions are favourable;

Supplies on the coarse grain market are also relatively elastic, since the domestic crop is used by the producers themselves as cattle feed and the farmer can relate his production of coarse grains to that of the animal products based on them.

12. Under these conditions the aim of the price policy followed on the internal market in the interests of the producers may be achieved with less government intervention than in the case of other agricultural items for which there is less elasticity of demand, where the quantities produced at home cover or even exceed consumption, or where export markets are of little importance.

.../...

B. AIMS OF A COMMON POLICY FOR COARSE GRAINS

13. The aims of the Community's grain policy, as already outlined above for wheat, also hold good in principle for coarse grains, i.e.:

Establishment of a market with all the characteristics of a domestic market;

Guidance for production in the light of market requirements;

Profitability;

Stabilization of markets;

Support of the legitimate interests of traders, of the processing industries and of the consumer.

The common market for coarse grains will come into operation on 1 July 1967.

This date-line corresponds to a preparatory stage which must see economic and technical conditions established and the institutional infrastructure adjusted in a way which will make it possible to apply the fundamental principles of a common organization in the coarse grains market.

14. Thanks to technical progress in its various forms, and especially the reduced quantities of horse fodder needed as motorization increases, the quantities of home-grown grain available as feed for other animals will continue to expand appreciably. This tendency will increase when, after the necessary measures have been taken in the wheat sector, a growing proportion of the area now under wheat is turned over to coarse grains. It is therefore advisable to ensure, by adopting a prudent price policy, that this tendency, which is due to essentially technical causes, is not further accentuated by measures of an artificial character.

Grain

The balance of imports in the consumption of coarse grains will make it easier to maintain the traditional exports of animal products based on these grains. As long, in fact, as the world market price is actually below the domestic price of coarse grains, the export of products derived from home-grown cereals will inevitably entail losses, and this is certainly not in the interests of the Community's agriculture.

15. The trend of production is determined by the relation between the prices of the various cereals. In this respect the relation between the price of wheat and that of barley, as a principal coarse grain, is particularly important. Account must be taken of the relative feed value of each cereal.

16. With regard to profitability of production and the stability of markets, all the measures affecting the coarse grain markets must be considered in conjunction with those which concern the pigmeat, eggs and poultry markets. As direct sales of coarse grains by farmers are comparatively small, agricultural income is determined to a far greater extent by the price of the animal products based on coarse grains than on the price of the coarse grains themselves.

It is therefore essential that variations in supplies and prices on the markets for these animal products should not be accentuated by excessive fluctuations on the coarse grains market.

C. SUMMARY OF THE MEASURES TO BE TAKEN TO ACHIEVE THESE AIMS

17. COMMON-MARKET STAGE

I. Measures to be taken on the internal market:

Fixing of a target price and an intervention price for various intervention centres;

Other interventions.

II. Measures to be taken at the common external frontier:

Action to influence prices of imported and exported products;

Application of an import certificate system and measures of safeguard;

Export system.

III. Organizational form:

Organization of the market at European level by a European Grain Office, which will be responsible, under the control of the Commission, for carrying out the measures decided upon by the Council or the Commission;

Creation of a Consultative Committee for the grain market;

Establishment of a Guidance and Guarantee Fund for the coarse grain market.

18. PREPARATORY STAGE

I. Approximation of prices.

II. Organization of the market

III. Intra-Community trade.

IV. Harmonization of legislations.

V. Trade with non-member countries.

19. The measures set out above will have to be supplemented by special provisions applicable to:

Coarse grains not produced within the EEC territory, such as sorghum and sorghum millet;

.../...

Products obtained from coarse grains, such as pigmeat, eggs, poultry, certain groceries, compound feeds, malt and starch.

D. PROPOSALS FOR ORGANIZATION OF THE COARSE GRAIN MARKET

COMMON-MARKET STAGE

I. MEASURES TO BE TAKEN ON THE INTERNAL MARKET

Fixing of target prices

20. The salient features of the coarse grain market are such that, for the purpose of ensuring price stability and judicious guidance for production, producers must be given guarantees that they will not suffer from the more serious consequences of a market fall in prices and must also be able to begin the preparations for a new farming year with some assurances on the continuity of the current policy. In order to meet these requirements it is essential to provide

a) That before the end of the preparatory stage the level of prices in the centres where needs exceed output shall be fixed for the first year's crop in the common-market stage;

b) That each year, before the winter sowings, a target price shall be fixed for various grain crops of the following year and that prices of the other coarse grains shall be approximated to this target price;

c) That the Council, acting by means of a qualified majority, shall decide as to the criteria to be employed for fixing the target price. The criteria are to be proposed by the Commission after consultation with the Economic and Social Committee. The target price shall be fixed each year by the Commission. It shall be deemed to have been adopted by the Council if within a specified time-limit the latter does not

.../...

take a unanimous vote fixing it at a different level.

21. The coarse grain market in the Community must be organized in such a way that the natural advantages resulting from the difference in market conditions are reflected in freely formed prices.

The general level of prices will be established on the basis of the target price fixed, as laid down in section 20, for a centre where production is insufficient to cover requirements.

By reference to this target price, the Commission will determine for a certain number of marketing centres target prices corresponding in each case to the normal marketing conditions.

22. In order to guarantee that producers will be able to sell their production at a price which takes account of market swings and is also as close as possible to the target price, the Commission will fix an intervention price 5% to 7% below the target price.

This will be the price at which the European Grain Office will intervene, making in particular any purchases necessary for 'restoring' the market. The points at which such action occurs will correspond with the usual trading centres and will be chosen in the light of the facilities offered by the arrangements for stockpiling and transport.

Furthermore, holders of locally-grown grains for which intervention prices have been fixed will have the right to offer their produce at the place in which intervention is effected and to sell it at the intervention price.

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Grain

In addition, the Grain Office may throughout the farming year intervene, mainly by purchases, whenever the market situation requires.

23. A seasonal staggering of the target prices of coarse grains is not necessary, since the bulk of the crop is used for feeding animals on the farms themselves. As long as this means that the quantities offered on the market are a comparatively small fraction of the crop and that the building-up of stocks by traders is, generally speaking, unnecessary, it is not essential to encourage staggering of deliveries and building of stocks as a way of easing the market situation.

Other measures

24. Other requirements for the coarse grain market in the Community are

Facilities for the export of various coarse grains by the trade for account of the European Grain Office. For this purpose the Grain Office, employing the tendering procedure, will appoint and give appropriate instructions to the exporter who offers the most favourable conditions;

Development of a system of loans on crops secured by the quantities stored at the farm or in approved establishments;

The drawing up each year of forecasts covering, in particular,

Availabilities and needs;

The trend of prices.

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III. MEASURES TO BE TAKEN AT THE COMMON EXTERNAL FRONTIER

Intervention in prices of imported and exported products

25. In order that the target price may be sufficiently independent of any fluctuations in and measures distorting the world price, it will be necessary to offset the difference between the world price and the target price. One solution is to use for this purpose a tariff protection obtained by applying a customs duty, but this does not provide the flexibility required to adapt conditions rapidly, and as closely as possible, to these ruling on the world market. This requirement may be satisfied by introducing a compensatory levy fixed by the Commission on the basis of the target price on the one hand and the most favourable buying opportunities offered by the world market on the other. This levy, which will be the same throughout the Community, will be applied in a non-discriminatory manner vis-à-vis countries outside the EEC.

The levy system must also be applied to imports of processed products in accordance with conditions to be determined.

The European Grain Office, being responsible for recording the most favourable prices, will collect the necessary information on each of these products.

26. The urgent need to stabilize the internal market, which justifies the charging of a compensatory levy when world market prices are lower than the target prices, will in the reverse case justify reduction of prices of imported coarse grains (and of products after the first stage of processing) to the level of the European prices by way, for instance, of a direct subsidy to users. In this case exports of coarse grains and of products derived from them would attract a levy.

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Grain

Application of an import certificate system and measures of safeguard

27. The effectiveness of the levy system must be kept continuously under supervision, since the methods of international trading are liable to change. The instrument for this supervision will consist in a system of import certificates.

The import certificates will be issued on demand. Their validity is limited to three months. Upon the issue of the import certificates the importers will undertake to effect the import within three months and will be required to deposit a surety representing a part of the levy.

If imports increase to such an extent or occur on such a scale or in such conditions as to cause or threaten to cause serious injury to Community producers, the Commission will decide, without prejudice to exceptions for certain qualities, to suspend the issue of import certificates until there is no further injury or threat of injury. A case in point is where the market price reaches the level of the intervention price, when the Grain Office will be obliged to intervene on the internal market on a substantial scale.

Export system

28. For exports, the following principles should be applied:

1. In view of the fact that the system advocated envisages permanent imports, there must also be opportunities for permanent exports.
2. For this purpose steps will be taken to make exporting possible through refunds on exports corresponding to the charges made on imports.

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3. The export of coarse grains is in principle free; nevertheless the Commission may decide, when the market situation requires, that exports should be made subject to the issue of a licence.

III. ORGANIZATIONAL FORM

EUROPEAN GRAIN OFFICE

29. A comparative analysis of the various domestic markets shows that, because of the special features of their markets and because of the degree of state intervention deemed desirable, the solutions adopted by the Member States vary greatly.

In the common-market stage it is not possible merely to co-ordinate domestic systems which differ so widely or to adopt any one of them unchanged for application to the market as a whole. The aim must be to arrive at a new form of organization, selecting its elements from the various existing forms and wherever possible enlisting the assistance of the market organizations of the various countries.

The creation of a European Grain Office within the framework of the provisions contained in Article 40(2) will make it possible to employ the most appropriate instrument for the practical execution of the measures advocated above. This Office, acting in accordance with directives from and under the control of the Commission, will have the following duties:

Any necessary intervention on the market;

Fixing and collection of levies;

The issue of import certificates.

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Grain

The European Grain Office will also be instructed to promote all technical measures likely to facilitate attainment of the aims referred to above. One of its principal responsibilities will consequently be to propose to the competent authorities of the Community appropriate measures for rationalizing the system of stock-piling.

Fulfilment of the aims of a common organization of the coarse grain market requires the co-operation, in the form of a Consultative Committee as indicated in Part I, of the various farmers', traders' and industrial organizations concerned.

Establishment of a Guidance and Guarantee Fund for the coarse grain market.

30. These activities will involve a certain amount of expenditure arising from the need to take certain steps referred to above, in particular stock-piling.

To ensure the availability of the money necessary for regulation of the coarse grain market, it is clearly essential that there should be a Guidance and Guarantee Fund, as provided by Article 40(4). This Fund will be one of the branches of the European Guidance and Guarantee Fund, the establishment of which is the subject of a special proposal.

The Coarse Grain Fund will draw its main income from the proceeds of the import levy.

In case of necessity, it may be credited with sums transferred from the other funds in accordance with the procedure laid down in the chapter on the European Agricultural Guidance and Guarantee Fund.

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E. PROPOSALS FOR ORGANIZATION OF THE COARSE GRAIN MARKET

PREPARATORY STAGE

I. APPROXIMATION OF PRICES

a) Principle

31. The process of approximating prices will last until 30 June 1967, the time-table being as follows:

(i) Farming year 1960/61: the Member States will avoid taking measures liable to widen the differences between prices;

(ii) Farming year 1961/62: first approximation of prices.

(iii) Subsequent farming years: farther approximation of prices.

It will be important to know well in advance the level of the target price proposed for the farming year 1967/68. A decision on this matter will in any case have to be taken before 1 July 1964.

As regards the Community countries where rye is treated as a bread-making cereal, the Member States are continuing to apply the system which they have hitherto employed but will adapt their price levels in such a way as to be able to treat rye as a fodder grain from the farming year 1964/65 onward.

b) First approximation of prices

32. For the farming year 1961/62 the Member States will take the first steps in approximation of prices. The countries in which prices are highest will reduce their prices, while the countries in which prices are lowest will raise theirs.

On the basis of current prices and forecasts of their trend for the farming year 1960/61, the following Member States

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Grain

will in 1961/62 be required to carry out the increases or decreases indicated in relation to their prices for the preceding farming year:

Fodder barley:

France + 1.00 DM/100 kg.

Germany - 1.00 DM/100 kg.

The Netherlands will refrain from reducing their prices.

Maize:

France - 1.00 DM/100 kg.

Italy + 1.00 DM/100 kg.

c) Further approximation of prices

33. At the same time as the foregoing decision is taken, the Council will decide on the principles to govern the further approximation of prices during subsequent farming years.

On a proposal of the Commission, the Council will fix the extent of the approximation to be carried out in the farming years 1962/63 and 1963/64.

During the farming years 1964/65 to 1966/67 the approximation of prices will be brought to its conclusion. This final approximation will be made after the fixing of the criteria to be used as a basis for the establishment of the estimated target price, which will itself be determined in the light of the experience acquired during the first approximation and also of its effects on agriculture in the various countries.

Once the estimated target price for the first crop year in the common-market phase (1967 crop) is thus fixed, each Member State will have three years in which it can automatically and autonomously adapt its own prices to the level of this target price.

d) Fixing of criteria

32. In view of the fact that the approximation of prices will entail changes in the farmers' incomes, the criteria will be fixed in the light of

a) The first price approximations;

b) The analysis of the effects produced by these approximations;

c) Observations made at the marketing centres.

A decision on the criteria is to be taken before 1 May 1964.

II. ORGANIZATION OF THE MARKET

a) Co-ordination of the national organizations

35. The Member States will take the internal measures necessary to enable them to bring in, from the outset of the farming year 1962/63, a system of target prices and the collection of levies (see section 39 below).

b) Setting up of the common institutions

36. (i) In the course of 1961 the Commission will draw up statutes and regulations on the execution of the tasks assigned to the European Office and the adaptation to the Community system of the existing national offices. The European Office will begin to function on 1 January 1962.

(ii) Before 1 July 1962 the Member States will take the measures necessary to enable their national offices to adapt themselves to the Community organization.

(iii) The Consultative Committee for Grain will start work before the end of 1960.

(iv) The Commission will propose a statute for the European Coarse Grain Fund to be adopted by the Council before 1 January 1963.

The Commission will propose, for adoption by the Council before 1 July 1963, the budget of the European Coarse Grain Fund, which will be established in the light of the progress made in the common organization of the coarse grain market.

As from the entry into force of the levy system, the Commission will centralize permanently the information on the accounting position resulting from the application of the system.

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Grain

c) Harmonization of means of intervention

37. In order to achieve close co-operation of the agencies responsible for the market and the application of price policy, the Commission will obtain the assistance, in the form of a Committee of Directors of the responsible heads of the offices in the several countries which deal with the execution of grain policy.

The Committee of Directors will start work before 1 January 1961.

III. INTRA-COMMUNITY TRADE

a) Expansion of trade

38. The Commission will draw up forecasts of resources and requirements and will formulate specific proposals for the progressive liberalization of trade, as well as for the harmonization of import systems.

b) Application of levy system

39. Not later than for the farming year 1962/63, the Member States will take the measures necessary for the replacement of customs duties and import taxes by a levy system to operate from 1 July 1962 and to be based on common lines still to be settled. These levies will be of an amount equal to the difference between the prices ruling in the importing country and those of the exporting country, and will decrease as the gap between the prices concerned narrows.

A reduction of an absolute value, still to be decided on, will also be applied to these levies, though care will be taken to ensure that the expansion of intra-Community trade shall be gradual.

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When the levy comes into force the Member States will abolish all quantitative restrictions and will proceed to adjust their internal regulations in such a way as to permit free circulation of wheat within the Community.

c) Abolition of export aids

40. As soon as the levy system referred to in section 39 comes into operation the Member States will be required to abolish all export aids in intra-Community trade.

The amount of the refund granted on an export may not exceed the amount of any levy which would have been charged had the item been imported from the country to which it was in fact exported.

IV. HARMONIZATION OF LEGISLATIONS

41. In the course of 1961 the Commission will have studies made for the purpose of creating bases of comparison between types and varieties of wheat. It will submit to the Council directives for defining criteria for grades and harmonizing regulations on plant health and approved seeds.

V. COMMERCIAL POLICY TOWARD NON-MEMBER COUNTRIES

a) Import system

42. Instead of a customs duty, there will be a variable levy representing the difference between the world market price and the home market price of the importing country. The differences between these levies will disappear as prices are aligned throughout the Community. This means that from 1967 onward the levy will be the same for all member countries.

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Grain

b) Co-ordination of commercial policies

43. In the case of coarse grains and the products directly affected by the common organization of the coarse grain market, it is essential to ensure that the national regulations are duly superseded by the common regulations. To ensure this Member States will be required, from 1 January 1961 at the latest, to

Undertake to submit to the Commission at an early date, in respect of these products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures which might be planned in the sphere of external trade in these products are not applied without prior consultation with the Commission and the other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire at the end of the preparatory period or be adapted to the requirements of the common agricultural policy;

Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States.

VI/COM(60)105
Part III

PROPOSALS FOR A COMMON POLICY ON SUGAR

VI/COM(60)105
Part III

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A. PRESENT SITUATION

I. STATEMENT OF RESOURCES AND NEEDS

1. For the Community as a whole the average annual production of sugar for the years 1953-56 was equivalent to 4.6 million tons of refined sugar.

The production of individual countries during the same period is shown in Table 1.

Although all countries have stepped up production in comparison with pre-war years, no marked trend towards increase can be discerned in any of them between 1953 and 1957. With the exception of the Federal Republic which, by reason of the progressive increase of the area under beet cultivation, has achieved its highest levels of production in recent seasons, most of the Community countries are in fact pursuing a policy of limiting production. Under this policy the areas planted are kept constant, so that variations in output depend primarily on technological and climatic factors.

2. In the years 1953/56 the average annual requirements of the metropolitan areas of the Community amounted to 3.98 million tons refined sugar equivalent, whilst those of the overseas departments were about 0.26 million tons.

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Sugar

Table 1 : Sugar production and consumption in EEC countries (1)

('000 tons)

	Production	Total availabilities	Self-sufficiency in %	Human consumption global	Human consumption per head per year in kg
Germany F.R.					
1953/54-1955/56	1,204	1,387	86.8	1,359	26.6
1957/58	1,361	1,516	89.8	1,486	28.0
1958/59 (2)	1,636	1,570	104.2	1,539	28.7
France (Metrop.)					
1953/4-1955/56	1,487	1,178	126.2	1,178	26.7
1957/58	1,415	1,330	106.4	1,330	29.4
1958/59 (2)	1,439	1,379	104.4	1,379	30.1
France (Metrop.& Overseas Deps.(3)					
1953/54-1955/56	1,822	1,442	126.4	1,442	26.8
1957/58	1,760	1,644	107.1	1,644	29.7
1958/59	1,840	1,720	107.0	1,720	30.2
Italy					
1953/54-1955/56	861	756	113.9	756	15.8
1957/58	756	875	86.4	875	18.0
1958/59(2)	958	929	103.1	929	19.0
Netherlands					
1953/54-1955/56	390	408	95.6	402	37.6
1957/58	355	436	81.4	429	38.6
1958/59	528	455	116.0	451	40.0
BLEU					
1953/54-1955/56	338	254	133.1	254	27.7
1957/58	349	275	126.9	275	29.4
1958/59(2)	417	281	148.4	281	29.9
EEC (Metropolitan)					
1953/54-1955/56	4,280	3,983	107.5	3,949	24.2
1957/58	4,236	4,432	95.6	4,395	26.3
1958/59(2)	4,978	4,614	107.9	4,579	27.1
EEC (Metrop. & Overseas Deps.(3)					
1953/54-1955/56	4,615	4,247	108.7	4,213	24.4
1957/58	4,581	4,746	96.5	4,709	26.5
1958/59	5.379	4.955	108.6	4,920	27.3

(1) Quantities are expressed in terms of refined sugar
(2) Figures are provisional
(3) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique and Réunion. For these Departments, the figures used for this Table are provisional or estimated.

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Requirements have increased considerably since pre-war years, on the one hand because of the increase in population, on the other because of the rise in individual consumption, which was 20.4 kg. per person per annum before the war and reached an average of 24.4 kg. in the years 1953/56.

It should be pointed out that the level of consuption per head in the Community varies considerably (see Table 1).

As can be seen from Table 1, consumption in the Community countries is constantly increasing. Although it is not certain that the average level will reach that of the Netherlands, which would be difficult to exceed, it is none the less probable that in most countries individual consumption will continue to rise. As this trend is coupled with the increase in population, the long-term growth of demand is more or less assured.

3. By reason of the differences in quality of the various sugars and the differing taxes applied at different stages of

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Sugar

production and marketing, it is extremely difficult to make any exact comparison of sugar prices.

The following prices for the consumer must be interpreted with that reservation in mind:

Prices paid by the consumer in 1958

	type of sugar	price per kg. in local currency	price per kg. in German marks
Germany	refined	1.24 DM	1.24
Belgium	lump, packed	15.20 Belgian frs.	1.27
France	lump sugar	108.10 French frs.	1.08
Italy	not specified	248.8 lire	1.67
Netherlands	refined	0.95 Fl	1.05

4. Before the war the resources of the EEC covered 75 % of requirements. It is only since 1954 that the Community has come appreciably nearer to being self-sufficient. Occasional shortages have been due to harvests of poor sugar yield from an area under beet which has been fairly constant as a result of a restrictive production policy and a fairly well-marked production quota system.

The overall average of the years 1953/56 shows a production of 4.60 million tons sugar equivalent and total availabilities of 4.24 million tons, giving a production surplus of about 8 %.

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With regard to the trend over the years, it should be noted that

- France and Belgium generally have a surplus;
- Italy has had a surplus since 1956;

Production in the Federal Republic is rising continually and it may shortly be sufficient to cover consumption requirements.

5. A considerable quantity of sugar finds its way to industries producing foodstuffs on a sugar basis, whose economic expansion and productive capacity go beyond the Community framework. These industries include the manufacture of chocolate, tinned,food, jam and confectionery as well as of sweetened drinks, in particular condensed milk. The alcohol sector also absorbs a certain quantity of sugar from basic products such as sugar beet, sugar cane and molasses.

In France particularly, as a result of a special policy with regard to alcohol, this sector is able to absorb about 1/8 of the sugar beet production. Total production of alcohol from beet is of the order of 2 million hectolitres, 1/3 of which comes from molasses. About 1/8 of the total production of alcohol is made from sugar cane.

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Sugar

Pattern of trade (Table 2)

6. The external trade of member countries with countries outside the Community includes both imports and exports of sugar.

a) All the member countries import sugar in order to export it in processed form. These processing operations include the refining of raw sugar and the manufacture of all sorts of sugar products.

b) France and Belgium, however, export domestically produced sugar that is not replaced by imports. These are net exports.

c) The Netherlands export home-produced sugar and in return import sugar from other countries. This is an exchange which meets the particular interests of the Netherlands.

d) The Federal Republic of Germany imports sugar without exporting home-produced sugar. These are net imports.

The Federal Republic has trade agreements with several non-member countries under which it must import around 200,000 tons annually.

The International Sugar Agreement.

The International Sugar Agreement, which is to remain in force until 31 December 1963, but which may be revised after 1 January 1962, limits the right of the signatories to export sugar as follows:

(1) Under the Agreement, importing countries are authorised to export in any one calendar year only a quantity of sugar

Table 2 : Sugar: External trade of EEC with non-member countries

	1956	1957	1958
A. Imports from non-member countries (in '000 tons)	783	1.360	962
Percentage breakdown by area of origin			
Total	100	100	100
North America	0.3	0.1	0.2
Latin America	58.9	65.0	53.1
Sterling area countries not members of OEEC	-.	-.	0.1
Eastern Europe (excl. Finland and Yugoslavia)	1.3	0.1	0.5
Other non-OEEC countries	1.4	1.8	3.8
OEEC countries (exct. countries belonging to EEC)	5.1	6.2	6.9
Overseas territories of OEEC countries (excl. overseas territories of EEC)	33.0	0.9	1.8
Overseas territories of the EEC		25.9	33.6
Intra-EEC trade (in % of total imports)	20.5	13.1	3.8
B. Exports to non-member countries	859	967	720
Percentage breakdown by area of destination			
Total	100	100	100
North America	9.4	9.0	12.3
Latin America	0.1	0.1	0.1
Sterling area countries not members of OEEC	3.3	2.7	2.5
Eastern Europe (excl. Finland and Yugoslavia)	0.9	11.2	0.8
Other non-OEEC countries	13.0	22.1	22.6
OEEC countries (excl. countries belonging to EEC)	19.0	19.8	16.7
Overseas territories of OEEC countries (excl. overseas territories of EEC)	54.3	1.7	1.7
Overseas territories of the EEC		33.4	43.3
Intra-EEC trade (in % of total exports)	19.2	16.7	4.7

.../...

corresponding to their imports in the course of the same calendar year. This obligation applies to the Federal Republic - the only country which is a party to the Sugar Agreement as an importer.

(2)Exporting countries under the Sugar Agreement must limit their exports to those quantities granted them under the Agreement in the form of individual export quotas. These quotas are as follows:

Belgium	55,000 tons
France	20,000 tons
Netherlands	40,000 tons
Italy	20,000 tons

For these member countries. the following regulations still apply:

a) In view of its relationship with Morocco and Tunisia, France is authorised to export a quantity of 380,000 tons net in addition to the 20,000 tons.

b) Belgium is authorised to export 25,000 tons to Morocco.

c) The Netherlands have bound themselves not to export during 1960, 1961 and 1962 more sugar than they import during the same period.

d) Trade in sugar between EEC countries is limited to net exports of 150,000 tons.

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II. COMMON LINES OF PRICE AND MARKET POLICIES

7. The description of the common lines of price policy and market policy hitherto followed by Member States covers sugar beet and beet sugar.

8. It has been observed that in Community countries beet prices generally stand in a certain relation to the price of wheat. This relation is broadly similar in the various countries and is such that the price of the unit by weight of beet represents between 16 % and 18 % of the price of the same unit of wheat.

9. In every country the price of beet is fixed, directly or indirectly, either by the Government or through an agreement made, under government supervision, between the circles concerned.

In most countries the Governments fix an ex-factory price for sugar and some countries extend this price-fixing to the different stages of marketing. Where the price ex-factory is freely fixed by agreement between the circles concerned, the Government supervises its level.

10. The by-products of sugar manufacture, such as molasses and pulps, are not subject to price-fixing. Such products are chiefly valorized by transformation into alcohol or as cattle feed.

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Sugar

In several countries, the Governments exercise some form of control of prices for processed products.

11. Whatever may be the method of implementation, production in most Community countries is to some extent subject to a quota system. If need be, the area under cultivation is fixed by quota based on contracts between the farmers and the industries or by the Governments, which specify the quantity of sugar to be produced, the area to be under beet or the coverage of guaranteed prices. It may also happen that the farming associations accept a voluntary crop quota system.

12. All the Community countries pursue a policy of protection of the home market, in particular by import levies or customs duties. In order to maintain the volume of external trade and their competitive position, most countries apply the system of temporary admission.

13. Among the Community countries Belgium, France and the Netherlands pursue a policy aimed at exports; Germany is an importer and Italy has till now tended to be self-sufficient.

The exporting countries pursue an export policy which seeks to provide sugar at the world market price. To the extent that these exports do not benefit from certain government measures for the benefit of external trade, losses have to be borne by the

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beet producer and, in some cases, also by the manufacturer.

The final price of the sugar, to be shared between growers and manufacturers, is reached as a weighted average of the prices realized on the home market and for exports.

14. In all the Community countries sugar continues to be subject to more or less high excise duties, introduced at a time when it was still considered a luxury product. These duties, applied at various stages of production or marketing, lead to considerable and abnormal gaps between producer and consumer prices.

15. At both national and international level organisations of sugar beet producers or sugar manufacturers exist in the Community. In all the Member States these organisations bear more or less extensive responsibilities and collaborate in the sugar policies carried out or supervised by the Governments, either through voluntary agreements between their members or else by implementing or supervising measures of Government policy.

III. SUMMARY

16. The EEC, taken as a whole, is reaching the stage where production corresponds to requirements. If production were completely free and the present price structure maintained, surpluses

would have to be disposed of on the world market under disadvantageous conditions. This is why certain countries are already attempting to avoid excessive surpluses by limiting production.

The systems operating in the various countries show the following similarities:

a) A broadly similar and constant relationship between the price of beet and the price of wheat;

b) A protection of the home market which does not extend to the surpluses for export;

c) High taxation;

d) A strict organisation of production and marketing carried out and supervised by the Governments and organisations concerned.

B. AIMS OF A COMMON ORGANISATION FOR THE SUGAR MARKET.

17. According to the provisions of the title dealing with agriculture in the Treaty of Rome and more especially of Articles 40 and 43, the general objective of the common organization of the sugar market is to create a common market for this product in which

- All discrimination between producers and consumers would be excluded;

- Trade would take place under conditions similar to those existing in a national market.

A common market for sugar will be attained on 1 July 1967. This lapse of time represents a preparatory phase for the establishment of the appropriate economic and technical conditions and the preparation of the institutional infrastructures required if the basic principles of the organisation of a common market in sugar are to be applied.

Subject to practical conditions of implementation, the general outlines of the proposals on the common organisation of the sugar market are equally valid for cane sugar. In view of the particular importance of the sugar economy for the associated overseas countries and territories, the Commission will make proposals on this subject at a later date.

I. GUIDANCE FOR PRODUCTION

18. In farm economy the position of sugar beet production is particularly important. It ensures an income to the producer and provides him with better basic feeding for his cattle, while at the same time its role in crop rotation is of primary importance and requires, in beet-producing districts, that a balance should be maintained between beet cultivation and other crops.

By reason of the world situation in the growing and marketing of sugar, it is desirable that production inside the Community should develop only to the extent to which changes in consumption requirements allow the crop to be absorbed.

Guidance for production assumes there is specialization, both by the producer and by the beet industry, so that what is produced may be offered on the most favourable terms.

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Sugar

II. PROFITABILITY OF PRODUCTION

19. The price level, which must be commensurate with that of other important crops, will have to be such that it can provide a fair return to the producer in the specialised districts. This applies, however, only to the production of a quantity not exceeding the requirements of domestic consumption. Surplus production will have to be disposed of at world market prices, either in the form of sugar or as processed products.

III. INTERESTS OF THE TRADE, OF THE PROCESSING INDUSTRIES AND OF CONSUMERS

20. The marketing system to be advocated must satisfy certain prerequisites, in particular supplies for the processing stages which shall be adequate, both in quantity and in quality, to maintain and develop the trade and the processing industries. If these objectives are to be achieved, it is obviously indispensable to maintain those channels of trade which are already established and which meet real needs.

21. The application of the marketing system must allow the trade and the processing industry to export at competitive prices.

On the other hand, the system for the production and marketing of sugar must guarantee the consumer an adequate supply at a reasonable price not burdened with excessively high taxation.

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C. SUMMARY OF THE MEASURES TO BE TAKEN TO ACHIEVE THESE AIMS.

22. COMMON MARKET STAGE

I. Measures to be taken on the internal market:

Fixing of a target price and an intervention price for the various centres where intervention is to take place,

Optional fixing of the price of beet,

Equalization of sugar prices as between factories according to the quantities sold at the domestic market price and those sold at the external market price,

Co-ordination of tax measures with regard to sugar.

II. Measures to be taken at the common customs frontier:

Action on the prices of imported and exported produce,

Application of a system of import certificates and safeguard measures,

Temporary duty-free admission of primary products intended for re-export in processed form,

Refund of taxes on exports of processed produce made from surplus home-produced raw sugar.

III. Form of organization:

European organization of the market by a European Sugar Office responsible, under the supervision of the Commission, for carrying out the measures decided on by the Council or the Commission,

Setting up of a consultative committee for the sugar market,

Setting up of a Guidance and Guarantee Fund for the sugar market.

23. PREPARATORY STAGE

I. Approximation of prices

II. Organization of the market

.../...

III. Intra-Community trade

IV. Harmonization of legislation

V. Commercial policy towards non-member countries

D. PROPOSALS FOR A COMMON ORGANISATION OF THE SUGAR MARKET COMMON MARKET STAGE

I. MEASURES TO BE TAKEN ON THE INTERNAL MARKET

Fixing of target prices

24. The characteristics of the sugar market are such that price stability and the judicious guidance for production require not only that producers should be secure against the most serious consequences of a slump in prices but that they should also be in a position to tackle the plans for the next crop year with some guarantees as to the continuity of the policy followed. It is therefore indispensable to ensure

a) that before the end of the preparatory stage the price level in the Community is fixed for the first crop year of the common market;

b) the fixing, before 1 October each year, of a target price valid for the following year's sugar crop and of the standard of quality for which this price will apply;

c) that the Council, acting by qualified majority vote, decide on the criteria for the fixing of the target price. These criteria are to be put forward by the Commission after consulting the Economic and Social Committee. The target price will be proposed annually by the Commission. It will be considered as adopted by the Council if the latter does not fix it at a different level by unanimous vote within a specified time limit.

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25. The sugar market in the Community must be organized in such a way that the natural advantages resulting from the varying market conditions are reflected in a freely formed price structure.

The general level of prices will be based on the target price fixed by the Commission, as laid down in section 24, for a centre where demand exceeds supply.

On the basis of this target price the Commission will define, for a certain number of trading centres, target prices which correspond to the differences in normal trading conditions.

26. In order that producers may be guaranteed sales at a price taking into account market variations and as close as possible to the target price, the Commission will fix for each of these centres an intervention price lower than the target price by a certain margin to be fixed.

The European Sugar Office will act when the intervention price is reached and will, in particular, make the purchases necessary to restore normal functioning of the market. This action will take place at normal trading centres chosen in the light of their storage and transport facilities.

On the other hand, holders of home-grown sugar shall have the right to offer their goods at the centre where the intervention is made and to sell it at the intervention price.

In addition the Sugar Office may intervene, in particular by buying at any time in the course of the crop year when the situation of the market requires it.

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Sugar

27. It is for the Governments, if they consider it advisable, to fix a price for beet for inclusion in the usual contracts, taking into account, on the one hand, the sugar target prices as provided under Articles 24 and 25 and on the other, the profit margin of the processing works.

Equalization measures

28. If the quantities produced are so considerable as to warrant relieving the market by exporting or other forms of utilisation, export losses and losses caused by using sugar beet for other purposes will be split between all the factories and all the beet producers. In this case the target prices for sugar will apply only to those quantities consumed on the home market, the price for the surpluses being the world market price.

At the end of the crop year the Guidance and Guarantee Fund will carry out, between the various factories, a general price equalisation on the basis of the weighted average of the intervention prices fixed for the quantities of sugar consumed within the Community and the prices obtained for sugar exported or disposed of for other purposes. Although exports will be free, they will none the less be sufficiently regulated by the equalization procedure, which entails making good to exporters part of the losses on the sugar exported. To ensure a constant supply to the home market, a compulsory stock pile will be established. The sugar held in stock will qualify for the payment of the refunds as laid down for exports only when an order to release them has been issued. The amount of the refund will be fixed in the light of prices prevailing on the most important sugar exchanges. This will avoid the necessity for any investigation of contracts made by exporters, and it will also prevent the latter from entering into agreements on too unfavourable terms.

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Other measures

29. The sugar market in the Community also requires that provision be made for

a) The possibility of exporting sugar on behalf of the European Sugar Office. For this purpose, the Office will call for tenders and appoint and commission the exporter who offers the most favourable terms;

b) The drawing up each year of forecasts concerning

availabilities and requirements;
price trends.

30. Should this system prove inadequate to stem the production of too considerable surpluses, the need to combine it with a system of production quotas would have to be examined.

31. In connection with the efforts made to standardize beet and sugar prices, it is important to take into account the fiscal levies on sugar at various stages of manufacture and marketing. To avoid distortions fiscal systems must be co-ordinated, with regard both to the stage at which the levy is made and to the amount levied.

At the same time it would be desirable, in the interests of increased consumption, that the amount of excise and other indirect duties should not exceed a reasonable level.

Sugar

II. MEASURES TO BE TAKEN AT THE COMMON CUSTOMS FRONTIER

Treatment of the prices of imported and exported produce

32. In order that the target price may be sufficiently independent of fluctuations in the world price and of any artificial distortions which this may undergo, it will be necessary to compensate the difference between the world price and the target price. Recourse to tariff protection in the form of a customs duty is not a sufficiently flexible solution to allow of a rapid adaptation, operating with maximum possible accuracy, to world market conditions. These requirements can be met by the creation of a compensatory levy fixed by the Commission on the basis of the target price on the one hand and of the most favourable buying terms on the external market on the other. This levy, which will be uniform for the whole Community, will be applied in a non-discriminatory manner vis-à-vis non-member countries.

The levy system must also be applied to imports of processed products in a manner to be fixed.

The European Sugar Office, which will be responsible for securing the most favourable prices, will collect the necessary information on each of these products.

Application of a system of import certificates and safeguard measures.

33. A continuous watch must be kept on the effectiveness of the levy system, since international methods in the sugar trade are liable to vary. To implement this supervision a system of import certificates is planned.

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Import certificates with a maximum validity of three months will be issued up to the amount of the quantities requested. At the time of issue of these certificates the importer must undertake to effect the import within three months and deposit security for a part of the levy.

If imports increase or occur in such quantities or under such conditions as to cause or threaten to cause serious injury to Community producers, the Commission will decide to suspend the issue of import certificates until there is no further injury or threat of injury. In particular this will be the case when the market price reaches the intervention price and the Office has to intervene on a substantial scale in the internal market.

Export System

34. With regard to exports, the following principles should apply:

1. In view of the fact that the system advocated envisages permanent imports, there must also be permanent opportunities for exports, thus enabling the Community to ensure for its products a fair share of world trade.
2. For this purpose steps will be taken to make exports possible by tax allowances and by export refunds corresponding to the charges imposed on imports.
3. In principle the export of sugar is free, but the Commission may decide, when the market situation calls for much action, to make exports subject to the issue of a licence.

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Sugar

35. To ensure a competitive position for sugar and processed products on the external market, it is essential to allow imported produce intended for re-export to be granted free temporary admission.

36. To avoid discrimination against goods processed from unrefined sugar produced within the Community, the sugar used will have to enjoy tax refunds and reimbursements at the time these goods are exported. The amount of these two forms of relief must be sufficient to enable the processer-exporter to obtain his raw products within the EEC at the world market price.

III. FORM OF MARKET ORGANIZATION

EUROPEAN SUGAR OFFICE

37. By reason of the characteristics of the sugar market in the various countries, the most suitable common organization of the sugar market will be the European organization of the market, as laid down in Article 40 (2c) of the Treaty, with a European Sugar Office as executive body. This Office will act in accordance with the directives and under supervision of the Commission and will be endowed with

Consultative authority with regard to the fixing of prices and of the compensatory levy and to the changes necessitated by fluctuations on the world market,

Executive authority with regard to

a) Collection of the levy and reimbursements,

b) Equalization of prices in the light of internal and external market prices, and

c) Management of the Guidance and Guarantee Fund for the Sugar Market.

To achieve the objectives of a common organization of the sugar market the various callings concerned will have to collaborate in a Consultative Committee.

Fund

38. These activities involve certain expenditure, arising from the lines of action described above and, in particular, from the stocking and equalization measures and the payment of export reimbursements.

To finance the measures necessary for the organization of the market it is clearly essential to create a Guidance and Guarantee Fund for the sugar market, in accordance with Article 40 (4). This Fund forms one of the branches of the European Guidance and Guarantee Fund , the establishment of which is the subject of a special proposal.

The Sugar Fund will be primarily supplied from the proceeds of the levy on sugar imports.

It may be credited with sums transferred from the other Funds in accordance with the procedure laid down in the chapter concerning the European Agricultural Guidance and Guarantee Fund. Should receipts prove to be insufficient, the resources of the Sugar Fund will be supplemented by contributions from the sugar producers.

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Sugar

E. PROPOSALS FOR A COMMON ORGANIZATION OF THE SUGAR MARKET

PREPARATORY STAGE.

I. APPROXIMATION OF PRICES

a) Principle

39. The task of approximating prices will be put through by 30 June 1967 in accordance with the following procedure:

- (i) 1960/61 crop year: Member States must avoid taking measures liable to widen gaps between national prices;
- (ii) 1961/62 crop year: further price approximation;
- (iii) Subsequent years: continuation of price approximation.

It will be important to know the probable level of the target price for the crop year 1967/68 sufficiently in advance. In any case a decision on this point will have to be taken before 1 July 1964.

b) First approximation of prices

40. In the 1961/62 crop year the Member States will apply the first measures for narrowing price differences. To achieve this the countries in which prices are highest (Germany, Italy) will reduce them, while the countries where they are lowest (France, the Netherlands) will increase them.

Taking into account the present situation of prices and their foreseeable trend in 1960/61, certain Member States will in 1961/62 have to make the following increases or reductions in relation to the prices of the previous year:

Germany	- 2.00	DM	per	100	kg
Italy	- 2.00	"	"	"	"
France	+ 0.5	"	"	"	"
Netherlands	+ 1.00	"	"	"	"

.../...

c) Further approximation of prices

41. At the same time as the above decision is taken the Council will decide on the principle to be followed in the further approximation of prices during the subsequent years. On a proposal from the Commission the Council will fix the extent of price approximation to be achieved in the crop years 1962/63 and 1963/64.

The task of approximating prices will be completed in 1964/65 and 1965/66. The final approximation will be made after criteria have been fixed on which a probable target price can be established; this price will itself be determined in the light of experience acquired during the first price approximation and also of the repercussions noted in the various agricultural economies.

The probable target price for the first year of the common market stage (1967 harvest) having thus been fixed, each Member State will, in the course of the three years, automatically and autonomously adapt its own prices to the level of this target price.

d) Fixing of the criteria

42. Taking into account the fact that the approximation of prices will involve changes in farmers' incomes, the criteria will be fixed on the basis of

a) the first price approximations;
b) an analysis of their effects;
c) observations made at marketing centres.

A decision on this will be taken before 1 May 1964.

Sugar

II. ORGANIZATION OF THE MARKET

a) Co-ordination of national organizations

43. The Member States will take the internal measures necessary to enable them to adopt, from the beginning of the 1962/63 crop year, a system of target prices and the collection of a levy (see section 47).

b) Setting up of the common institutions

44. (i) In 1961 the Commission will draft a statute and regulations for the work of the European Office and the adaptation of the existing national offices to the Community system. The European Office will begin to function on 1 January 1962.

(ii) Before 1 July 1962 the Member States will take the necessary steps to enable their national Offices to adapt themselves to the Community organization.

(iii) The Consultative Committee will begin to function in the course of 1960.

(iv) The Commission will put forward for adoption by the Council, before 1 January 1963, the statutes of the European Sugar Fund.

The Commission will propose, for adoption by the Council before 1 July 1963, the budget of the European Sugar Fund drawn up in the light of progress made in the common organization of the sugar market.

As soon as the levy system comes into force, the Commission will centralize on a permanent basis all information concerning the accounting position resulting from the application of the system.

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c) Harmonization of stabilization measures

45. In order to achieve close co-operation between the agencies responsible for marketing and those responsible for the application of the price policy, the Commission will obtain the support of the responsible heads of the national executive bodies concerned with sugar policy, working as a Committee of Directors.

The Committee of Directors will begin to function before 1 January 1961.

III. INTRA-COMMUNITY TRADE

a) Widening of trade

46. The Commission will draw up forecasts of resources and requirements and make concrete proposals for the progressive freeing of trade and for harmonizing import systems.

b) Application of a levy system

47. In time for the 1962/63 crop year at latest Member States will take the necessary steps to replace customs and import duties by a levy system applicable from 1 July 1962 and based on common procedures still to be decided. These levies will be of an amount equal to the difference between prices in the importing country and those in the exporting country, and they will decrease in proportion to the reduction in the gap between these prices.

In addition, while care is taken that the development of trade within the Community progresses gradually, there will be a reduction of this levy by a fixed sum, the size of which will have to be laid down.

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As soon as the levy system comes into force Member States will give up all quantitative restrictions and will adjust their internal regulations in such a way as to allow the free circulation of sugar within the Community.

c) Abolition of export aids

48. Once the levy system envisaged in section 47 is in operation, Member States will have to abolish all export aids in respect of trade within the Community.

The refund made at the time of export may not exceed the amount of any levy which would have been charged had the item been imported from the country to which it was in fact exported.

IV. HARMONIZING OF LEGISLATION

49. In the course of 1961 the Commission will initiate surveys to establish bases of comparison between the types and varieties of sugar with a view to determining the standard of quality to which the target price shall apply. It will submit to the Council directives for a definition of the criteria of marketable quality.

In 1961 the Commission will have surveys made on the possibility of applying taxation at one and the same stage of marketing. The Commission will submit to the Council proposals to cause Member States to take the steps necessary for collection of excise and other indirect duties at one and the same stage. It will also formulate proposals for standardization of these duties at a reasonable level.

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V. COMMERCIAL POLICY TOWARDS NON-MEMBER COUNTRIES

a) Import system

50. Instead of a customs duty a variable levy will be collected, representing the difference between the world market price and the price in the importing country. These levies will level out as price differences within the Community narrow. In consequence the levy will be the same for all member countries of the Community from 1967 onwards.

b) Co-ordination of commercial policies

51. In the case of sugar and of produce directly influenced by the organisation of a common market in sugar, it is essential to ensure the transition from national systems of regulation to a common system. For this purpose Member States must, from 1 January 1961 at the latest .

Undertake to submit at an early date, in respect of such products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures which might be planned in the sphere of external trade in these agricultural products are not applied without prior consultation with the Commission and other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire at the end of the preparatory stage or be adapted to the requirements of the common agricultural policy;

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Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States;

Undertake to carry out the necessary steps to ensure that, from 1 January 1962 on, intra-Community trade shall be considered in the framework of the International Sugar Agreement as internal trade.

VI/COM(60)105
Part III

PROPOSALS FOR A COMMON POLICY ON THE DAIRY SECTOR

VI/COM(60)105
Part III

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A. PRESENT SITUATION

I. STATEMENTS OF RESOURCES AND NEEDS

1. In 1958/59 milk production in the EEC reached 60.4 million tons, as against 48.5 million tons in 1950/51 (see Table 1). The overall increase in the course of the last eight years has thus been 24 % - an average rise of 2.8 % per year. This increase is due above all to improved yields per cow and also, to some extent, to an increase in the total number of cows. Before the second world war there were nearly 21 million cows on the present territory of the EEC, whereas in 1950 there were 20.4 millions and in 1958 22.5 millions. Average milk yield per cow has risen more than 20 % compared with pre-war. The average fat content of milk which, before the war, fluctuated between 3 and 3.7 % in the six countries, now reaches 3.4 to 3.8 %.

Table 1 : Milk production in EEC countries in 1950/51, 1957/58 and 1958/59

Million tons

Country	1950/51	1957/58	1958/59(1)
Belgium/Luxembourg	3.4	4.0	3.9
Germany	15.2	18.1	18.6
France	16.4	21.1	21.7
Italy	7.8	9.7	9.8
Netherlands	5.8	6.1	6.3
EEC	48.5	59.0	60.4

(1) Provisional figures

Milk

2. The full cream milk produced in 1957/58 was used as follows:

- c. 15 mill. tons (25%) for consumption in liquid form
- c. 23 mill. tons ([illegible]) butter
- c. 9 mill. tons (15%) for cheese
- c. 3 mill. tons (5%) for other milk products
- c. 9 mill. tons (15%) as feed for animals

3. Table 2 shows how the consumption of milk and dairy produce per head of population has progressed in EEC countries.

In comparison with pre-war, consumption of fresh milk has increased in most Member States. This increase has, however, slowed down in the course of time and has become stabilized of recent years. The two countries in which consumption is greatest - the Netherlands and Western Germany - have even registered a certain fall. The level of consumption in the majority of EEC countries appears low compared with that of other countries of similar economic development. Opportunities should therefore exist in most of them for greater sales. These opportunities are however very difficult to exploit because of the general profusion of high quality foodstuffs of all types available on the market.

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Table 2: Consumption of milk and dairy produce in EEC countries in 1953/54-1955/56, 1957/58 and 1958/59

Kg/per head

	Milk for liquid consumption(2)	Condensed milk	Powdered milk	Butter	Cheese
Belgium/Luxembourg	99	2.5	1.6	11.[illegible]	5.[illegible]
1953/54-1955/56	99	2.5	1.6	11.4	5.4
1957/58	103	2.5	2.7	10.0	5.2
1958/59 (1)	102	2.6	2.9	10.6	5.3
Germany F.R.	1[illegible]	3.9	0.8	..	6.0
1953/54-1955/56	128	3.9	0.8	6.9	6.0
1957/58	116	5.9	0.9	7.4	6.5
1958/59 (1)	112	6.2	1.0	7.8	6.7
France					
1953/54-1955/56	88	1.0	0.4 (3)	6.8	6.7
1957/58	94	1.4	1.0	7.0	8.8
1958/59 (1)	101	1.4	1.0	7.4	9.2
Italy					
1953/54-1955/56	54	0.2	0.2	1.4	6.6
1957/58	58	0.2	0.2	1.8	6.6
1958/59 (1)	59	0.2	0.2	1.8	6.5
Netherlands					
1953/54-1955/56	204	2.4	0.7	3.0	6.0
1957/58	183	5.4	1.0	4.2	6.9
1958/59	180	5.8	1.1	5.4	7.6
EEC					
1953/54-1955/56	.	1.9	0.5	5.3	6.4
1957/58	.	2.8	0.8	5.6	7.1
1958/59 (1)	.	2.9	0.9	5.9	7.3

(1) Provisional figures
(2) Including full cream and skimmed milk
(3) Consumption calculated on the basis of production.

.../...

Milk

In certain instances consumption of cheese and, even more, of condensed milk shows a considerable increase. But here too, the rate of increase has slowed down in recent years. As for butter, the trend varies from country to country. Against the increase in Belgium, France and Italy must be set a fall in Western Germany and the Netherlands.

4. Although any considerable increase in the number of dairy cows in the next few years appears unlikely, the increasing yield per cow within the EEC suggests that milk production will continue to rise. Assuming that the annual rate of increase will be 2 %, milk production would rise from about 60 million tons in 1958/59 to almost 70 million tons in 1965/66.

By 1965/66 the use of full cream milk as animal feed, the sale of fresh milk and the production of cheese and tinned milks will probably make it possible to dispose of only limited quantities of this extra production of full cream milk; the rest, which cannot be used to manufacture the above products, would have to be made into butter, since the fats market alone offers possibilities of disposing of a larger part of the additional products. As the increase in butter production is expected to be greater than the rise in population, the consumption of butter per head of population would need to rise too. [illegible]

Table 3: Balance of butter and cheese resources and requirements in EEC countries in 1953/54, 1955/56, 1957/58, 1958/59

Country and year	Butter: Production	Butter: External trade Exports	Butter: External trade Imports	Butter: Availabilities	Butter: Percentage self-sufficiency	Cheese: Production	Cheese: External trade Exports	Cheese: External trade Imports	Cheese: Availabilities	Cheese: Percentage self-sufficiency
	'000 metric tons					'000 metric tons				
Belgium/Luxembourg										
1953/54-1955/56	96	-	8	104	92.3	16	-	34	50	32.0
1957/58	96	1	2	97	98.9	16	1	34	49	32.6
1958/59 (1)	95	-	2	97	97.9	17	1	34	50	34.0
Germany										
1953/54-1955/56	334	-	20	354	94.3	249	6	62	305	81.6
1957/58	376	-	31	407	92.3	268	9	89	348	77.0
1958/59 (1)	400	-	9	409	97.7	270	12	100	358	75.4
France										
1953/54-1955/56	302	6	6	302	100.0	305	17	11	299	102.0
1957/58	336	10	-	326	103.0	415	27	11	399	104.0
1958/59 (1)	342	10	3	335	101.0	437	28	12	421	103.8
Italy										
1953/54-1955/56	65	-	7	72	90.2	314	18	22	318	98.7
1957/58	66	-	21	87	75.8	318	23	25	320	99.3
1958/59 (1)	66	-	21	87	75.8	320	25	25	320	100.0
Netherlands										
1953/54-1955/56	81	48	-	33	245.4	164	91	1	74	221.6
1957/58	93	39	-	54	172.2	184	92	1	93	197.8
1958/59	81	36	-	45	180.0	195	103	1	93	209.6
EEC										
1953/54-1955/56	878	54	41	865	101.5	1048	132	130	1046	100.1
1957/58	967	50	54	971	99.5	1201	152	160	1209	99.3
1958/59 (1)	984	46	35	973	101.1	1239	169	172	1242	99.7

(1) Provisional figures

Table 4: Balance of condensed and powdered milk resources and requirements in EEC countries in 1953/54-1955/56, 1957/58, and 1958/59

Country and year	Condensed milk: Production	Condensed milk: External trade Exports	Condensed milk: External trade Imports	Condensed milk: Availabilities	Condensed milk: Percentage self-sufficiency	Powdered milk (2): Production	Powdered milk (2): External trade Exports	Powdered milk (2): External trade Imports	Powdered milk (2): Availabilities	Powdered milk (2): Percentage self-sufficiency
	'000 metric tons					'000 metric tons				
Belgium/Luxembourg	13	..	10	23	56.5	16	9	9	16	100.0
1953/54-1955/56	13	-	10	23	56.5	16	9	9	16	100.0
1957/58	18	-	5	23	78.2	31	15	11	27	114.8
1958/59 (1)	16	-	8	24	66.6	31	16	12	27	114.8
Germany										
1953/54-1955/56	202	-	-	202	100.0	44	1	7	50	88.0
1957/58	312	-	-	312	100.0	77	0	12	89	86.5
1958/59 (1)	332	-	1	333	99.6	77	-	16	93	82.7
France										
1953/54-1955/56	54	(3)16	(3)5	43	125.5	19	-(4)	-(4)	19	100.0
1957/58	90	27	1	64	140.6	47	5	3	45	104.4
1958/59 (1)	91	28	1	64	142.1	48	5	3	46	104.3
Italy										
1953/54-1955/56	8	-	1	9	88.8	9	-	-	9	100.0
1957/58	10	-	-	10	100.0	9	-	-	9	100.0
1958/59 (1)	10	-	1	11	90.9	9	-	-	9	100.0
Netherlands										
1953/54-1955/56	244	218	-	26	938.4	57	33	4	28	203.5
1957/58	277	217	-	60	461.6	78	32	25	71	109.8
1958/59	316	253	-	63	500.0	81	43	8	46	176.0
EEC										
1953/54-1955/56	521	234	16	303	171.0	145	43	20	122	118.8
1957/58	707	244	6	469	150.7	242	52	51	241	100.4
1958/59 (1)	765	281	11	495	154.5	246	64	39	221	111.3

(1) Provisional figures - (2) Full cream and skimmed powdered milk - (3) Condensed milk and powdered milk - (4) See external trade in condensed milk

5. Of recent years the external trade in dairy produce ~~form~~ Milk the EEC countries taken together has been more or less balanced (see Tables 3 and 4). The volume of transactions in both directions amounted to about 50,000 tons of butter and 170,000 of cheese. The only export surpluses were in powdered and condensed milk. For condensed milk they reached 281,000 tons in 1958/59, which represents more than a third of production, ~~this was~~ for the most part exported to non-member countries outside Europe. For other dairy produce, however, the volume of trade with member countries was about the same as that of exports to non-member countries.

II. COMMON AND DIVERGENT LINES OF PRICE AND MARKET POLICY

6. Over the last 45 years, both the possibilities of disposing of butter on the world market and the prices obtained for it have developed unfavourably. These prices have not risen in step with those paid for other important agricultural commodities. In this respect Danish prices can be considered as representative of world prices. Taking the prices of the main agricultural products in Denmark for the period 1909/1910-1913/1914 as 100, the following are the equivalent figures for the 1956/57 season: butter 296; bacon 454; cattle for slaughter 426; wheat 355; barley 355; potatoes 453; sugar beet 477; agricultural produce in general 363.

.../...

Milk

The six countries have consequently found themselves obliged to compensate as far as possible the fall in butter prices on the world market. The five (Germany, Belgium, France, Italy and Luxembourg) which needed imports were able to do this by divorcing their domestic prices from world prices until their own production could more or less cover their needs. This they did by introducing customs duties and import quotas.

As an exporting country the Netherlands were not able to follow this policy. They had to replace indirect support in the form of higher prices by direct subsidies. Consequently, the milk sector of EEC includes five countries with a high price level (importing countries) and one country with a low price level (the Netherlands) although the production prices of milk, like those of liquid milk to the consumer, are very close in the six countries (see Table 5). This state of affairs involves extreme difficulties for the alignment of markets.

7. In addition to freeing their domestic price levels from that of world prices, the six Governments took the following steps to improve their milk economy:

a) All the Governments except the Italian have assumed certain trading functions (export and import of dairy produce, compensation of seasonal price fluctuations, stockpiling, etc.) The Governments bear any losses resulting from these operations.

b) All countries except Italy encourage the dairy economy by the grant of more or less considerable direct subsidies paid from the Budget. Expenditure under this head in 1958 amounted to about 1,000 million DM.

c) Germany and the Netherlands have separated, on the national level, the price of milk for liquid consumption and that of milk for processing by creating market organizations. They have raised the price of liquid milk and allowed it to follow the general movement of prices (1). In Italy large communes can enact similar regulations.

d) Most countries have in the past tried to help butter against the competition of other fats, in particular margarine, and some are still trying to do so. The measures taken include customs duties on raw materials, quota systems for margarine production and the application of certain special taxes. The future development of the butter market, as well as that of other dairy produce, will thus be in close correlation to the markets in other edible fats, in particular those obtained from raw materials produced in the associated overseas countries and territories.

.../...

(1) Such a separation is perfectly possible because consumers react differently to changes in the price of butter and in the price of liquid milk. When prices rise, consumers reduce their consumption of milk less than that of butter. In the case of milk, a price rise may be reflected in a higher profit to producers, even if purchasing power remains unchanged; this is not so for butter, as some consumers immediately turn to margarine and butter consumption drops correspondingly.

Milk

Table 5: Farm prices of milk containing [illegible] of [illegible] 3.7% fat in EEC countries from 1953/54 to 1958/59 (1)

(DM per 100 kg)

Year	Belgium (2)	Germany (F.R.) with subsidy	Germany (F.R.) without subsidy	France (3)	Italy	Luxembourg (3)(4)	Netherlands with subsidy	Netherlands without subsidy
1953/54	31	26		30	32	39	24	
1954/55	30	27		31	29	39	26	25
1955/56	30	29		33	28	38	27	25
1956/57	30	32	31	33	29	39	27	27
1957/58	32	34	30	30	31	36	32	23
1958/59	30	32	30	29	31	38	31	27

(1) As the prices shown above are no more than approximate, a comparison seems possible only on the basis of orders of magnitude. Prices have consequently been rounded off.

(2) The prices are also influenced by direct subsidies, though these are much lower than in Germany, the Netherlands and Luxembourg.

(3) Calendar years 1954-1959

(4) In the prices shown for Luxembourg, direct subsidies are also included. These have amounted in recent years to about 7 pf. per kg for milk delivered to dairies.

Table 6: Wholesale price of butter in EEC countries for the years 1957-59

(DM per 100 kg)

Year	Belgium	Germany (F.R.)	France	Italy	Luxembourg	Netherlands
1954	696	572	692	535	647	430
1955	701	610	736	581	647	466
1956	695	621	782	559	647	465
1957	720	633	693	504	647	464
1958	674	612	680	552	647	371
1959	691	629	683	533	647	450

.../...

III. SUMMARY

Questions relating to the milk and dairy produce market within EEC fall into the two categories discussed below.

8. Problems resulting directly from the alignment of markets. The most important of these are:

a) Consequences of the alignment of prices

In order to judge the difference between the price levels of dairy produce in the Member States, the example of butter prices may be taken. Although the importance of butter production for the milk sector of the six countries varies greatly, butter nevertheless constitutes the most important dairy product for the Community taken as a whole. In 1958 more than 65 % of the milk processed went to the making of butter.

While in the last few years butter prices in Western Germany stood at about an average level, they were higher in Belgium, France and Luxembourg and appreciably lower in the Netherlands (see Table 6). Although fairly low in Italy, they represent only very approximately the level of prices for dairy produce in that country, as this level depends primarily on the prices paid for cheese, an item which represents a more profitable use of milk processing.

b) External trade in dairy produce

In this sector it may be presumed that the present situation will develop in such a way that, where dairy produce is concerned, the Netherlands will in future find themselves in the group of countries with a high price level; this will lead to a new situation as regards exports to non-member countries.

.../...

Milk

c) Alignment of government policies and measures in support of the dairy economy

The six countries have on the basis of past decisions been giving financial encouragement to their dairy industries. In future such measures of encouragement will have to be uniform both in manner and scope.

Price differences for dairy produce on the market of the six countries are not so considerable. Only in the Netherlands will there be a steep rise when prices are standardized at the average level throughout the Community.

9. Problems resulting from the increase in milk production and the weakness in the market situation of butter.

For producers the increase in milk production and the comparatively restricted capacity of the dairy produce market to absorb further quantities will in the long run have far more serious consequences than the alignment of markets. This problem is, however, not peculiar to the common market; every country will meet the same difficulties as may arise in the Community, although in varying degrees. The direct subsidies granted to the dairy economy by the six Governments had already reached about 1,000 million DM in 1958. If, as has happened on the world market, the long-term development were to entail further weakening of dairy produce prices, prices to the producer could be maintained only by increased State expenditure.

.../...

B. AIMS OF THE COMMON POLICY IN THE MILK MARKET

10. The great difficulties already besetting the milk market, which would only increase further with a rise in production, will force the Community - as has been the case hitherto for the individual countries - to intervene to a considerable extent in the milk and fats market. The purpose of such action must be

To balance supply and demand, taking into account external trade;

To ensure a fair income for well-conducted and well-equipped family farms;

To widen opportunities for disposing of dairy produce and ensuring rational production and marketing;

To stabilize the markets for dairy produce, in particular those for liquid milk;

To improve the quality of dairy produce;

To safeguard the interests of the trade, of the processing industries and of the consumer.

The Commission proposes that the common market in the milk sector be introduced six years after the adoption of these proposals by the Council.

I. BALANCING SUPPLY AND DEMAND

11. On the EEC milk market the chief task is to achieve a long-term balance of supply and demand at prices that will provide well-conducted and well-equiped family farms with a fair income.

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Milk

This is why the prime need is to increase the capacity of dairy produce markets to absorb output. For this purpose every effort should be made to improve quality and to widen markets for dairy produce, since quality plays an essential part in their disposal.

On the other hand an anticipated rise in milk production and especially an increase in butter production must be prevented. This will be achieved mainly by making the fattening of cattle as profitable as possible for farmers. It is to be hoped that a greater proportion of the total amount of feed suitable for cattle only will be directed to the production of fat cattle rather than of milk. At the same time it must be decided whether a change in the present system of calculating the price of milk to the producer might help to balance supply and demand. In this case the value attached to fat content should be reduced and that of the other components correspondingly raised.

II. STABILIZATION OF MARKETS

12. As milk production is largely dependent on the weather, it varies from year to year, but above all from season to season, according to the availability of fodder. This is particularly the case with butter production, to which the surplus milk output is regularly diverted, but which has to go short when output falls. This is why the prices of dairy produce undergo considerable fluctuations from one season and one year to the next. As the demand

for these products is however relatively stable, marked price fluctuations have an unfavourable effect for two sorts of reason. On the one hand, they bring about an increase in marketing costs and, consequently, of marketing margins. On the other hand, the rise in butter prices for seasonal or other reasons prompts consumers to turn towards competing fats, in particular to margarine. When prices have returned to their earlier level, only a proportion of the consumers return to butter. The policy of the Community must therefore be to damp down extreme price swings in the dairy produce markets. It must be remembered that there is a lack of balance between the prices of vegetable fats and butter, to the disadvantage of butter. The problems of both the butter and the milk market must therefore be settled in close relation with those of the markets for all edible fats.

13. Markets for liquid milk present a special problem. It is important to increase as much as possible the consumption of such milk and of fresh milk products. In consequence, the sale of these products must be so organized that all parties concerned are interested to exploit these sales opportunities. At the same time an endeavour must be made to improve the quality of the milk and of the various services. These two factors are an essential pre-condition if a higher consumption of liquid milk is to be achieved.

.../...

Milk

In the event of persistent difficulties on dairy produce markets, it might be necessary to divorce prices of liquid milk from those of milk for processing. The stabilization of the price for liquid milk would in fact ensure that the exceptionally unfavourable conditions would not affect total milk production.

For this reason, the liquid milk markets should be made the subject of special regulations.

It will be necessary to work out the ways in which these markets are to be organized to facilitate the attainment of the two aims referred to in the two preceding sections. Since in these cases, local or national markets are involved, and since there are important structural differences which still exist between the various EEC countries in the matter of markets for dairy milk, it is impossible to envisage one single method or organization for the whole of the Community. Rather will it be necessary to work out regional solutions which will have to be based on uniform principles.

C. MEASURES TO ACHIEVE THESE AIMS

I. COMMON MARKET STAGE

For the common market stage, the common policy envisages the following measures in the milk sector:

14. Within the Community

Fixing a target price for milk to the producer

Fixing an intervention price for butter

Separation of the price of liquid milk from that of milk for processing by regulating the liquid milk markets.

.../...

15. At the common customs frontier

Import levies on dairy produce;

Reimbursements corresponding to these levies when dairy produce is exported.

16. Form of organization

With a view to applying this policy, steps will be taken to set up:

A "Milk Office" having the task of carrying out, under the authority of the Commission, the measures decided by the Council or the Commission;

A Milk Market Stabilization Fund, a branch of the European Agricultural Guidance and Guarantee Fund;

A Committee to facilitate consultation between the Commission and the circles directly concerned on problems relating to the organization of a common market in dairy produce.

Measures concerning the internal market

17. The characteristics of the milk market demand, if stability of price rates and the judicious guidance of production are to be ensured, that producers should be secured against the most serious consequences of a marked fall in prices and should receive some guarantees as to the continuity of the policy followed. It is therefore essential to ensure

a) That before the end of the preparatory stage the price level in the Community has been fixed for the first year of the common market stage;

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Milk

b) That before 1 October each year a target price for milk to the producer is fixed; this price will serve as a basis for determining the intervention price for butter (see paragraph 18), the levies on dairy produce (see section 22) and the [illegible] price ex dairies of milk for consumption (see section 19);

c) That the Council decide, by qualified majority vote, on the criteria for the fixing of the target price. These criteria will be proposed by the Commission after consultation with the Economic and Social Committee. The target price will be proposed annually by the Commission. It will be considered as adopted by the Council if the latter does not fix it at a different level within a specified time-limit by unanimous vote.

Each year the Commission will draw up a forecast for the milk sector. This will cover production, external trade and market outlets in respect both of milk and dairy produce.

18. In order to prevent the prices of dairy produce from falling below a certain level, an intervention price will be fixed for butter. It will be proposed annually by the Commission at the same time as the target price of milk to the producer and will take into account the development of the market. The intervention price will be considered as adopted by the Council if the latter does not fix it at a different level within a specified time-limit by unanimous vote.

The Milk Office will act when this intervention price is reached and will in particular make the purchases necessary to restore normal functioning of the market. The purpose of this operation is to reduce price fluctuations on dairy produce markets, and to carry it out the Commission will have available the financial resources of the Milk Fund ((see section 26).

19. The member countries are advised to stabilize their liquid milk markets by organizing them. The target price for milk will have to be used as a basis for calculating the prices of liquid milk delivered from the dairies; these will be fixed on the national or regional level. The Commission will lay down the minimum requirements to be observed by market organizations and will watch that they are observed, so as to prevent too wide divergences growing up between the positions of different producers. In co-operation with the Governments and the circles concerned, the Commission will devote special attention to problems in connection with improving the quality of milk; this improvement is an essential prerequisite if consumption is to be increased.

20. The various countries will harmonize the measures taken for the marketing of dairy produce. It should be their constant purpose to see that no marketing opportunity is left unexploited either within a given country or in the Community as a whole. For example, they will have to co-ordinate provisions concerning the minimum fat content of liquid milk, take measures to improve the quality of milk and dairy produce, harmonize publicity campaigns in favour of dairy produce, and so on. The Commission will work out and co-ordinate the measures required in this field.

21. Where structural surpluses exist it will be necessary to limit milk production. This limitation will have to be related to the programmes for the improvement of agricultural structures.

Until such time as it proves possible to limit milk production to the extent necessary, Community action might be taken to stimulate the consumption of butter by the grant of subsidies.

Milk

Measures at the common customs frontier

22. In order that the target price may be sufficiently independent of fluctuations in the world price and of any artificial distortions which this may undergo, it will be necessary to compensate the difference between the world price and the target price. Recourse to tariff protection in the form of a customs duty is not a sufficiently flexible solution to allow of a rapid adaptation, operating with maximum possible accuracy, to world conditions. These requirements can be met by the creation of a compensatory levy fixed by the Commission on the basis of the target price to the producer on the one hand and of the most favourable buying terms on the external market on the other. This levy, which will be uniform for the whole Community, will be applied in a non-discriminatory manner vis-à-vis non-member countries.

The Milk Office, which will be responsible for securing the most favourable prices, will collect the necessary information on each of these products.

23. A continuous watch must be kept over the effectiveness of the levy system, since international trading methods are liable to vary. To implement this supervision, a system of import certificates is planned.

Import certificates, valid for a specific period, will be issued up to the amount of the quantities requested. At the time of issue of these certificates the importers will undertake to effect the import within a given time and deposit security for a part of the levy.

If imports increase or occur in such quantities or under such conditions as to cause or threaten to cause serious injury to Community producers, the Commission will decide to suspend the issue of import certificates - with the reservation that exceptions may be made for certain qualities - until there is no further injury or threat of injury. This will be the case when market prices for butter reach the intervention price and the Office has to intervene on a substantial scale in the internal market.

24. With regard to exports of dairy produce, the following principles will have to be observed:

In view of the fact that the system advocated envisages permanent imports, there must also be permanent exports, thus enabling the Community to ensure for its products a fair share of world trade.

For this purpose steps will be taken to make exporting possible through reimbursements of the charges imposed on imports.

<u>Form of organization</u>

25. Since the problems arising on the milk market demand general measures covering all sectors of the dairy economy, the Commission proposes that action be taken under Article 40 (2c) and that a Milk Office be set up under its authority. This Office will be instructed

To take action on the butter market as soon as butter prices reach the level of the intervention price.

To decide on the technical procedures for the import and export of dairy produce.

.../...

Milk

26. To finance these measures, particularly in the matter of stockpiling, it is clearly essential to create a Stabilization Fund for the milk market in accordance with Article 40 (4). This Fund forms one of the branches of the European Guidance and Guarantee Fund , the establishment of which is the subject of a special proposal.

The Milk Fund will be primarily supplied from the proceeds of the levy on imports of dairy produce. It may be credited with sums transferred from other Funds in accordance with the procedure laid down in the chapter concerning the "European Agricultural Guidance and Guarantee Fund".

Provision is to be made for contributions from Governments in addition to the possible transfers from the other Funds. Each year the Council will determine, at the same time as it fixes the target price for milk, the maximum amount of the sums to be made available to the Stabilization Fund for dairy produce.

Should developments in the dairy produce market lead to situations requiring greater sums to be made available than the maximum amount above, the Commission will propose to the Council the grant of further credits. Should the Council then by unanimous vote reject these proposals, it will be necessary to revise the intervention price.

A situation of this nature could be avoided by means of a financial contribution from producers.

II. PREPARATORY STAGE

Approximation of prices

27. Whereas producer prices for milk are already fairly similar in the various countries, there are still wide gaps between the market prices of dairy produce. These differences are due in the main to the diversity of the measures taken by the Member States on the milk market. The primary need is therefore to bring closer together both the policies of the six Governments and, simultaneously, market prices for dairy produce. This is to be done according to the time-table described below.

28. During 1961 the Commission, acting in conjunction with the six Governments, will draw up comparable price tables for milk and dairy produce at the various stages of marketing so as to be in a position to define at any time the exact situation of each member country within the Community.

29. The Member States will undertake to refrain from any action which would result in widening the present gaps between producer prices for milk or between market prices for dairy produce.

30. From 1961 onward the Commission will establish on 1 July each year

A forecast of probable production, external trade and utilization of milk and dairy produce;

Milk

A programme dealing with guidance to milk producers;

A programme covering the utilization of milk and dairy produce.

31. From 1961 onward the Commission, on 1 July each year, will submit to the Council for approval a proposal for the approximation of the prices of dairy produce and of the measures having an influence on the shaping of these prices.

During 1961 the Commission will examine, in co-operation with the Member States, aids granted to the milk sector in the six countries. It will submit each year to the Council proposals on aids at the same time as its proposals on approximation of prices. The Council will take its decision by qualified majority.

32. Before the end of 1962 the Commission will propose to the Council the criteria for determining the milk target price for producers. From 1963 onward the Commission will submit to the Council before 1 July each year proposals concerning the common target price for milk to the producer; the common target price will take effect from 1 October 1963. Decisions concerning the criteria and the prices will have to be taken in accordance with the procedure laid down in section 17. Until the end of the preparatory stage, i.e. until 1 October 1967, the price will serve as a guide for the approximation of the national prices of dairy produce. Once the preparatory stage is concluded, the shaping and the level of prices for dairy produce must be uniform throughout the Community.

.../...

Market Organization

33. On 1 January 1961 the Commission will set up a Committee composed of the heads of bodies responsible at national level for action in the milk market.

34. During 1961 the Commission will submit the statutes of the Milk Office to the Council for approval. The Council will give its decision by qualified majority vote. In order to enable the measures for the organization of the market and the integration of the national agencies to be put into practice, the Office will have to assume its functions with effect from 1 January 1962.

35. The Consultative Committee provided for in section 16 will be set up in the course of 1961.

36. The Commission will propose the Statutes of the Milk Fund for adoption by the Council before 1 January 1963.

The Commission will propose, for adoption by the Council before 1 October 1963, the first budget of the Milk Fund, established in the light of progress made in organizing the dairy produce market. The Council will decide on the budget by qualified majority vote.

As soon as the levy system comes into force, the Commission will centralize on a permanent basis all information concerning the accounting position of receipts and expenditure arising from the application of the system advocated.

37. In the course of 1961 and 1962, the Commission will elaborate the minimum conditions to be met by the organizations for the dairy market, as laid down in section 19, and submit them subsequently to the Council.

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Milk

During 1961 the Commission will submit proposals to the Council for the regulations on the fixing of the fat content of liquid milk. The Council will decide on these regulations by qualified majority vote.

Intra-Community trade

38. The measures at present applied at frontiers, such as quantitative restrictions, customs duties, taxes and charges with equivalent effect, will be replaced by levies by 1 January 1962 at latest.

The levies applicable to intra-Community trade will be fixed by the Governments, after consulting the other Member States, and in agreement with the Commission, by reference to criteria defined by the latter and submitted for approval to the Council, which will decide by qualified majority vote. Their amount will be equal to the difference between prices in the importing and those in the exporting country, and it will diminish as the gap between these prices narrows.

In addition, while taking care that the development of trade within the Community progresses gradually, there will be a reduction of this levy by a fixed sum, the size of which will have to be laid down.

39. The trading system based on the above principles implies that, from the very beginning of the application of the levies,

Every form of aid and reimbursements to experts which hinders the functioning of the proposed system of exchanges is excluded, and

All recourse to Article 44 of the Treaty is renounced.

40. Until such time as the levy system is applied for a given dairy product, trade between member countries will be governed by the general procedures applicable to agricultural commodities.

.../...

Harmonization of legislation

41. The Commission will set up a working party for the harmonization of legislation in the milk sector in order to eliminate obstacles to the movement of milk and dairy produce arising from disparities between national regulations. It will endeavour as far as possible to push forward this work of harmonnization in keeping with the pace laid down for the putting into force of the other measures of common agricultural policy planned for this sector.

Commercial policy towards non-member countries

a) Import systems

42. Instead of customs duty, a variable levy will be collected, representing the difference between world market prices and prices in the importing country. These levies will be charged at the same time as the member countries apply a levy for a given product vis-à-vis other member countries. The levies will be fixed by the Governments after consulting the other member countries and in agreement with the Commission; the necessary procedure is to be laid down. These levies will level out as prices within the Community come closer to each other.

The common external system will enter fully into force on 1 October 1967.

b) Co-ordination of commercial policies

43. In the case of milk and merchandise directly influenced by the common organization of the milk market, it is essential to ensure the transition from national systems of regulation to a common system. For this purpose the Governments of the Member States must, from 1 January 1961 at the latest,

Undertake to submit at an early date, in respect of such products, information on bilateral and multilateral commercial relations with non-member countries, and to communicate and keep continually up to date information regarding the system of external trade;

.../...

Milk

Take steps to ensure that any measures which might be planned in the sphere of external trade in these agricultural products are not applied without prior consultation with the Commission and other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire at the end of the preparatory period or be adapted to the requirements of the common agricultural policy;

Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States.

PROPOSALS FOR A COMMON POLICY ON BEEF AND VEAL

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A. PRESENT SITUATION

I. STATEMENT OF RESOURCES AND NEEDS

1. Despite the great amount it produces, the Community imports about 7 % of its beef and veal.

After worsening between 1953 and 1957, the situation improved as a result of the impulse given to production by the higher prices which resulted from increased demand and certain supply difficulties.

2. There is every reason to believe that the possibilities of expanding production in the Community are such that they will suffice to reduce the present deficit, particularly if it is remembered that, since 1958, demand is here and there beginning to show signs of flagging. Nevertheless, if the purchasing power of the population continues to grow, we may expect further progress in the demand for beef and veal, especially for the lean cuts.

3. Generally speaking, the deficit in the Community's supplies is covered by imports of slaughter cattle on the hoof and of fresh meat from European non-member countries, as well as by imports of frozen meat, chiefly for the processing industry, from countries outside Europe. The latter also supply offal which, after processing in EEC countries, is in part re-exported to non-member countries. It should be noted that for some years now supply from countries outside Europe has been falling off because available surpluses in these countries have diminished.

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Table 1: Production and consumption of beef and veal in the EEC countries (1)

in '000 tons

	Production	Availabilities	Self-sufficiency rate (%)	Human consumption per head global	per year in kg
Germany (F.R.)					
1953/54-1955/56	738	816	90.4	816	15.9
1957/58	850	944	90.0	944	17.8
1958/59 (2)	847	943	89.8	943	17.7
France (metropolitan)					
1953/54-1955/56	1,344	1,284	104.7	1,284	29.1
1956/57	1,283	1,284	99.9	1,284	28.3
1958/59 (2)	1,275	1,271	100.3	1,271	27.8
France (metrop. and overseas depts.) (3)					
1953/54-1955/56	1,369	1,309	104.6	1,309	24.4
1957/58	1,312	1,320	99.4	1,320	23.8
1958/59 (2)	1,318	1,318	100.0	1,318	23.1
Italy					
1953/54-1955/56	393	451	87.1	451	9.4
1957/58	422	583	72.4	583	12.0
1958/59 (2)	430	599	71.8	599	12.3
Netherlands					
1953/54-1955/56	186	183	101.6	183	17.3
1957/58	194	192	101.0	192	17.3
1958/59	195	186	104.8	186	16.4
B.L.E.U.					
1953/54-1955/56	182	187	97.3	187	20.4
1957/58	185	197	93.9	197	21.1
1958/59	203	201	101.0	201	21.4
EEC (metropolitan)					
1953/54-1955/56	2,843	2,921	97.3	2,921	17.9
1956/57	2,934	3,200	91.7	3,200	19.1
1958/59 (2)	2,950	3,200	92.2	3,200	18.9
EEC (metrop. and overseas depts.)					
1953/54-1955/56	2,868	2,946	97.4	2,946	17.1
1957/58	2,963	3,236	91.6	3,236	18.2
1958/59 (2)	2,993	3,247	92.2	3,247	18.0

(1) Dressed carcase weight
(2) Provisional figures
(3) Overseas departments: Algeria, Guadeloupe, Guiana, Martinique, Réunion. For these departments the figures used in drawing up the Table are provisional or estimated.

Beef and veal

4. Study of the trade statistics of the six countries shows that exchanges between the partner states of the Community are relatively unimportant and irregular.

They are based on demand for different qualities arising from differing eating habits and purchasing power (for example; sale of forequarters, purchase of hindquarters).

5. It should be noted that the quality of production in the Community has improved considerably in recent years. Constantly increasing demand for prime cuts has meant that more young cattle had to be fattened for butcher's meat. At the same time, the quality of meat from milk stock has improved following the success, after the last war, of campaigns against diseases in cattle, in particular tuberculosis.

By contrast, the Community's imports are increasingly made up of the less popular qualities (frozen meat, culled animals and "sausage meat")required for industrial processing.

6. An examination of the meat market in the six countries reveals noteworthy differences in the qualities supplied to consumers.

In those countries, for instance, where beef breeds exist, the quality of the meat is superior to that in countries where stock-rearing is carried on only with a view to milk production. This means that, in the first case, demand is mainly for choice cuts, while in the second case consumers are content with more ordinary qualities.

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II. COMMON AND DIVERGENT LINES OF PRICE AND MARKET POLICY

7. Production of beef and veal accounts for a considerable fraction of farmers' incomes. The various EEC countries have therefore endeavoured to protect these commodities against foreign competition, in particular from countries outside Europe which export meat at prices which are generally lower.

8. The protective measures, however, vary widely in character, whether they take the form of quotas or of customs tariffs.

Italy has completely freed imports and has instituted a system of minimum prices.

Belgium has liberalized imports of cattle for slaughter and of beef and veal obtained from Member States of GATT, but retains special import duties. These duties are used to make stabilization of the domestic market possible. Stability of the market is also sought by the fixing of floor and ceiling prices combined with Government intervention in the form of stockpiling, public purchases or financing of exports through loans from the "Fonds agricole" when prices are below the floor price.

In the Netherlands imports of oxen and of frozen meat have been liberalized, while the other grades of cattle, beef and veal are subjected to a system of licences.

The domestic market is free, but is influenced by means of compensatory measures, and there is an annual import quota of 15,000 head of cattle from Denmark.

Beef and veal

In Luxembourg, prices at both the production and the distribution stage are fixed by commissions composed of representatives of producers and of distributors as well as of the public authorities.

In Germany, protection is afforded as a consequence of bilateral contracts and of the "Einfuhr- und Vorratstelle für Vieh und Fleisch", which manages imports of beef and veal to ensure the stability of the market.

This arrangement allows prices to be formed freely, the public authorities intervening only when prices fall sharply, when their action takes in the main the form of stockpiling measures.

In France, beef and veal imports from OEEC member countries have been liberalized, but high customs duties have been introduced for all countries not belonging to the Community.(1).

Alongside target prices, there are seasonal prices coupled with intervention prices. A body representing the interests immediately concerned acts under State supervision to take all measures required by the current situation.

9. The average level of producer prices is roughly similar in all Community countries, as may be seen in the following Table (the figures given are no more than a guide).

(1) Recently the liberalization of imports from member countries of the Community has been revoked

.../...

Consumer prices, by contrast, show wider divergences than those to producers. These are largely due to unequal marketing margins.

Table 2: Average price received by producers for beef and veal (on the hoof)

DM per 100 kg

Years	Germany (F.R.)	France	Italy	Belgium	Luxembourg (1)	Netherlands
1953/54	157.20	237.20	161.50	173.50	-	169.10
1954/55	157.00	263.90	176.00	166.70	-	165.80
1955/56	171.30	135.40	224.90	176.30	196.10	176.80
1956/57	169.80	159.40	214.10	184.50	197.30	195.60
1957/58	172.10	160.10	226.20	173.60	197.80	186.80
1958/59	192.50	166.80	216.10	170.00	201.30	193.40

(1) 1955/56 = 1956 etc.

B. AIMS OF A COMMON MARKET FOR BEEF AND VEAL

I. GENERAL AIM

10. In conformity with the provisions of the Treaty, more especially with those of Articles 40 and 43, the general aim of the common organization of the beef and veal market is to create for these products a common market in which

- All discrimination between producers and between consumers would be excluded;

- Trade would be carried on in conditions similar to those obtaining in a national market.

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v Beef and veal

The Commission considers that it is possible to achieve this common market on 1 January 1964, and therefore proposes that this be done. This short time-limit is possible because of the conditions prevailing on the European and world markets for beef and veal.

II. DEVELOPMENT OF DEMAND AND GUIDANCE FOR PRODUCTION

11. The continuous growth in the consumption of beef and the increasing preference of consumers for the best quality cuts result in increased production and simultaneous emphasis in this production on fat cattle specially raised for the supply of butcher's meat. The consequence is that the breeding and fattening of butcher's cattle must be intensified.

At the same time it is desirable not to develop further the supply of meat from dairy stock; there are several reasons for this:

a) Culled cows are less suited for the production of quality meat;

b) If breeding is directed to the production of meat rather than of milk, difficulties in the dairy sector will lessen;

c) The development of breeding for slaughter will have the added advantage of furthering the consumption of coarse grains.

12. Increased output of meat calls for a certain price stability in order to ensure continuity of production. It also requires that the factors which go into production be supplied to the stockbreeder at constant prices. This is all the more necessary since the call for increased production means that the enterprises concerned must adapt their structure, sometimes v very considerably, and may need to make large investments (purchase of young animals and of compound feeds, building of stables, etc.).

A point which should be specially emphasized is the close relationship from the angle of production costs between the price of meat and that of milk. In fact, whether producers tend to concentrate on milk or meat will depend on whether prices for the one or the other commodity are more favourable.

III. PROFITABILITY

13. The meat price/milk price ratio is also important from the angle of profitability, especially in view of the fact that it costs more to produce meat from slaughter cattle than from dairy cows.

In addition, profitable operation requires stable producer prices and the supply at steady prices of the factors required by the stockbreeder. The organization of the internal market and protection at the frontier will have to give due weight to these essential requirements.

Beef and veal

C. MEASURES TO ACHIEVE THESE AIMS

I. COMMON MARKET STAGE

a) System at the common frontier

b) System within the Community

c) Form of organization:

1. An Office for Meat and Eggs

2. A Consultative Committee

3. A Beef and Veal Market Stabilization Fund

d) Field of application

II. PREPARATORY STAGE

a) Approximation of prices

b) Market organization

c) Intra-Community trade

d) Harmonization of legislation

e) Commercial policy towards non-member countries

I. COMMON MARKET STAGE

a) System at the common frontier

14. The customs duties provided for in the common tariff will be applied to imports of meat.

However, there is a danger that these duties may not suffice in every case for the achievement of the objectives fixed for the production of beef and veal.

In order, therefore, to prevent the efforts to balance internal supply and demand being rendered completely ineffectual by disturbances resulting from outside offers at an abnormal level, it will be necessary - as a safety measure - to lay down threshold prices for the different classes of meat.

.../...

These threshold prices for the various classes of beef and veal are fixed periodically by the Commission. They are considered as accepted by the Council unless it decides by unanimous vote within a given time-limit to fix them at a different level.

As soon as the threshold price- inclusive of customs duty - falls below the minimum import price, the levy will be applied up to a corresponding amount.

15. The fact that trends in world trade in frozen meat are much less closely connected with production than trade in other classes of meat, and that frozen meat is offered at much lower prices than fresh meat, means that imports of this type of meat must be carefully supervised. In addition to the measures referred to in section 14, therefore, a system of import certificates must be introduced for frozen beef and veal.

These certificates, valid for a given period, will be delivered up to the amounts requested. At the time of their issue importers must undertake to carry out the import within a fixed time-limit.

If imports increase to such an extent or occur under such conditions as to cause or threaten to cause serious injury to Community producers, the Commission will decide to suspend the issue of import certificates until there is no further injury or threat of injury.

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Beef and veal

Export system:

16. For exports of cattle and of beef and veal in its fresh, preserved or processed state, the following principles should apply:

1. In view of the fact that the system advocated envisages permanent imports, there must also be opportunities for permanent exports.
2. For this purpose, steps will be taken to make exporting possible through reimbursements for exports corresponding to the charges imposed on imports.
3. The export policy of the Community will aim at obtaining for its products a fair share of world trade.

b) <u>System within the Community</u>

17. Circulation of beef and veal will be free. The achievement of this aim will be facilitated by the co-ordination of all existing measures concerning health and veterinary protection.

Trade will be able to play its part in this sector, provided it does not disturb the stability of the market.

18. Price formation will be free. However, independently of the measures referred to above, which are intended to ensure protection at the frontier, action may be taken in the interests of regularity of supplies and of ensuring a fair income to producers.

These measures may take the form of stockpiling or of support for exports to non-member countries; particulars of these measures will have to be fixed.

c) Form of organization

19. The Execution of the measures referred to above will be co-ordinated by the Commission.

For this purpose it proposes that a European Office for Meat and Eggs be established.

This Office, which will be competent for every kind of meat (beef, veal, pigmeat and poultry) and for eggs, will have the task of laying down the technical procedures for import and export; it will also perform other duties in connection with the implementation of the common policy.

A committee will be established to enable the Commission to consult the circles immediately concerned on problems in relation to the common organization of the beef and veal market.

In order to finance the measures for organization of the market, a Stabilization Fund for the beef and veal market will be created in conformity with Article 40 (4). It will be a branch of the European Agricultural Guidance and Guarantee Fund .

This Fund will be financed primarily by the product of the levy on imports of beef and veal. In addition, it will receive certain monies from the stabilization fund for the coarse grains market. It may also be credited with sums transferred from other funds, in line with the procedure laid down in the chapter concerning the European Agricultural Guidance and Guarantee Fund.

In order to have available a general picture of the development of production, consumption, the various purposes to which the commodities are put, external trade and price trends, the Commission will each year draw up a statement showing its forecasts.

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Beef and veal

d) Field of application

20. The provisions under a), b) and c) above cover not only meat on the hoof and carcase meat but also cuts and prepared and tinned meats.

For these latter products, the Commission will fix the amount of the various levies, refunds and threshold prices in the light of the market value of each of these products in relation to meat on the hoof or to carcase meat.

II. PREPARATORY STAGE

a) Approximation of prices

21. Apart from special measures to prevent very sharp falls on the market, price formation will be free. The gradual reduction of customs duties and increased import quotas will suffice for the establishment of a harmonious price system in the Community.

b) Market organization

22. A Committee, to which the Governments will nominate experts in the fields of beef and veal and pigmeat, will be set up on 1 January 1961 by the Commission, which will consult it on the co-ordination of measures advocated in the beef and veal sector.

23. During 1962 the Commission will propose to the Council for approval the statutes of the European Meat and Egg Office. The Council will decide by qualified majority vote. The Office will have to begin to function on 1 January 1963 for the practical implementation of the measures for the organization of the market.

24. The Consultative Committee for beef, veal and pigmeat provided for under section 19 will be set up during 1961.

25. Before 1 January 1963 the Commission will put forward for approval the statutes of the European Fund for Beef and Veal.

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Before 1 January 1963 the Commission will propose for adoption by the Council, voting by qualified majority, the budget of the European Fund for Beef and Veal, drawn up in the light of progress made in the common organization of the beef and veal market.

As soon as the system planned comes into force the Commission will centralize on a permanent basis all figures concerning the amounts of income and expenditure resulting from its application.

26. The forecasts referred to in the last sub-paragraph of section 19 will be worked out annually by the Commission, beginning 1 January 1961.

27. The various measures planned for the preparatory stage will gradually increase the interdependence of the national markets, which at present are more or less isolated. This is why direct intervention, which is at present applied in different ways in the six countries, will need to be co-ordinated. This co-ordination will begin on 1 January 1961 and will be carried out during the preparatory stage under the auspices of the Commission.

c) Intra-Community trade

28. Following the decisions on acceleration taken on 12 May 1960 by the Representatives of the Governments of the Member States, the gradual increase in global quotas by importing member countries will probably exceed the export availabilities in the exporting member countries. The Commission proposes that the application of all quantitative restrictions be abandoned and that intra-Community trade be freed from the beginning of 1964.

29. On 1 January 1961 at the latest customs duties will be reduced by 25 % of the basic rate. The Commission proposes that a similar reduction of 25 % in relation to the basic rate be applied on 1 January 1962, 1963 and 1964.

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Beef and veal

30. A trading system based on the above principles implies that, as from 1 January 1964,

Quantitative restrictions and measures with equivalent effect shall be abolished in respect of imports,

All forms of aid and refunds for exports which hinder the operation of the proposed trading system shall be excluded,

Recourse to Article 44 of the Treaty shall be renounced.

d) Harmonization of legislation

31. The Commission has already begun preparatory studies, in the working party for the harmonization of legislation on veterinary matters, with the aim of eliminating all obstacles to the free movement of beef and veal or their products which arise from the divergences between national regulations. The Commission will do everything possible to advance this work of harmonization at the pace laid down for the application of the other measures of common agricultural policy planned for this sector.

e) Commercial policy towards non-member countries

i) Import system

32. Beginning 1 January 1962, customs duties will be gradually brought closer together; the common tariff is to be applied on 1 January 1964 at the latest.

33. In order that the common market can be introduced on 1 January 1964, the member countries will on 1 January 1961 begin to apply to meat imports the system described in sections 14 and 15, and will lay down threshold prices, which will be on a national basis for the time being. Their level will be fixed by each member country after consultation with the others and in agreement with the Commission.

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They will have to be progressively approximated until they reach the common threshold prices on 1 January 1964.

ii) Co-ordination of commercial policies

34. The system of export refunds laid down in section 16 will be applied with effect from 1 January 1961 by the member countries in a co-ordinated fashion and in conformity with criteria established by the Commission.

35. For the beef and veal sector and for all commodities directly influenced by the common market organization it is essential to ensure the transition from national regulations to common regulations. For this purpose Member States must, from 1 January 1961 at the latest,

Undertake to submit to the Commission at an early date, in respect of these products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures planned in the sphere of external trade in these products are not applied without prior consultation with the Commission and the other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire by the end of the preparatory period or be adapted to the requirements of the common agricultural policy;

Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States.

VI/COM(60)105
Part III

PROPOSALS FOR A COMMON POLICY ON PIGMEAT

VI/COM(60)105
Part III

I

Pigmeat

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II

Pigmeat

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A. PRESENT SITUATION

I. STATEMENT OF RESOURCES AND NEEDS

1. In recent years production of pigmeat in the Community has shown a certain tendency to increase in line with an increase in consumption.

Table I illustrates this trend.

As may be seen from the Table, present production in the Community, at about 3,1 million tons, is sufficient to satisfy internal needs and provide for annual exports in the neighbourhood of 150,000 tons. These exports are, however, partially compensated by annual imports of the order of 100,000 tons.

It should be noted in this respect that, although there is compensation from the point of view of tonnage, imports and exports are not identical from the quality angle; the imports consist of parts of the animals which are not available in sufficient quantities on the market of the Six.

2. Closer study of the balance-sheets of individual countries shows that two of them - France and B.L.E.U. - can generally cover all their own requirements, with a small deficit on some occasions or a small surplus on others, according to normal fluctuations in production.

Two countries - Germany and Italy - appear as regular net importers. Both draw about 5% of their requirements from abroad.

These imports include live animals, carcases and cuts. They come chiefly from non-member countries in Europe and from the Community.

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Pigmeat

Table 1: Production and consumption of pigmeat in the EEC countries (1)

In '000 metric tons

Country and year	Production	Availabilities	Percentage self-sufficiency	Human consumption	
				global	per head per year in kg
Germany (F.R.)					
1953/54-1955/56	1,241	1,276	97.3	1,276	24.9
1957/58	1,464	1,527	95.9	1,527	28.8
1958/59 (2)	1,423	1,523	93.4	1,523	28.4
France (metropolitan)					
1953/54-1955/56	779	774	100.6	774	17.6
1957/58	889	896	99.2	896	19.8
1958/59 (2)	897	866	103.6	866	18.9
France (metrop. and overseas depts)(3)					
1953/54-1955/56	788	783	100.6	783	14.6
1957/58	899	909	98.9	909	16.4
1958/59 (2)	905	874	103.5	874	15.3
Italy					
1953/54-1955/56	179	185	96.8	185	3.9
1957/58	216	240	90.0	240	4.9
1958/59 (2)	216	240	90.0	240	4.9
Netherlands					
1953/54-1955/56	244	160	152.5	160	14.9
1957/58	356	220	161.8	220	19.8
1958/59	340	229	148.5	229	20.3
B.L.E.U.					
1953/54-1955/56	213	204	104.4	204	22.3
1957/58	229	231	99.1	231	24.7
1958/59 (2)	231	232	99.6	232	24.7
EEC (metropolitan					
1953/54-1955/56	2,656	2,599	102.2	2,599	15.9
1957/58	3,154	3,114	101.3	3,114	18.6
1958/59 (2)	3,107	3,090	100.6	3,090	18.3
EEC (metrop. and overseas depts) (3)					
1953/54-1955/56	2,665	2,608	102.2	2,608	15.1
1957/58	3,164	3,127	101.2	3,127	17.6
1958/59	3,115	3,098	100.5	3,098	17.2

(1) Dressed carcase weight.
(2) Provisional figures.
(3) Overseas departments: Algeria, Guadeloupe, Guiana, Martinique, Reunion. For these departments the figures used in drawing up the Table are provisional or estimated.

.../...

The Netherlands alone have considerable quantities available for export - some 130,000 tons per annum. This is sent chiefly to Great Britain and the United States in the form of bacon, ham and processed products.

Trade in pigmeat within the Community has been extremely limited up to the present. It mainly concerns different qualities or products and is very irregular.

II. COMMON AND DIVERGENT LINES OF PRICE AND MARKET POLICY

3. Because of the importance of the production of pigmeat for farming, public authorities in all Community countries are equally concerned to protect the market for this commodity.

4. Broadly speaking, protection against foreign competition is obtained by means of quantitative restrictions, customs duties and special duties.

5. Behind this protective shield, various methods are used in the different countries to keep the market stable.

In Germany this is the business of the "Einfuhr- und Vorratstellen", which act on imports of pigmeat and coarse grains with the aim of securing supplies to producers at constant prices and of maintaining the balance of market rates. This arrangement

.../...

allows of free price formation; the public authorities intervene only in the event of sharp falls in prices, in particular by stockpiling measures.

In Belgium, market stability is sought by fixing floor and ceiling prices accompanied by Government intervention which takes the form of stockpiling measures, public purchases or financing of exports by loans from the agricultural fund when prices fall below the floor price. Imports have recently been liberalized but, in order to back up the policy of stabilizing prices, variable special duties are levied on imports.

In France, where target prices exist side by side with prices for the farm year, action is taken by organizations representing the interests concerned, under State supervision, if the prices for the farm year are not adhered to. The domestic market is influenced by stock-piling and other measures, foreign trade by the suspension of imports.

In Luxembourg,prices at both the production and distribution stage are fixed by committees consisting of representatives of the producers, the distributors and the public authorities.

In the Netherlands imports of pigs and pigmeat have been liberalized. On the domestic market price formation itself is free, but the public authorities aim at a price as near as possible to the prime cost.

Because levies on the import of coarse grains increase their prices and bring them up to that of indigenous cereals, exports are only made possible by returning to the producers, through the export trade, all or part of these levies.

.../...

The regular flow of exports is also ensured, as far as required, by budget credits kept available to make up for any possible shortfall in funds derived from levies. In addition, action is taken on the internal market if need be.

In connection with the Netherlands it is worth emphasizing that the quantities of pigmeat available for external markets result from an economy deliberately directed towards exports. This system is based essentially on the import of foreign coarse grains (raw materials) and the export of meat (finished products).

In Italy, customs duties are the chief stabilizing factor, but recourse is sometimes had to quantitative restrictions and special import duties.

6. The autonomy of the pigmeat market in each of the six countries leads to price differences which, as the following table shows, may be appreciable. It should be understood, however, that these figures are given purely for guidance.

It must be pointed out that income from pigmeat is the sum of the prices obtained for the various cuts,of which the fat parts represent a considerable quantity. It is thus clear that the situation on the fats markets, particularly those for vegetable fats, has an appreciable influence on prices of pig fats and, consequently, on the final price for pigmeat.

.../...

Pigmeat

Table 2: Average price paid to producers for pigmeat (live weight)

in DM per 100 kg

Years	Germany F.R.	France (1)	Italy	Belgium	Luxembourg (2)	Netherlands
1953/54	226.40	247.20	230.40	195.00	--	202.20
1954/55	222.00	253.30	267.60	222.70	--	195.60
1955/56	228.00	232.30	248.40	181.00	261.90	184.50
1956/57	234.50	244.80	236.30	173.30	256.20	198.90
1957/58	215.50	257.00	227.60	190.80	243.40	181.20
1958/59	240.80	205.10	231.30	185.70	252.20	197.80

(1) Prime quality, la Villette market, Paris
(2) 1955/56 = 1956 etc.

7. It should be noted finally that the relationship between coarse grains and pigmeat, which is very close in the Netherlands, Germany and BLEU (from 70 to 80 % of the cost of feed) is much more irregular in Italy and France. This is due in particular to the fact that products other than coarse grains go into the feed of pigs raised in these two countries.

8. It is clear from the situation described above that the general desire to protect pigmeat production, which finds expression in the national policies outlined, has led to restriction of trade between the partner countries in the Community. It also explains the price differences noted between the various countries and the fact that exports of pigmeat from the Netherlands go principally to British and American markets.

.../...

B. AIMS OF A COMMON MARKET FOR PIGMEAT

I. GENERAL AIM

9. In conformity with the agricultural provisions of the Treaty of Rome,and more specially of Articles 40 and 43, the general aim of a common organization of the pigmeat market is to create for this product a common market in which

All discrimination between producers and between consumers would be excluded;

Trade would be carried on in conditions similar to those obtaining in a domestic market.

The Commission proposes that this common market should be achieved at the same pace as that laid down for the coarse grains sector, i.e. by 1 July 1967.

II. DEVELOPMENT OF DEMAND AND GUIDANCE FOR PRODUCTION

10. The ever-increasing popularity of animal products with consumers should result in continually growing demand for pigmeat.

Although observations made in other countries with high living standards should make us wary of being too optimistic, there is reason to believe that this trend will be all the more pronounced as the qualities of meat desired by consumers, e.g. meats without too much fat, are increasingly made available.

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Pigmeat

11. This being so, it seems essential to rationalize production in such a way that animals with a particularly favourable lean meat yield come on to the market.

This same rationalization will also have to lead to improved production techniques and the abolition of the obstacles of all kinds which have so far prevented the establishment of a European market and revision of the distribution systems.

It goes without saying that these measures are likely to enhance exports, whose expansion is of the greatest interest for the Community.

III. PROFITABILITY

12. In some countries signatories to the Treaty of Rome, pigmeat production is very closely linked with the coarse grain market, and this relation is certain to develop further in the future.

For both economic and technical reasons the Community, although itself producing large quantities, is and will remain an importer of coarse grains.

However, since prices for imported grain are notably lower than for the indigenous product, levies will be necessary to restore parity so that the economic production of coarse grains in the Community may not be upset.

Because of the consequent increase in pigmeat prices it will be necessary, at least in order to maintain the flow of exports, to establish or develop a system with the effect of abolishing the handicap which producers for export will have to face.

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Similarly, it will be essential to protect the internal market against imports from non-member countries.

The measures to be adopted in this field must not, however, lead to ill-advised expansion of production; it is furthermore essential that producers be able to reckon with stable prices, both for the feed they buy and the products they sell.

13. Finally, the system at the frontier will have to be such that the producer's ability to make a profit is not upset by any abnormal action of non-member countries.

C. MEASURES TO ACHIEVE THESE AIMS

I. COMMON MARKET STAGE

a) System at the common frontier
   1. Imports: Customs duties and levies on imported pigmeat
   2. Safeguard measures. Fixing of a minimum threshold price
   3. Exports

b) System within the Community
   1. Free circulation
   2. Stabilization measures and formation of prices

c) Form of organization
   1. An Office for Meat and Eggs
   2. A Consultative Committee
   3. A Stabilization Fund for the Pigmeat Market

d) Field of application

II. PREPARATORY STAGE

a) Approximation of prices
b) Market organization
c) Intra-Community trade
d) Harmonization of legislation
e) Commercial policy towards non-member countries.

.../...

Pigmeat

I. COMMON MARKET STAGE

a) System at the common frontier

1. Imports: Customs duties and levies on imported pigmeat.

14. As stated in section 12 (profitability) some protection for pigmeat production is essential within the Community. For this purpose there will be a system of charges consisting of

A fixed element in the form of a moderate customs duty with the object of compensating differences in conditions of production other than those resulting from the cost of feeding stuffs. The rate of this duty will be decided by the Council by qualified majority vote on a proposal from the Commission;

A variable element (levy) with the object of compensating the repercussions on the cost of feeding stuffs of the difference between the price of coarse grains inside and outside the Community. The rate of this levy will be fixed periodically by the Commission using a method of calculation laid down by the Council, which will take its decision by qualified majority vote on a proposal from the Commission.

2. Safeguard measures. Fixing of a threshold price.

15. World market prices for pigmeat do not always follow those of coarse grain. The prices asked may also depend on measures of commercial policy. In order that efforts to balance internal

.../...

supply and demand may not be nullified by offers from outside suppliers at an abnormal level it will be appropriate, as a safeguard measure, to lay down a threshold price. This price is proposed periodically by the Commission. It is considered as accepted by the Council unless the latter decides by unanimous vote within a given time-limit to fix it at a different level.

As soon as the import price - inclusive of customs duty and levy - falls below the threshold price, the levy is increased correspondingly.

3. Exports: Reimbursement of levies.

16. For exports of pigmeat, including processed or tinned products thereof, the following principles will apply:

In view of the fadt that the system advocated envisages permanent imports, there must also be permanent opportunities for exports, thus enabling the Community to ensure for its products a fair share of world trade;

For this purpose, steps will be taken to make exporting possible through refunds corresponding to the charges imposed on imports.

b) <u>System within the Community</u>

1. Free circulation.

17. Freedom of circulation for pigmeat will be introduced. This aim will be furthered by harmonization of national legislation in the veterinary and animal health fields and the co-ordination of executive measures.

Pigmeat

2. Stabilization measures and price formation.

18. Price formation will be free. However, in view of the importance of regular supplies and of the maintenance of a fair level of remuneration for the producer, no effort must be spared to attain price stability. The measures taken at the frontier, both with respect to coarse grains and to imported pigmeats, will already be such as to contribute to the desired stability.

19. It will be necessary to counter fluctuations resulting from a pig cycle curve affecting the entire common market. To this end, the Commission will decide on measures to mitigate the effects of any such cyclical changes but, in doing so, will take care that the measures chosen do not lead to the building-up of structural surpluses which would be a burden on the public purse.

The expenses arising from the measures taken will be covered by the Stabilization Fund described below.

c) Form of organization

20. The application of the above measures will be co-ordinated by the Commission.

For this purpose it proposes the establishment of a European Office for Meat and Eggs.

.../...

This Office, which will be competent for every kind of meat (beef, veal, pigmeat and poultry) and for eggs, will have the task of laying down the technical procedures for import and export; it will also perform other duties in connection with the implementation of the common policy.

A Committee will be established to enable the Commission to consult the circles directly interested on any problems which concern the common organization of the beef and veal and pigmeat markets.

In order to finance the market organization measures, a Stabilization Fund for the pigmeat market will be created, in conformity with Article 40 (4). It will be a branch of the European Agricultural Guidance and Guarantee Fund .

This Fund will be financed primarily by the product of the levy on imports of pigmeat. In addition, it will receive certain monies from the stabilization fund for the coarse grains market. It may also be credited with sums transferred from other funds, in line with the procedure laid down in the chapter concerning the European Agricultural Guidance and Guarantee Fund.

In order to have available a general picture of the development of production, consumption, the various purposes to which the commodities are put, external trade and price trends, the Commission will each year prepare a statement with its forecasts.

d) Field of application

21. The provisions under a), b) and c) cover not only live animal and carcase meat but also cuts and prepared and tinned meat.

Pigmeat

For these latter products, the Commission will fix the amount of the various levies, refunds and threshold prices in the light of the market value of each of these products in relation to the live animal or to carcase meat.

Nevertheless, in order to render practicable the provisions concerning levies, the question must be considered whether it would not be advisable to replace these by customs duties for certain types of meat and processed products.

II. PREPARATORY STAGE

a) Approximation of prices

22. Differences between average national price levels will be equalized by means of levies. These will be gradually reduced, thus furthering the approximation of pigmeat prices.

b) Market organization

23. A Committee, to which the Governments will nominate experts in the fields of beef and veal and pigmeat, will be set up on 1 January 1961 by the Commission, which will consult it on the co-ordination of measures advocated in the pigmeat sector.

24. During 1962 the Commission will propose to the Council for its approval the statutes of the European Meat and Egg Office. The Council will decide by qualified majority vote. For the practical implementation of the measures for the organization of the market the Office will have to begin to function on 1 January 1963.

25. The Consultative Committee for beef, veal and pigmeat provided for under section 20 will be set up during 1961.

26. Before 1 January 1963, the Commission will put forward for approval the statutes of the European Pigmeat Fund.

Before 1 July 1963 the Commission will propose for adoption by the Council, voting by qualified majority, the budget of the European Pigmeat Fund, drawn up in the light of the progress made in the common organization of the pigmeat market.

As soon as the system planned comes into force, the Commission will centralize on a permanent basis all figures concerning the amounts of income and expenditure resulting from its application.

27. The forecasts referred to in the last paragraph of section 20 will be worked out annually by the Commission, beginning 1 January 1961.

28. The various measures planned for the preparatory stage will gradually increase the interdependence of the national markets, which are now more or less isolated. This is why direct intervention, which is at present applied in different ways in the six countries, will need to be co-ordinated. This co-ordination will begin on 1 January 1961 and during the preparatory stage will be carried out under the auspices of the Commission.

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Pigmeat

c) Intra-Community trade

29. In order to compensate the differences in the pigmeat prices now ruling on the markets of the Member States, the Commission proposes that a levy system be introduced with effect from 1 January 1961. The differences in question arise in part from the disparities in the prices of coarse grains, and in part from the present disparities in feed-conversion rates, the latter being sometimes much more serious in their effects than the former. The Member States will apply these levies by reference to price levels for pigmeat as laid down periodically by the Commission in the light of the common criteria worked out with the help of the Committee of experts. These levies and those applied to imports from non-member countries (see section 33 below) will be on different levels, so as to maintain a preference in favour of producers in the Member States.

These levies on intra-Community trade will be progressively adjusted in such a way that, with effect from 1 January 1964, it will be possible to replace them by levies based on differential costs of feeding stuffs accompanied by a moderate customs duty, at a level to be fixed in relation to that provided for in section 34.

30. During the period 1 January 1964 to 1 July 1967, the levies will be progressively adjusted in relation to the price of coarse grains. The customs duty referred to above will also be gradually reduced over the same period. There will be a difference between the rate of this duty and that

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to be applied in trade with non-member countries (see section 34) in order to maintain a preference in favour of producers in the Member States.

The levies and the maximum level of the customs duties will be fixed periodically in accordance with the procedure laid down in section 14. They will be abolished with effect from 1 July 1967.

31. A trading system based on the above principles implies that as from 1 January 1961

Quantitative restrictions and measures of equivalent effect are to be abolished in respect of imports;

All forms of aid and refunds for exports which hamper the operation of the trading system proposed are to be excluded;

Recourse to Article 44 of the Treaty is to be renounced.

d) Harmonization of legislation

32. In the working party for the harmonization of legislation on veterinary matters preparatory studies have already been begun by the Commission with the aim of eliminating all obstacles to the free circulation of pigmeat and of products based thereon which arise from divergences between national regulations. The Commission will do everything possible to advance this work of harmonization at the pace laid down for the application of the other measures of common agricultural policy planned for this sector.

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Pigmeat

e) <u>Commercial policy towards non-member countries</u>

1. Import system

33. From 1 January 1961 each member country will apply to imports of pigmeat drawn from non-member countries a levy calculated in the manner laid down in section 29, both in the period 1 January 1961 to 1 January 1964 and in the period 1 January 1964 to 1 January 1967. The amounts of these levies, which will for the time being be on a national basis, are to be gradually brought into line until they are unified at a Community figure, this action corresponding with the provisions contained in sections 29 and 30 (1).

34. From 1 January 1964 a customs duty of moderate level will be applied to compensate differences in conditions of production other than those arising from the cost of feeding stuffs. The Commission will propose the rate of this customs duty for adoption by the Council.

35. In order to prevent any disorganization of markets in the Community, threshold prices should be established as a safeguard measure. For the time being these prices will be on a national basis, but they will be converted into a common threshold price as soon as the approximation of the prices of coarse grains has been completed.

Pending the application of this common threshold price, they will be fixed by the Member States in agreement with the Commission.

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(1) This solution assumes that the bindings of national tariffs for the products in question will already have been annulled in accordance with the present GATT programme, which provides that this unbinding shall take place before 31 December 1960.

As soon as the import price - inclusive of customs duties and levies - has fallen below the threshold price the levy will be correspondingly increased.

2. Co-ordination of commercial policies

36. From 1 January 1961 the common system of export refunds laid down in section 16 will be applied by the member countries in co-ordinated fashion and in conformity with criteria established by the Commission.

37. For the pigmeat sector and for all commodities directly influenced by the common market organization, it is essential to ensure the transition from national regulations to common regulations. For this purpose Member States must, from 1 January 1961 at the latest,

Undertake to submit to the Commission at an early date, in respect of these products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures planned in the sphere of external trade in these products are not applied without prior consultation with the Commission and the other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these

.../...

Pigmeat

products, to ensure that all obligations concerning the said products can expire by the end of the preparatory period or be adapted to the requirements of the common agricultural policy;

Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States.

PROPOSALS FOR A COMMON POLICY

ON POULTRY MEAT

VI/COM(60)105
Part III

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Poultry meat

A. PRESENT SITUATION

STATEMENT OF RESOURCES AND NEEDS

1. The consumption of poultry meat in the Community, although it varies greatly from one country to another, is increasing steadily everywhere.

The Table on page 2 illustrates this trend.

This increase in consumption results chiefly from the greater purchasing power of consumers and the gradual improvement of the relation between the prices of the various types of meat. More regular and widespread supplies are also a contributing factor.

If these factors are maintained, a further increase in the consumption of poultry meat will be possible during the years ahead.

2. A study of the figures for each individual country reveals considerable variations in the supply of poultry meat to the Community countries.

Thus, side by side with high import requirements in Western Germany and Italy there are considerable export opportunities in the Netherlands.

In France and BLEU self-sufficiency is 100 % and production in these countries tends to exceed domestic requirements.

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Poultry meat

Production and consumption of poultry meat in the EEC countries (1)

in '000 tons

	Production	Availabilities	Percentage Self-sufficiency	Human consumption global	Human consumption per head per year in kg
Germany (F.R.)					
1953/54-1955/56	62	82	75.6	82	1.6
1957/58	80	130	61.5	130	2.4
1958/59 (2)	90	150	60.0	150	2.8
France (metropolitan)					
1953/54-1955/56	290	290	100.0	290	6.6
1957/58	335	330	101.5	330	7.3
1958/59 (2)	332	326	101.8	326	7.1
France (metrop. and overseas depts.)					
1953/54-1955/56	305	305	100.0	305	5.7
1957/58	345	340	101.5	340	6.1
1958/59	342	336	101.8	336	5.9
Italy					
1953/54-1955/56	69	77	89.6	77	1.6
1957/58	95	102	93.1	102	2.1
1958/59 (2)	110	116	94.8	116	2.4
Netherlands					
1953/54-1955/56	26	5	520.0	5	0.5
1957/58	42	9	466.7	9	0.8
1958/59	51	13	392.3	13	1.2
B.L.E.U. (4)					
1953/54-1955/56	35	36	97.2	36	4.0
1957/58 (4)	45	45	100.0	45	5.0
1958/59 (4)	48	47	102.1	47	5.2
EEC (metropolitan)					
1953/54-1955/56	482	490	98.4	490	3.0
1957/58	597	616	96.9	616	3.7
1958/59 (2)	631	652	96.8	652	3.9
EEC (metrop. and overseas depts.)					
1953/54-1955/56	497	505	98.4	505	2.9
1957/58	607	626	97.0	626	3.5
1958/59	641	662	96.8	662	3.7

(1) Dressed carcase weight
(2) Provisional figures
(3) Overseas Departments: Algeria, Guadeloupe, Guiana, Martinique, Réunion - For these departments the figures used in drawing up the table are provisional or estimated
(4) Calendar years - (1957/58 - 1958/59)

Poultry meat

3. The supply of Community markets consists on the one hand of culled laying hens, and on the other of birds raised for fattening.

The culled hens, although their meat is inferior in quality to that of birds raised for fattening, represent a very large proportion of supplies because laying hens are very rapidly replaced and the sale of culls helps to improve the profitability of egg production. It should, nevertheless, be pointed out that the percentage of poultry meat produced from birds for fattening in relation to total production has been growing constantly in recent years.

4. Although the raising of fat birds in the EEC countries is very often carried out by individual farmers for whom poultry is a secondary source of income, there exist nevertheless important poultry farms with modern technical material and up-to-date methods of breeding. These enterprises are tending to loose their agricultural character and are often run by groups with related interests (manufacturers of feed, large stores, manufacturers of tinned meat).

In some countries outside the Community, where almost all poultry meat production takes place in highly specialized and rationalized poultry farms, a considerable increase in production and consumption, lower prices and a trend towards the creation of exportable surpluses have been observed.

.../...

5. The production of poultry meat is closely linked with the market for coarse grains. In fact, these make up 80 to 90% of the feed for poultry and thus constitute the chief element in production costs. The profitability of this branch of farming therefore depends to a great extent on the policies followed in the coarse grain and poultry sectors.

6. The Community countries have liberalized imports vis-à-vis OEEC countries; France has recently de-liberalized.

Culled hens, both live and slaughtered, represent a large part of the quantities bought and sold. Nevertheless, an increase in external trade in fat birds and chickens can be observed.

Although trade is free, divergent veterinary measures applied at the frontiers create certain difficulties for the importation of these products.

7. No Community country applies on its domestic market any measure likely to influence supply and demand, but the lack of distributive channels to some extent hampers the expansion of consumption.

B. AIMS OF A COMMON MARKET FOR POULTRY MEAT

I. GENERAL AIM

8. In conformity with the provisions of the Treaty of Rome, the general aim of the common organization of the market for poultry meat is to create, for this product, a common market in which

.../...

Poultry meat

All discrimination between producers or consumers would be excluded;

Trade would take place in conditions similar to those existing in a domestic market.

In view of the freeing of trade in poultry meat on the one hand and, on the other, the total freedom of internal markets in the Community countries, this general aim is today largely achieved. The Commission therefore proposes that the common market should be introduced at the same pace as that laid down for the coarse grain sector, e.g. on 1 July 1967.

II. GUIDANCE FOR PRODUCTION AND PROFITABILITY

9. The relatively low consumption of poultry meat in most EEC countries and its steadily growing popularity with consumers can be expected to lead to a continuation of the growth in demand observed in recent years. Production will consequently have to adapt itself to this trend and concentrate more and more on building up the number of chickens.

To do this, it will be necessary to aim at an internal production capable of competing with that of the non-member countries.

10. If this aim is to be achieved, the first thing that will have to be done is to eliminate the effects ... the production costs of poultry meat of the levies charged when coarse grains are imported. It should be emphasized that coarse grains represent 60 to 70 % of these costs.

11. It would further appear essential to rationalize production in order to reduce the prime cost of poultry meat and offer the consumer a product of uniformly high quality. This requires co-operation between breeders and traders, which should make possible a more efficient organization of distribution systems.

12. Finally, the Commission is of the opinion that, if the rationalization of production is to be sufficiently effective, appropriate measures will be necessary at the frontier to prevent any disturbances to the market arising from outside offers at an abnormal price level.

13. In connection with exports too, it will be necessary for the higher production costs caused by the levies charged on imported coarse grains to be eliminated.

III. <u>INTERESTS OF THE TRADE AND OF CONSUMERS</u>

14. Achievement of the aims with regard to production and outlets described in the preceding chapters will have a favourable influence on trade and consumption.

Poultry meat

To make possible complete liberalization of trade it will be necessary to harmonize and co-ordinate veterinary and animal health measures.

C. MEASURES TO ACHIEVE THESE AIMS

COMMON MARKET STAGE

I. System at the common frontier:

a) For imports: customs duties and levies on imported poultry meat;
b) Safeguard measures: fixing of a threshold price;
c) For exports: refund of levies charged on the coarse grains imported.

II. System within the Community

III. Form of organization:

1. An Office for Meat and Eggs;
2. A Consultative Committee;
3. A Stabilization Fund for the Poultry Meat Market.

IV. Field of application.

PREPARATORY STAGE

I. Approximation of prices

II. Market organization

III. Intra-Community trade

IV. Harmonization of legislation

V. Commercial policy towards non-member countries.

.../...

COMMON MARKET STAGE

I. SYSTEM AT THE COMMON FRONTIER

a) Imports: Customs duties and levies on imported poultry meat

15. As explained in sections 9 - 12 above (profitability) a certain amount of protection for poultry meat production is essential within the Community.

For this purpose, there will be a system of charges consisting of

1. A fixed element, in the form of a moderate customs duty, to compensate differences in the conditions of production other than those resulting from the costs of feeding stuffs. The rate of this duty will be decided by the Council, by qualified majority vote, on a proposal from the Commission.

2. A variable element (levy), to compensate the effects produced on the cost of feed by the difference in the prices of coarse grains inside and outside the Community. The rate of this levy will be fixed periodically by the Commission using a method of calculation laid down by the Council, which will take its decision by qualified majority vote on a proposal from the Commission.

b) Safeguard measures: fixing of a threshold price

16. The price of poultry offered on the world market is not always determined by the cost of coarse grains.

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Poultry meat

In view of the fact that the Community will probably be an import market absorbing a large part of the world's surpluses, the disposal of internal production may well be seriously dislocated by offers made on abnormal conditions.

In order that efforts to balance internal supply and demand may not be nullified by such disturbances it will be appropriate, as a safeguard measure, to lay down a threshold price.

This price is proposed periodically by the Commission. It is considered as adopted by the Council unless the latter decides by unanimous vote within a given time-limit to fix it at a different level.

As soon as the import price - inclusive of customs duties and levies - falls below the threshold price, the levy is increased correspondingly.

c) Exports: Refunding of levies charged on imported coarse grains

17. For exports of poultry and poultry meat, including processed or tinned products thereof, the following principles will apply:

In view of the fact that the system advocated envisages permanent imports, there must also be opportunities for permanent exports, thus enabling the Community to ensure for these products a fair share of world trade;

For this purpose steps will be taken to make exporting possible through refunds for exports corresponding to the charges imposed on imports.

II. SYSTEM WITHIN THE COMMUNITY

18. The circulation of poultry meat will be free. The achievement of this aim will be facilitated by the harmonization of municipal legislation in the veterinary and animal health field and the co-ordination of executive measures. Trade will be able to play its part in this sector, but cannot be allowed to disturb the stability of the market.

III. FORM OF ORGANIZATION

19. By virtue of Article 40 (2 b), the Commission will co-ordinate the execution of the measures referred to above. To do this it proposes that a European Office for Meat and Eggs be established.

This Office, which will be competent for every kind of meat (beef, veal, pigmeat and poultry) and for eggs, will have the task of laying down the technical procedures for import and export; it will also perform other duties in connection with the implementation of the common policy.

A committee will be established so that circles directly interested may be consulted by the Commission on problems concerning the common organization of the beef and veal, pigmeat, poultry and egg markets.

In order to finance the measures taken for the organization of the poultry market, a Stabilization Fund for this market will be set up in conformity with Article 40 (4). It will be a branch of the European Agricultural Guidance and Guarantee Fund .

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Poultry meat

This Fund will be financed primarily by the proceeds of the levy on imports of poultry. In addition, it will receive certain monies from the stabilization fund for the coarse grains market. It may also be credited with sums transferred from other funds, in line with the procedure laid down in the chapter concerning the European Agricultural Guidance and Guarantee Fund.

In order to have available a general picture of the development of production, consumption, the various purposes to which the commodities are put, external trade and price trends, the Commission will each year draw up a statement showing its forecasts.

IV. FIELD OF APPLICATION

20. The provisions under I, II and III above refer not only to poultry and poultry meat, but also to products such as portions and prepared and tinned poultry.

For these products the Commission will fix the amount of the various levies, threshold prices and refunds,in the light of those laid down for birds slaughtered.

PREPARATORY STAGE

I. APPROXIMATION OF PRICES

21. A system of levies and moderate customs duties is advocated for imports from non-member countries and - with progressive reduction - for intra-Community trade. The application of this system will suffice to establish a harmonious price system in the Community.

.../...

II. MARKET ORGANIZATION

22. A Committee, for which the Governments will nominate experts in the field of eggs and poultry, will be set up on 1 January 1961 by the Commission, which will consult it on the co-ordination of measures planned in the poultry sector.

23. During 1962 the statutes of the European Meat and Egg Office will be submitted by the Commission for approval by the Council. The Council will take its decision by qualified majority vote. To translate into practice the measures planned for the organization of the market the Office will have to begin to function on 1 January 1963.

24. The Consultative Committee for eggs and poultry provided for under section 20 will be set up during 1961.

25. Before 1 January 1963 the Commission will put forward for approval by the Council the statutes of the European Poultry Fund.

Before 1 July 1963 the Commission will propose for adoption by the Council, voting by qualified majority, the budget of the European Poultry Fund, drawn up in the light of the progress made in the common organization of the poultry market.

As soon as the system planned comes into force, the Commission will centralize on a permanent basis all figures concerning the amounts of income and expenditure resulting from its application.

.../...

Poultry meat

26. The forecasts referred to in the last paragraph of section 19 will be worked out annually by the Commission, beginning on 1 January 1961.

III. INTRA-COMMUNITY TRADE

27. To compensate the differences between the costs of poultry food in the member countries a levy system will be introduced with effect from 1 January 1961. The method of calculation to be used as a basis by member countries in fixing the levies will be proposed by the Commission for adoption by the Council acting by qualified majority vote. These levies will be gradually reduced to nil on the same time-table as that laid down for the alignment of coarse grain prices.

28. In order to resolve any difficulties which may arise from the application of the levy system the Member States may apply, with effect from 1 January 1961, a moderate customs duty. So as to maintain a preference in favour of producers in the Member States, there will be a difference between the rate of this duty and that applied in trade with non-member countries (see section 32).

The Commission will propose the rate of this customs duty for adoption by the Council.

The customs duty will be gradually suppressed within a time-limit to be fixed.

29. A trading system based on the above principles implies that, as from 1 January 1961,

Quantitative restrictions and measures of equivalent effect are to be abolished in respect of imports,

All forms of aid and reimbursements for exports which hinder the operation of the trading system proposed are to be excluded,

Recourse to Article 44 of the Treaty is to be renounced.

.../...

IV. HARMONIZATION OF LEGISLATION

30. In the working party for the harmonization of legislation on veterinary matters preparatory studies have already been begun by the Commission with the aim of eliminating all obstacles to the free circulation of poultry meat which arise from divergences between national regulations. The Commission will do everything possible to advance this work of harmonization at the pace laid down for the application of the other measures of common agricultural policy planned for this sector.

V. COMMERCIAL POLICY TOWARDS NON-MEMBER COUNTRIES

a) Import system

31. From 1 January 1961 each country will apply to imports of poultry from non-member countries a levy based on a calculation similar to that referred to in section 27. The amounts of these levies, which will for the time being be on a national basis, will be progressively approximated and finally unified at a Community figure by 1 July 1967 at the latest, according to the time-table indicated in section 27 (1).

32. From 1 January 1961 a common customs duty of moderate level will be charged to compensate the differences in conditions of production other than those arising from the cost of feeding stuffs. The Commission will propose the rate of this duty for adoption by the Council.

33. In order to prevent any disorganization of markets in the Community, threshold prices should be established as a safeguard measure. For the time being these prices will be on a national basis, but they will be converted into a Community threshold price as soon as the approximation of the prices of coarse grains has been completed.

.../...

(1) This solution assumes that by this time the bindings of national tariffs for the products in question will have been annulled in accordance with the present GATT programme, which provides that this unbinding shall take place before 31 December 1960.

Poultry meat

Pending the application of this common threshold price they will be fixed by the Member States in agreement with the Commission.

As soon as the import price - inclusive of customs duties and levies - falls below this threshold price, the levy will be correspondingly increased.

34. The common system of export refunds will be applied from 1 January 1961 by the member countries in a co-ordinated manner and according to the criteria laid down by the Commission.

b) Co-ordination of commercial policies

35. For the poultry meat sector and for all commodities directly influenced by the common market organization, it is essential to ensure the transition from national regulations to common regulations. For this purpose Member States must, from 1 January 1961 at the latest

Undertake to submit to the Commission at an early date, in respect of these products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures planned in the sphere of external trade in these products are not applied without prior consultation with the Commission and the other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire at the end of the preparatory stage or be adapted to the requirements of the common agricultural policy;

Undertake not to bind customs duties or other import levies inconnection with the above products without prior consultation with the Commission and the other Member States.

PROPOSALS FOR A COMMON POLICY

ON EGGS

VI/COM(60)105
Part III

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Eggs

A. PRESENT SITUATION

I. STATEMENT OF RESOURCES AND NEEDS

1. Despite a remarkable growth of production, the consumption of eggs in the Community has expanded at such a rate in recent years that the deficit previously observed in its supplies has further increased.

2. Egg supplies in the Community countries, unlike those of other animal products, show noteworthy variations. Western Germany, for instance, has considerable import requirements, while there are very high export opportunities in the Netherlands. These two countries are respectively the world's largest importer and the world's largest exporter of eggs.

In Italy, where consumption has grown more rapidly than production, imports are relatively large. Production in B.L.E.U. is rising quickly, so that this area is becoming a permanent exporter, while in France the situation remains roughly unchanged, self-sufficiency being assured up to 97 % approximately.

Table No. 1 illustrates this development.

3. As the purchasing power of the population of the EEC countries has increased since the last world war, so the consumption of eggs has extended to most social classes. In addition, progress in the techniques of production and transport has made it possible to dispose of supplies at reasonable prices. The above facts explain the rapid growth of the Community's requirements, and it is probable that this trend will continue during the years ahead.

.../...

Eggs

Table 1: Production and consumption of eggs in the EEC countries

in '000 tons

	Production	Availabilities	Percentage self-sufficiency	Human consumption global	Human consumption per head per year in kg
Germany (F.R.)					
1953/54-1955/56	314	496	63.3	496	9.7
1957/58	354	615	57.6	615	11.6
1958/59 (1)	372	660	56.4	660	12.3
France (metropolitan)					
1953/54-1955/56	453	468	96.8	468	10.6
1957/58	440	453	97.1	453	10.0
1958/59 (1)	454	469	96.8	469	10.2
France (metrop. and overseas depts.)					
1953/54-1955/56	486	501	97.0	501	9.3
1957/58	462	475	97.3	475	8.6
1958/59	476	492	96.7	492	8.6
Italy					
1953/54-1955/56	324	359	90.3	359	7.5
1957/58	346	408	84.8	408	8.4
1958/59 (1)	350	420	83.3	420	8.5
Netherlands					
1953/54-1955/56	229	108	212.3	101	9.5
1957/58	294	134	219.4	123	11.1
1958/59	315	146	215.8	136	12.0
B.L.E.U.					
1953/54-1955/56	139	136	102.2	130	14.1
1957/58	160	149	107.4	141	15.1
1958/59 (1)	165	151	109.3	143	15.2
EEC (metropolitan)					
1953/54-1955/56	1,459	1,567	93.1	1,554	9.5
1957/58	1,594	1,759	90.6	1,740	10.4
1958/59 (1)	1,656	1,846	89.7	1,828	10.8
EEC (metrop. and overseas depts.)					
1953/54-1955/56	1,492	1,600	93.3	1,587	9.2
1957/58	1,616	1,781	90.7	1,762	9.9
1958/59	1.678	1.869	89.8	1,851	10.3

(1) Provisional figures

(2) Overseas Departments: Algeria, Guadeloupe, Guiana, Martinique, Réunion - For these departments the figures used in working out the table are provisional or estimated.

It should be pointed out, nevertheless, that in France production and consumption have hardly changed for several years.

II. COMMON AND DIVERGENT LINES OF PRICE AND MARKET [illegible] POLICY

4. Unlike certain forms of animal breeding, the production of eggs is not dependent on the area vailable on farms, but it is closely related to the coarse grain market. These cereals make up roughly 80 % of the food of the fowls, and thus are the main element in production costs.

The profitability of egg production therefore depends in a large measure on the degree of interdependence between the policies followed in the coarse grain and poultry sectors.

In countries where the protection of the grain sector is compensated by an equivalent protection of the poultry sector, the profitability of egg production is such that it leads to rapid increase of output. In those countries where this balance is not sufficiently respected a less rapid increase, or even a stabilization of production, may be noted.

5. Benelux has liberalized its imports. Belgium applies special duties.

In France, where trade in eggs has been liberalized, compensatory charges may, if need arises, be added to the customs duties in order to reach the level of the minimum seasonal prices in such a way as to avoid disturbances of the domestic market.

.../...

In Germany, where customs duties are low, and in Italy, where those existing are not applied at present, support for poultry-farming is insignificant.

6. Prices on domestic markets are free, although in certain countries they are influenced by target prices or by the repayment of levies charged on imported coarse grains. As a result of liberalization of trade in the countries with insufficient supplies and a relatively low price level in those with surpluses, a considerable trade has come into being, and it has a certain influence on the price level in the domestic market in each of the Community countries.

A special point which should be noted is that modern techniques for incubation and for poultry-keeping in-... ... the exporting countries have succeeded in spreading out seasonal production, or even in giving a new trend to the swings. This has made it possible to introduce complementary seasonal variations and has led to increases in the trade between the Member States and between these and non-member countries.

B. AIMS OF A COMMON MARKET IN EGGS

I. GENERAL AIM

7. In conformity with the provisions of the Treaty of Rome, more especially with those of Article 40 and 43, the general aim of the common organization of the egg market is to create for this product a common market in which

.../...

All discrimination between producers and between consumers would be excluded,

Trade would be carried on in conditions similar to those existing in a domestic market.

The Commission proposes that this common market be achieved at the same pace as that laid down for the coarse grain sector, e.g. by 1 July 1967.

II. GUIDANCE FOR PRODUCTION

8. During the years preceding the last war, poultry-breeding played only a secondary part in the constitution of agricultural incomes. This part, which is already important at the present time in certain member countries, can certainly become so for the Community as a whole in view of the very rapid increase in the consumption of eggs (and of poultry), coupled with the practical possibilities which exist for adapting production to this trend.

For this purpose, it will be necessary to aim at internal production capable of competing with that of non-member countries, making it possible to satisfy the growing internal demand by expanding production at the same pace.

III. PROFITABILITY

9. In order to make production profitable, the influence exercised on the production costs of eggs by the levies charged when coarse grains are imported should be eliminated. It should be emphasized that coarse grains represent 60 to 70 % of these costs.

.../...

10. When the system at the frontier is instituted, it will also be essential to protect the internal market against offers made from non-member countries at an abnormal level and calculated to nullify efforts to achieve balance in internal supply and demand.

Exports to non-member countries of eggs or egg products should be maintained and if possible expanded, even if the price level on the internal market is higher than that in other exporting countries which produce their eggs on the basis of coarse grains purchased at world market prices.

IV. INTERESTS OF THE TRADE AND OF CONSUMERS

11. Free trade in eggs and egg products will be to the benefit of all those groups which are active on the egg market. It will also reduce disparities in production and price structures.

Harmonization and co-ordination of veterinary and [illegible] health measures will have to be achieved in order to make free trade possible (these measures concern the sector of products derived from eggs rather than that of eggs themselves).

C. MEASURES TO ACHIEVE THESE AIMS

COMMON MARKET STAGE

I. System at the common frontier
   a) For imports: customs duties and levies on imported eggs;
   b) Safeguard measures: fixing of a minimum import price;
   c) For exports: refunding of levies charged on the coarse grains imported.

.../...

Eggs

II. System within the Community.

III. Form of organization:

1. An Office for Meat and Eggs;
2. A Consultative Committee;
3. A Stabilization Fund for the Egg Market.

IV. Field of application.

PREPARATORY STAGE

I. Approximation of prices

II. Market organization

III. Intra-Community trade

IV. Harmonization of legislation

V. Commercial policy towards non-member countries

COMMON MARKET STAGE

I. SYSTEM AT THE COMMON FRONTIER

a) Imports: Customs duties and levies

12. As stated in sections 9 and 10 above (profitability) some protection for egg production is essential within the Community. For this purpose, there will be a system of charges consisting of:

1. A fixed element in the form of a moderate customs duty intended to compensate differences in the conditions of production other than those resulting from the costs of feeding stuffs. The rate of this duty will be decided by the Council, by qualified majority vote, on a proposal from the Commission.

2. A variable element (levy) to compensate the effects produced on the cost of feed by the difference in the prices of coarse grains inside and outside the Community. The rate of this levy will be fixed periodically by the Commission using a method of calculation laid down by the Council, which will take its decision by qualified majority vote on a proposal from the Commission.

b) <u>Safeguard measures: fixing of a minimum import price</u>

13. The price of eggs offered on the world market is not always determined by the cost of coarse grains.

In view of the fact that the Community will probably be the only large market absorbing a large part of the world's surpluses, the disposal of internal production may well be seriously dislocated by offers made on abnormal conditions.

In order that efforts to balance internal supply and demand may not be nullified by such disturbances it will be appropriate, as a safeguard measure, to lay down a minimum import price.

This price is proposed periodically by the Commission. It is considered as adopted by the Council unless the latter decides by unanimous vote within a given time-limit to fix it at a different level.

.../...

Eggs

As soon as the import price - inclusive of customs duties and levies - falls below the minimum import price, the levy is increased correspondingly.

c) Exports

14. For exports of eggs, egg yolks, egg powder, etc. the following principles will apply:

In view of the fact that the system advocated envisages permanent imports, there must be opportunities for permanent exports, thus enabling the Community to ensure for these products a fair share of world trade;

For this purpose, care will have to be taken to ensure that exports are facilitated through refunds to the same extent as imports have been burdened.

II. SYSTEM WITHIN THE COMMUNITY

15. The movement of eggs will be free. Achievement of this aim will be facilitated by the harmonization of municipal legislation in the veterinary and health field and the co-ordination of executive measures. Trade will be able to play its part in this sector, but cannot be allowed to disturb the stability of the market.

III. FORM OF ORGANIZATION

16. By virtue of Article 40 (2 b), the Commission will co-ordinate the execution of the measures referred to above. To do this it proposes that a European Office for Meat and Eggs be established.

.../...

This Office, which will be competent for every kind of meat (beef, veal, pigmeat and poultry) and for eggs, will have the task of laying down the technical procedures for import and export; it will also perform other duties in connection with the implementation of the common policy.

A Committee will be established so that circles directly interested may be consulted by the Commission on problems concerning the common organization of the poultry and egg markets.

In order to finance the measures taken for the organization of the egg market, a "Stabilization Fund" for this market will be set up in conformity with Article 40(4). It will be a branch of the "European Agricultural Guidance and Guarantee Fund".

This Fund will be financed primarily by the proceeds of the levy on imports of eggs. In addition, it will receive certain monies from the Stabilization Fund for the coarse grains market. It may also be credited with sums transferred from other Funds, in line with the procedure laid down in the chapter concerning the European Agricultural Guidance and Guarantee Fund.

In order to have available a general picture of the development of production, consumption, the various purposes to which the commodities are put, external trade and price trends, the Commission will each year draw up a statement showing its forecasts.

IV. FIELD OF APPLICATION

17. The provisions under I, II and III above refer not only to shell eggs, but also to such products as egg yolks, egg powder, etc.

.../...

Eggs

For these products the Commission will fix the amount of the various levies, minimum import prices and refunds in the light of those laid down for eggs in the shell.

PREPARATORY STAGE

I. APPROXIMATION OF PRICES

18. A system of levies and moderate customs duties is advocated for imports from non-member countries and - with progressive reduction - for intra-Community trade. The application of this system will suffice to establish a harmonious price system in the Community.

II. MARKET ORGANIZATION

19. A Committee, to which the Governments will nominate experts in the field of eggs and poultry, will be set up on 1 January 1961 by the Commission, which will consult it on the co-ordination of the measures advocated in the egg sector.

20. During 1962 the statutes of the European Meat and Egg Office will be submitted by the Commission for approval by the Council. The Council will take its decision by qualified majority vote. To translate into practice the measures planned for the organization of the market the Office will have to begin to function on 1 January 1963.

21. The Consultative Committee for eggs and poultry provided for in section 16 will be set up during 1961.

22. Before 1 January 1963 the Commission will put forward for approval by the Council the statutes of the European Egg Fund.

Before 1 July 1963 the Commission will propose for adoption by the Council, voting by qualified majority, the budget of the European Egg Fund, drawn up in the light of the progress made in the common organization of the egg market.

As soon as the system planned comes into force, the Commission will centralize on a permanent basis all figures concerning the amounts of income and expenditure resulting from its application.

23. The forecasts referred to in the last paragraph of section 16 will be worked out annually by the Commission, beginning on 1 January 1961.

III. <u>INTRA-COMMUNITY TRADE</u>

24. To compensate the differing costs in the member countries of feed for layers a levy system will be introduced with effect from 1 January 1961. The method of calculation to be used as a basis by member countries in fixing the levies will be proposed by the Commission for adoption by the Council acting by qualified majority vote. These levies will be gradually reduced to nil on the same time-table as that laid down for the alignment of coarse grain prices.

Eggs

25. In order to resolve any difficulties which may arise from the application of the levy system the Member States may apply, with effect from 1 January 1961, a moderate customs duty. In order to maintain a preference in favour of producers in the Member States there will be a difference between the rate of this duty and that applied in trade with non-member countries (see section 29).

The Commission will propose the rate of this customs duty for adoption by the Council.

The customs duty actually applied will be gradually suppressed within a time-limit to be fixed.

26. A trading system based on the above principles implies that, as from 1 January 1961,

Quantitative restrictions and measures of equivalent effect are to be abolished in respect of imports,

All forms of aid and reimbursements for exports which hinder the operation of the trading system proposed are to be excluded,

Recourse to Article 44 of the Treaty is to be renounced.

IV. HARMONIZATION OF LEGISLATION

27. In the working party for the harmonization of legislation on veterinary matters preparatory studies have already been begun by the Commission with the aim of eliminating all obstacles to the free movement of eggs and egg products which arise from divergences between national regulations. The Commission will do everything possible to advance this work of harmonization at the pace laid down for the application of the other measures of common agricultural policy planned for this sector.

.../...

V. COMMERCIAL POLICY TOWARDS NON-MEMPER COUNTRIES

Import System

28. From 1 January 1961 each country will apply to imports of eggs from non-member countries a levy based on a calculation similar to that referred to in section 24. The amounts of these levies, which will be on a national basis for the time being, will be progressively approximated until they are unified at a Community figure by 1 July 1967 at the latest, according to the time-table indicated in section 24 (1).

29. From 1 January 1961 a common customs duty of moderate level will be applied to compensate differences in conditions of production other than those arising from the cost of feeding stuffs. The Commission will propose the rate of this customs duty for adoption by the Council.

30. In order to prevent any disorganization of markets in the Community, threshold prices should be established as a safeguard measure. For the time being these prices will be on a national basis, but they will be converted into a common threshold price as soon as the approximation of the prices of coarse grains has been completed.

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(1) This solution assumes that by this time the bindings of national tariffs for the products in question will have been annulled in accordance with the present GATT programme, which provides that this unbinding shall take place before 31 December 1960.

Eggs

Pending the application of this common threshold price, ... they will be fixed by the Member States in agreement with the Commission.

As soon as the import price - inclusive of customs duties and levies - falls below the threshold price, the levy will be correspondingly increased.

31. The common system of export refunds will be applied from 1 January 1961 by the member countries in a co-ordinated fashion and according to the criteria laid down by the Commission.

Co-ordination of commercial policies

32. For the egg sector and for all commodities directly influenced by the common market organization, it is essential to ensure the transition from national regulations to common regulations. For this purpose Member States must, from 1 January 1961 at the latest:

Undertake to submit to the Commission at an early date, in respect of these products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures planned in the sphere of external trade in these products are not applied without prior consultation with the Commission and the other Member States;

.../...

- Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire by the end of the preparatory period or be adapted to the requirements of the common agricultural policy;

Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States.

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Part III

PROPOSALS FOR A COMMON POLICY

ON FRUIT AND VEGETABLES

VI/COM(60)105
Part III

I

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Fruit and vegetables

A. PRESENT SITUATION

I. STATEMENT OF RESOURCES AND NEEDS

1. In the Member States of the Community the production of fruit and vegetables represents from 7 to about 23 per cent of total agricultural production. In almost all of these six countries the trend of production and consumption recorded in recent years has been rather remarkable when compared with the level reached before the war.

Fruit - Trend of total production and of consumption per head (pre-war = 100) (1)

		1952/53	1953/54	1954/55	1955/56	1956/57	1957/58
Germany F.R.	Prod.	190	177	192	118	176	62
	Consump.	168	165	170	143	167	110
France	Prod.	173	181	189	203	199	175
	Consump.	155	145	155	151	148	137
Italy	Prod.	180	185	171	187	188	178
	Consump.	198	199	194	192	193	108
Netherlands	Prod.	292	230	265	170	203	110
	Consump.	151	130	151	115	141	94
B.L.E.U.	Prod.	616 (1)	619 (1)	619 (1)	619 (1)	410 (1)	219
	Consump.	285	275	289	289	223	198

(1) Provisional figures

Source: OEEC

.../...

Vegetables - Trend of total production and of consumption per head (pre-war = 100) (1)

		1952/53	1953/54	1954/55	1955/56	1956/57	1957/59 (1)
Germany (F.R.)	Prod.	98	114	91	109	98	108
	Consump.	85	94	80	93	87	94
France	Prod.	100	100	103	91	97	90
	Consump.	96	99	98	88	92	86
Italy	Prod.	149	167	178	178	178	188
	Consump.	156	171	177	175	172	175
Netherlands	Prod.	120	121	114	126	129	130
	Consump	91	99	99	96	101	94
B.L.E.U.	Prod.	115	115	115	115	121	123
	Consump.	130	132	131	129	136	137

(1) Provisional figures

Source: OEEC

In the case of vegetables, the overall increase in the production of the Six springs almost entirely from the expansion registered in the Netherlands and Italy, while in France there has been a certain fall compared with pre-war figures.

For fruit, the increase is due to a vigorous general expansion of production in which all Member States have participated. In absolute figures, the major increases have occurred in France, Italy and Germany; the greatest percentage increases were in Belgium and the Netherlands.

.../...

Fruit and vegetables

Further expansion of production is to be expected, particularly in certain member countries, as a result either of an extension of the areas under cultivation or because of higher yields, when we take into account that the intention of these countries to promote the general economic development of certain regions.

In the case of fruit, consumption per head has increased in all member countries over pre-war, while for vegetables it has gone up only in Italy and B.L.E.U.

2. The figures in the following tables give an idea of production, consumption and the rate of self-sufficiency for fresh fruit and vegetables in the member countries of EEC, the overseas departments and the Community as a whole.

It must be emphasized, when dealing with the fruit and vegetable sector, that balance-sheets of this kind, although they may be useful in giving an overall view of the Community's potential capacity for self-sufficiency, are not adequate to enable an exact picture of the real market situation to be painted.

Various factors play their part in determining the actual balance between resources and requirements at any given moment. Among these are very sharp variations in crops from year to year, the fact that we are dealing with perishable products which cannot be kept long in stock, the concentration of availabilities during certain periods of the year in relation to ripening time, the intense concentration of production in specific regions far removed from centres of consumption.

Fruit and vegetables

Table 1: Production and consumption of fresh fruit in the EEC countries (1)

in '000 tons

	Production	Availa-bilities	Percentage self-sufficiency	Human consumption global	Human consumption per head per year in kg
Germany (F.R.)					
1953/54-1955/56	2,436	2,979	81.8	2,721	53.2
1957/58	937	1,670	56.1	1,536	29.0
1958/59 (2)	3,822	4,475	85.4	4,075	76.0
France (metrop.)					
1953/54-1955/56	1,236	1,497	82.6	1,317	29.9
1957/58	1,031	1,428	72.2	1,198	26.4
1958/59 (2)	1,450	1,790	81.0	1,490	32.5
France (metrop. and overseas depts.)					
1953/54-1955/56	1,538	1,794	85.7	1,579	29.4
1957/58	1,451	1,865	77.8	1,590	28.7
1958/59 (2)	1,877	2,232	84.1	1,882	33.0
Italy					
1953/54-1955/56	3,320	2,784	119.3	2,617	54.6
1957/58	3,250	2,525	128.7	2,374	48.9
1958/59 (2)	4,100	3,195	128.3	3,005	61.5
Netherlands					
1953/54-1955/56	576	426	135.2	398	37.3
1957/58	254	225	112.9	160	14.4
1958/59	695	595	116.8	445	39.4
B.L.E.U.					
1953/54-1955/56	650	636	102.2	555	60.6
1957/58	240	291	82.5	223	23.9
1958/59 (2)	390	380	102.6	296	31.5
EEC (metropolitan)					
1953/54-1955/56	8,218	8,322	98.8	7,608	46.7
1957/58	5,712	6,139	93.0	5,491	32.8
1958/59 (2)	10,457	10,435	100.2	9,311	55.1
EEC (metrop. and overseas depts.)					
1953/54-1955/56	8,520	8,619	98.9	7,870	45.6
1957/58	6,132	6.576	93.2	5,883	33.1
1958/59 (2)	10.884	10.877	100.1	9,703	53.9

(1) Excluding citrus fruits and nuts
(2) Provisional figures
(3) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réunion. For these departments the figures used in working out the Table are provisional or estimated.

.../...

Fruit and vegetables

Table 2: Production and consumption of vegetables in the EEC countries (1)

in '000 tons

	Production	Availabilities	Percentage self-sufficiency	Human consumption	
				global	per head per year in kg
Germany (F.R.)					
1953/54-1955/56	2,359	2,815	83.8	2,361	46.2
1957/58	2,240	3,105	72.1	2,593	48.9
1958/59 (2)	2,280	2,952	77.2	2,462	45.9
France (metrop.)					
1953/54-1955/56	6,850	7,083	96.7	5,983	135.8
1957/58	6,325	6,486	97.5	5,536	122.2
1958/59 (2)	6,950	6,970	99.7	5,935	130.0
France (metrop. and overseas depts.) (2)					
1953/54-1955/56	7,701	7,912	97.3	6,727	125.2
1957/58	7,265	7,430	97.8	6,385	115.2
1958/59 (2)	7,914	7,986	99.1	6,846	120.1
Italy					
1953/54-1955/56	5,694	5,154	110.5	4,664	97.3
1957/58	6,974	5,870	118.8	5,342	109.9
1958/59 (2)	8,000	6,712	119.2	6,108	124.9
Netherlands					
1953/54-1955/56	1,158	800	144.8	701	65.7
1957/58	1,321	878	150.5	748	67.4
1958/59	1,365	872	156.5	735	65.1
B.L.E.U.					
1953/54-1955/56	750	757	99.1	590	64.5
1957/58	803	797	100.8	637	68.2
1958/59 (2)	816	778	104.9	618	65.0
EEC (metropolitan)					
1953/54-1955/56	16,811	16,609	101.2	14,299	87.7
1957/58	17,663	17,136	103.1	14,856	88.8
1958/59 (2)	19,411	18,284	106.2	15,858	93.8
EEC (metrop. and overseas depts.)					
1953/54-1955/56	17,662	17,438	101.3	15,043	87.1
1957/58	18,603	18,080	102.9	15,705	88.5
1958/59 (2)	20,375	19,300	105.6	16,769	93.1

(1) Including tomatoes - excluding potatoes
(2) Provisional figures
(3) Overseas Departments = Algeria, Guadeloupe, Guiana, Martinique, Réunion. For these departments the figures used in working out the Table are provisional or estimated.

.../...

For these reasons, even if the above figures show a certain equilibrium for items such as fresh fruit, the marketing of the production of certain fresh fruit crops like apples and, to a lesser extent, pears and peaches meets fairly considerable seasonal difficulties. The same is true for vegetables in general where availabilities are much greater than requirements, particularly in the case of cauliflowers, tomatoes, and lettuce.
It should be pointed out, however, that the canning industry plays a part in reducing the seasonal margins between availabilities and requirements of certain products.

In some years and seasons, production is only partially harvested and a portion is used for animal feed or goes to waste.

3. The self-sufficiency rate varies greatly from one country to another and between products. In Germany, for instance, the rate for fruit and vegetables is around 80 %, whilst in Italy rates of nearly 120 % for vegetables and 130 % for fruit are noted. In the Netherlands the self-sufficiency rate for vegetables is as high as 150 %.

The different periods at which the products ripen over the Community as a whole and the regional distribution of fruit and vegetable farming accordimg to the varieties cultivated are the two factors at the basis of trade in these products.

It should be mentioned that a large part of the trade of member countries in horticultural products is carried on with non-member countries.

Fruit and vegetables

II. COMMON AND DIVERGENT LINES OF PRICE AND MARKET POLICY

a) Prices

4. In this sector cases of direct action to shape prices are very rare. What action there is in the sector tends rather to take the form of indirect aids to producers and traders; but the shaping of prices on the internal market of each country rests essentially on the play of supply and demand. The market organization in force in the Netherlands tends however to limit price falls caused by over-abundant supplies.

In principle, the distribution of these products is very costly, as they require special equipment to conserve, handle and transport them.

Transport and conditioning costs have a very great incidence on the final price of the product.

There is thus an appreciable difference between producer and consumer prices. In addition, producer prices vary widely from region to region.

Finally, the considerable disparities in technical regulations in this field and the need to co-ordinate these should be emphasized.

b) Market organization

5. Only in the Netherlands is there a fairly strict organization of the market. This was set up by producers and the trade, who bear all the expenses; its purpose is to adapt resources to requirements and prevent any collapse of prices, and it is based on the following broad principles:

Recognition of experienced farmers as "producers",

.../...

Limitation of the area under fruit and vegetables,

Concentration of supply and demand in public auctions,

Withdrawal from the market of daily surpluses. Certain minimum prices are used as pointers. The level of these is always clearly below cost prices. The products withdrawn from the market are paid for, on the basis of the minimum prices, out of funds supplied by contributions from the producers themselves,

Limitation of exports to the better grades; consignments for sale at the best price obtainable are forbidden; system of minimum prices for exports to certain countries.

6. The other member countries confine themselves to measures of varying nature and scope which are intended either

a) To encourage an increase of production and of sales abroad, in the case of countries with a highly developed fruit and vegetable production, or

b) To ensure in the other cases that there is an outlet for domestic production on the home market, particularly by control of imports.

The application of these measures at the national level has led in certain cases

a) To the building up of surpluses in the exporting regions, particularly in years when there are heavy crops in all the countries,

b) To the development, in regions less suited for growing fruit and vegetables, of certain crops which can be made to pay only in a protected market, and

.../...

Fruit and vegetables

c) To greater instability of prices following wide variations in the quantities available on the consumer markets, independently of natural seasonal fluctuations.

7. Because of this instability in the volume of production and lack of balance in the market, action is taken, either on the national plane in certain countries or at international level, to bring about a better balanced situation. In this respect, mention should be made in particular of the work of the Economic Commission for Europe and of OEEC on the standardization of products, the improvement of distribution networks and the establishment of a guide to trade practice.

In any case it must be emphasized that it is very difficult to ensure real stabilization of markets in this field, in particular because of the perishable nature of the products in question.

B. AIMS OF A COMMON ORGANIZATION OF THE MARKET

8. The ultimate aim of the organization of the markets is to create a common market between the Member States within which the products can move freely and all discrimination between producers, traders or consumers will be excluded.

.../...

The Commission proposes that this common market should be achieved by 1 January 1967.

Consequently, the common organization must include the following aims.

I. BALANCE BETWEEN AVAILABILITIES AND REQUIREMENTS

In the case of fruit and vegetables, this balance is to be sought from two angles:

a) Long-term balance

This means balance between the crop harvested during the year and the actual and foreseeable overall requirements of the Community during the same period, taking into account the flow of trade with non-member countries;

b) Short-term balance

This means balance between the quantities available at any given moment on the market and actual demand.

II. GUIDANCE FOR PRODUCTION

9. Long-term balance can be achieved by a better pattern of production based on more thorough regional specialization. In certain cases a limitation of those crops which are already having difficulty in finding outlets may be envisaged.

III. STABILIZATION OF THE MARKET

10. Short-term balance can be sought by reducing the quantities available on the market at a given time; this would also have the effect of reducing daily and seasonal price fluctuations. Canning and processing industries can play an important part in this respect.

.../...

Fruit and vegetables

IV. INTERESTS OF THE TRADE, OF THE PROCESSING INDUSTRIES AND OF CONSUMERS

11. The organization in the common market should enable the trade and the processing industries to fulfil their role, which should be to contribute to the stability of the market and the satisfaction of the consumer's requirements.

C. MEASURES TO ACHIEVE THESE AIMS

I. SUMMARY

12. In principle the market organization for fruit and vegetables will take the form of "common rules governing competition".

This market organization should include, at the single market stage:

A. Free circulation of standardized products

B. Respect of common rules on competition

C. Price stabilization measures

D. Form of organization

E. Commercial policy towards non-member countries, and at the preparatory stage:

A. Approximation of prices

B. Organization of the market

C. Intrao-Community trade

D. Harmonization of legislation

E. Commercial policy towards non-member countries.

.../...

II. PROPOSALS FOR THE COMMON MARKET STAGE

A. Free circulation of standardized products

13. The quality standards worked out during the preparatory stage (see section 25) must be applied to wholesale trade in fruit and vegetables.

The result of obligatory standardization will be

a) To prevent poor quality products reaching the market;

b) To guide production towards the species and the varieties most suited to satisfy the requirements of the market and of the consumer;

c) A better commercial valorization of what is produced.

The observance of the European standards should be ensured by compulsory checking of qualities and of packaging, to be carried out in principle at the point of despatch by national services co-ordinated at Community level.

B. Observance of common rules on competition

14. Trading in fruit and vegetables will be handled on the basis of common rules on competition which will include, among others, those contained in the guide to trade practice.

C. Price stabilization measures

15. The measures referred to above, and also certain provisions applied during the preparatory stage and which will continue in force at the common market stage, in themselves form an instrument for regulating the market. During periods when supply is exceptionally plentiful, however, these measures may prove inadequate to prevent excessive price swings on the market.

.../...

Fruit and vegetables

In this case it is necessary, in order to prevent a price slump, to diminish the volume of products available on the market at a particular time by some form of machinery which will make it possible for certain categories of products to be withdrawn.

D. Form of organization

16. In view of the important role which obligatory control of quality and packaging will play in the final organization of the market, co-ordination of the services responsible for supervision in the different countries is necessary in order:

a) To see that the European standards are applied;

b) To rule on the interpretation in practice of the common standards ;

c) To suggest any changes required in these standards by the trend of consumer taste and marketing techniques.

This co-ordination will be provided, under the authority of the Commission, by the Committee composed of officials responsible for supervision in their respective countries (see section 23).

17. The application of the various measures referred to above will be facilitated by agreements concluded within or between the organizations representing the fruit and vegetable industry. A Committee will be established to enable the Commission to consult the circles directly interested on problems concerning the common organization of the fruit and vegetable market. This Committee will be in a position to help to bring about the agreements within or between the organizations referred to above.

18. In addition, in order to gather the material required for the possible application of the market stabilization measures discussed in section 15, the Commission will co-ordinate "Market Information" services, and for the main products it will have statements of probable resources and needs drawn up.

.../...

E. Commercial policy towards non-member countries

19\. a) System at the common frontier

The duties shown in the common external tariff will become fully effective at the end of the preparatory stage. Imports from non-member countries will be subject to regulations similar to those applied to products marketed within the Community.

The Community reserves the right to apply import restrictions in cases where limitations have been placed on sales within the Community.

b) Export policy

The Community's export policy will be based, in particular, on constant efforts to improve quality.

The national market organizations will be able to co-ordinate export market research and market publicity in non-member countries.

III. PROPOSALS FOR THE PREPARATORY STAGE

20\. The measures to be taken during this period are intended to enable the common market organization to begin to operate on 1 January 1967.

Fruit and vegetables

To achieve this the following provisions will be necessary:

A. Approximation of prices

21. The opening and gradual organization of the market and the implementation of the provisions of the Treaty will ensure that prices in this field are aligned without any recourse to special measures.

B. Market organization

22. With a view to establishing the necessary contact with the organizations concerned, the Consultative Committee will be established by the Commission and will begin to function on 1 March 1961.

23. The Committee, which will bring together the heads of the services responsible in the several countries for the control of quality, packaging and plant health, will be constituted by the Commission and will begin to function on 1 March 1961. Among other tasks, it will be responsible for working out uniform methods of supervision and ensuring that the measures for applying the common standards for the classification of products (see section 13) are co-ordinated.

24. From 1 January 1961 the national "Market Information" services will be co-ordinated under the aegis of the Commission. In addition to the exchange of daily news on market trends, the collection and the diffusion of information on harvest prospects, action in this field should make it possible to draw up medium-term and long-term forecasts for the chief products marketed.

Fruit and vegetables

25. Common standards will be established both for packaging and for grading the products in market quality categories.

The Commission will therefore propose to the Council for approval:

Before 1 July 1961, the standards which products must satisfy to be placed in the "special" category. These standards will come into force by 1 January 1962 at the latest;

Before 1 July 1963, the standards for products graded "one", "two", etc. These standards will be applied from 1 July 1964 for "Grade One", and from 1 July 1965 for the remainder;

Before 1 July 1964, the minimum quality requirements to be fulfilled by products which are unsuitable for grading. These minimum requirements will come into force on 1 January 1965.

All the above decisions of the Council will be taken by qualified majority vote.

C. Intra-Community trade

26. Intra-Community trade will develop in keeping with the general procedures applicable to agricultural products. However, products which come up to the standards fixed by the Council for the various grades referred to above may not be subjected to quantitative restrictions or measures with equivalent effect within the Community after the effective date of the Council's decision.

.../...

Fruit and vegetables

After this date it will also be impossible to invoke the provisions of Article 44 to prevent the free circulation of these products.

27. Customs duties will have to be progressively reduced across the board until they finally disappear at the end of the preparatory stage, i.e. on 1 January 1967.

28. The Commission will propose to the Council, for approval by 1 July 1963, the adoption of common rules to govern competition in the marketing of these products. These common rules, which will be based on the terms of Article 40 (2a) will deal, inter alia, with the guide to practice, the standard contract and sales methods. They will come into effect at the latest on 1 July 1964.

29. State aids to marketing and to producers must be abolished once the product is permitted to move within the Community free of quantitative restrictions or measures with equivalent effect (see section 26).

D. Harmonization of legislation

30. The Commission will submit to the Council, for decision before 1 January 1964, proposals on the harmonization of the legislation and of the plant-health control systems applying to the production, transport and marketing of fruit and vegetables.

F. Commercial policy towards non-member countries

31. In the matter of tariffs, imports from non-member countries will be subject to the national customs duties; these will be progressively brought into line with the common customs tariff.

The abolition, before the due date, of customs duties on fruit and vegetables within the Community and the free circulation of certain categories of products could lead to traffic being distorted if the common external tariff were not applied simultaneously by all the countries concerned.

.../...

For this reason the alignment of the national tariffs applicable to non-member countries will be carried out in a manner analogous to that described in Article 23 of the Treaty and will be completed by 1 January 1967.

32. For this group of products it is essential to ensure the transition from national regulations to common regulations. For this purpose, the Governments of the Member States must

Undertake to submit to the Commission at an early date, in respect of these products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures planned in the sphere of external trade in these products are not applied without prior consultation with the Commission and the other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire by the end of the preparatory period or be adapted to the requirements of the common agricultural policy;

Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States.

As part of the co-ordination of their commercial policies, the Member States will adapt regulations concerning imports from non-member countries to the Community provisions on plant health, quality standards, etc. being applied pari passu to home products marketed within the Community.

PROPOSALS FOR A COMMON POLICY ON WINE

VI/COM(60)105
Part III

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Wine

A. PRESENT SITUATION

I. STATEMENT OF RESOURCES AND NEEDS

The situation in regard to resources and needs in the Community is as follows.

1. Vineyards in production

2,875,000 hectares (wines only)

2,770,000 hectares (mixed - mainly in Italy).

For purposes of comparison, the total area under vineyards in the world is about 9,000,000 hectares.

It should be pointed out that the figures shown here, although helpful in giving an overall view of potential self-sufficiency, do not contain all the elements needed to furnish a complete and detailed picture of the real situation on the market.

The lack of homogeneous and exhaustive statistical material for the Six makes it difficult to compare national data.

The figures nevertheless show that harvests vary considerably from one year to another. Although in years of extreme scarcity imports from non-member countries have been necessary, the existence over several consecutive years of large surpluses has weighed continually on the market, to the point of provoking serious crises from which all the wine-growing regions have suffered.

To remedy this situation 15 million hectolitres of wine were used for distillation in the Community between 1953 and 1957.

There is a danger that this state of affairs will become even worse in the future: improved methods of growing and of pest control are contributing to an all-round increase in yields and the present production potential, even without any extension of the area cultivated, is capable of supplying the market with ever-larger quantities of wine.

.../...

2. Production and consumption of wine in the EEC countries
(Source OEEC, except where otherwise stated)

in '000 hl.

	Production	Availa-bilities	Percentage self-sufficiency	Human consumption global	Human consumption per head per year in kg
Germany (F.R.)					
1953/54-1955/56	2,653	5,064	52.4	5,064	8.8
1957/58	2,264	5,251	43.1	4,095	7.7
1958/59 (1) (2)	4,797	7,582	63.3	7,582	14.1
1959/60 (5)	4,350				
France (metropolitan)					
1953/54-1955/56	59,350	71,248	83.3	63,106	143.1
1957/58	32,500	59,500	54.6	55,500	122.5
1958/59	46,000	62,100	74.1	57,800	126.2
1959/60 (5)	58,000				
France (metrop. and overseas depts.)(3)(4)					
1953/54-1955/56	75,693	73,429	103,1	65,287	119.8
1957/58	47,786	62,696	76.2	58,696	104.3
1958/59 (2)	59,827	63,028	94.9	58,728	103.0
1959/60 (5)	76,000				
Italy					
1953/54-1955/56	53,866	50,907	105.8	50,575	105.5
1957/58	42,838	54,767	78.2	53,672	110.5
1958/59	67,389	58,700	114.8	57,200	117.0
1959/60 (5)	65,500				
Netherlands					
1953/54-1955/56	3	98	3.1	98	0.92
1957/58	4	166	2.4	166	1.5
1958/59	5	164	3.0	164	1.5
1959/60 (5)	5				
B.L.E.U.					
1953/54-1955/56	94 (6)	634	14.8	634	6.9
1957/58	41 (6)	711	5.8	711	7.6
1958/59	125 (6)	685	18.2	685	7.3
1959/60 (5)	136 (6)				
EEC (metropolitan)					
1953/54-1955/56	115,966	127,951	90.6	119,477	73.2
1957/58	77,647	120,395	64.5	114,144	68.2
1958/59 (2)	118,316	129,231	91.6	123,431	73.1
1959/60 (5)	127,991				
EEC (metrop. and overseas depts.)(3)					
1953/54-1955/56	132,309	130,132	101.7	121,658	70.1
1957/58	92,933	123,591	75.2	117,340	65.8
1958/59 (2)	132,143	130,159	101.5	124,359	69.0
1959/60 (5)	145,991				

(1) Bulletin of the IWO, January 1960 - (2) Provisional figures - (3) The figures for external trade of Algeria have been taken from the Bulletin of the IWO, May 1960 - (4) Overseas Departments: Algeria, Guadeloupe, Guiana, Martinique, Reunion. For these departments, the figures used in working out the Table are provisional or estimated. Algeria is included in the Overseas Departments for reasons of statistical presentation. (5) Estimates - (6) Production of the Grand Duchy of Luxembourg.

N.B. For information, the average world production of wine in 1955 and 1956 was 225 million hectolitres: the Community's share was about 59 %.

Wine

3. Marketing

The shares of the various members of the Community in this statistical table vary widely: France and Italy account for about 97 % of production in the Europe of the Six, Germany's share is about 2 %, Luxembourg's approximately 0,1 % and that of Belgium and the Netherlands practically nil.

For lack of precise figures it is not at present possible to determine, for all Community countries, the volume of trade with the associated overseas territories, European non-member countries and other countries.

In 1956 France, for its part, exported 1,182,000 hectolitres of wine to the overseas countries and territories, chiefly to the French territories and to the Belgian Congo.

At the same time it exported to non-member countries in and outside Europe 710,000 hectolitres, while Italy exported 1,080,000 and Germany 70,000.

The principal non-member suppliers of wine to the Community are Spain, Greece, Morocco and South Africa.

It should be noted, for information, that of a world export total to all destinations of more than 11 million hectolitres annually, nearly 6 millions came from the Community countries in both 1955 and 1956.

4. Consumption - Present situation and prospects

The differences noted in production are found again in consumption, which reaches 130 litres per head per annum in France, is 105 in Italy and falls to 21 in Luxembourg, 9 in Germany, 6 in Belgium and 1.6 in the Netherlands.

.../...

In present circumstances, it is unlikely that consumption can increase in France. In Italy, the experts are agreed that it will do so because of the growth of population and the rising standard of living. The widest margin for expansion exists in Benelux and Germany. The upward trend of wine consumption in regions which previously accounted for very little leads to the supposition that it will increase further in these countries (0.7 litres in the Netherlands in 1953, 1.6 in 1956; 6 litres in B.L.E.U. in 1952, 7 in 1956; 6.7 litres in Germany between 1935 and 1938, 4 in 1949, when the effects of the war were still being felt, 9 in 1956).

It is to be feared, however, that this increase will be slowed down both by the charges borne by imported wine, which raise its price, and by the slow rate at which eating and drinking habits change. The application of the Treaty of Rome should be favourable to this trend, but it is impossible to make any forecasts in actual figures: the only thing of which one can feel sure is that consumption will increase, but that the rise will be slow and, chiefly owing to the increase in Italian output discussed below, will be less than the rise in production.

II. COMMON AND DIVERGENT LINES OF PRICE AND MARKET POLICY

5. France

French policy on wine-growing has a double aim: to improve quality and to adapt resources to requirements.

Among the most important provisions of the statute by which French viticulture is directed are those for

.../...

Wine

Stabilization of the area under vines,
Keeping of a register of vineyards,
Classification of the different varieties of vine,
Supervision of nurseries,
Selection of wine-growing land,
Definition of what constitutes a wine; distinguishing between wines with controlled appellation, quality wines from specified areas, and ordinary wines; rules governing methods of wine-making and measures to combat fraud,
Declaring of harvests and stocks,
Supervision of the shipment of wines.

The market in wines with controlled appellation and in wines from specified districts is practically free, since these are subject to rules only in the matter of their names, but the market in wine for everyday consumption is organized as follows:

A price is fixed for the crop year, coupled with an intervention price (± 8 % of the crop year price) and a guide price for future years. The harvest is divided into "quantum" (quantity necessary to cover estimated needs) and "hors-quantum". Wine can only be removed from the property on which it is produced once in two months, except in the case of intervention by the public authorities when required.

In the event of a serious market slump, the State can itself carry out stockpiling measures or provide the credits to have them carried out.

Finally, in order to prevent excessive pressing and to contribute to the improvement of qualities, every grower marketing his crop is required to supply vinic alcohol equivalent to 10 % of his total harvest.

6. Italy

The essential features of Italy's viticultural policy are freedom to plant and free marketing of the wine produced. Action by the State is, in fact, confined to

The introduction of legislative measures to control methods of wine-making, to combat fraud and to specify the conditions to be observed by wines intended for export;

Providing wine-growers with credits on a limited scale to enable them to stock their harvest for short periods;

Purchases of vinic alcohol when the market is slack; these purchases have, up to the present, never exceeded the equivalent of 1,000,000 hectolitres of wine;

The allocation, under regional improvement schemes, of credits for the planting of vineyards.

The guiding principle in Italian viticulture is that wine should be as cheap as possible. This involves applying productivity rules which lead to the planting of vineyards on the land where they are likely to produce maximum yields at minimum cost (mechanization, irrigation). The growing of vines in mixed areas is declining in favour of areas with vines only. The result is that Italian wine production has been constantly increasing in recent years, as may be seen from the following figures:

	Production
1953:	52,541,600 hls.
1954:	50,474,000 "
1955:	58,441,000 "
1956:	62,981,000 "
1957:	42,838,000 "
1958:	67,389,000 "
1959:	65,500,000 "

.../...

Wine

It should be noted that domestic consumption did not exceed:

51,360,000 hls. in 1954
50,132,000 hls. in 1955
58,500,700 hls. in 1956
53,672,000 hls. in 1957
57,200,000 hls. in 1958

However satisfactory the application of the principle of maximum productivity may be from the point of view of profitable operation, it has the disadvantage that it is often harmful to quality, despite the improvements in the technique of wine-making.

Nevertheless, a trend is becoming apparent in favour of stricter regulations on wines that are to be labelled with indication of the area they come from; these relate both to the districts in which the wine is grown and to the methods of wine-making and to the checks made.

7. Other member countries

The viticultural policies of Germany and Luxembourg are fairly similar. Although no register of vineyards is kept and although winegrowers are not required to declare their harvests, the public authorities, thanks to the existing administrative organization, are informed of the situation of the vineyards and of the volume and quality of the crops.

These two countries have both passed legislation on wine-growing which defines the qualities of wines and lays down regulations on wine-making, and on permitted and prohibited adulterations.

.../...

There is no market organization, since the marketing of wines is free, but it should be pointed out that there is some protection of local wine-growing through restrictive measures on imports (Germany) or high excise duties on wines imported into Benelux, from which locally produced wines are exempt.

It should be noted that the German and Luxembourg products are mainly white wines which have practically no equivalent in the other countries.

B. AIMS OF A COMMON MARKET ORGANIZATION

The final aim of the market organization is to establish a single market between the Member States in which products will be able to move freely and all discrimination between producers, traders or consumers will be excluded. The Commission proposes that this common market be achieved by 1 January 1970.

The common organization should include the following aims:

I. GUIDANCE FOR PRODUCTION

8. This should be characterized by:

Adaptation of resources to requirements, taking into account normal flow of trade with non-member countries; consumption would at the same time be encouraged;

Improvement of quality, involving in particular the development of wines of specified and certified origin and the fixing of a policy based on the recognized wine-growing districts.

.../...

II. PROFITABILITY

9. Profitability must be ensured in such a way as to offer a fair renumeration to producers in districts specializing in wine production. This must not, however, lead to an increase in the quantities produced to the detriment of the quality of the wines or the equilibrium of the market.

Any action taken within the market organization will have to take account of this necessity.

III. STABILIZATION OF THE MARKET

10. The measures laid down under the headings of guidance for production and profitability are already proving useful for the long-term stabilization of the market.

In addition, measures will be taken to eliminate excessive price variations from one year to another and fluctuations during any one year.

IV. INTERESTS OF THE TRADE, OF THE INDUSTRIES USING THE PRODUCT, AND OF CONSUMERS

11. The future measures must allow both the trade and the industries using the product to play their part; this must contribute to the stability of the market and to meeting the needs of consumers.

The need to ensure profitability and to avoid the permanent causes of overproduction should not obscure the advantage of offering the consumer a product of the highest quality at the lowest possible price.

In this connection it should be pointed out that wine must not be subjected to higher taxation than other like products.

.../...

12. C. MEASURES TO ACHIEVE THESE AIMS

COMMON MARKET STAGE

I. Adaptation of resources to needs
   1. Long-term
   2. Short-term

II Intra-Community trade

III Commercial policy toward non-member countries

IV Form of organization. Wine Stabilization Fund

PREPARATORY STAGE

I Approximation of prices

II Market organization

III Intra-Community trade

IV Harmonisation of legislation

V Commercial policy toward non-member countries

D. PROPOSALS FOR A COMMON MARKET ORGANIZATION

COMMON MARKET STAGE

13. On the basis of the common viticultural policy resulting from the co-ordination of the national policies, planned for the preparatory stage, the task of the common market organization will be to ensure, among other things, that there is continued adaptation - both long and short term - of resources to needs, so that the objectives fixed in B above may be attained.

.../...

I ADAPTATION OF RESOURCES TO NEEDS

1. Long-term

14. In order to balance the foreseeable requirements and resources of the Community, long-term production targets and the general procedures to achieve them will, under the common policy, be fixed by the Council acting by qualified majority vote an a proposal from the Commission. The relevant decisions will take account of both the producers' interests and the trend of consumption.

The Commission will take all the necessary implementing measures. The adaptation which these will call for may take the form of clearing without replanting, clearing and replanting with different varieties, including those for the production of dessert grapes and grape juice, or new planting where improved techniques do not suffice to keep up with increased demand. The Wine Stabilization Fund (see section 23) and, if necessary, the European Fund for the Improvement of Agricultural Structures will provide financial help for such adaptation.

2. Short-term

15. The maintanance of short-term balance, that is, for the duration of any one harvest year, requires

(a) The drawing up of forecasts for each year,

(b) The adoption of appropriate measure to enable producers to spread their sales in the light of prevailing market conditions,

(c) The withdrawal of surpluses from the market.

.../...

(a) Annual forecasts

16. At the beginning of each harvest year resources and requirements will be estimated with the help of annual declarations of stocks in accordance with the provisions already laid down during the preparatory stage.

This estimate, which will take into account a working stock, industrial requirements and the needs of export, will serve to show what resources should be available, what requirements there may be and what surpluses may occur.

(b) Measures to enable the producer to spread his sales in the light of conditions prevailing on the market.

17. In order to achieve price stability within each harvest year it will be necessary to give the producer the chance to spread the sale of his harvest over the whole year. The development of stocking capacity, which is one of the aims planned for the preparatory stage, is the technical means by which this need can be satisfied.

In the common market stage the credits needed to carry out this operation of staggering sales will be made available to the producer through the Stabilization Fund in a manner to be fixed later. For each producer the amount of credits allotted under the loan operations will be determinded on the basis of his annual harvest declarations. In this framework the Commission will take all necessary measures to ensure that the machine runs smoothly.

(c) Withdrawal of surpluses from the market

18. Any surpluses will be compulsorily

Added to the "float" provided for from the preparatory stage onwards - up to the maximum amount of the quantities considered necessary to meet later short-falls,

Used for market promotion, or

Distilled, and the alcohol obtained paid for at the rate laid down in the common policy for this product.

The Stabilization Fund will participate in carrying out these operations.

II INTRA-COMMUNITY TRADE

19. Wine will move freely within the Community.

III COMMERCIAL POLICY TOWARD NON-MEMBER COUNTRIES

20. (a) Import-system

The duties in the common external tariff will become fully effective on 1 January 1970.

Imports will be subject to quality criteria similar to those to be established for intra-Community trade. The Community will reserve the right to maintain or apply import restrictions in connection with the maintenance or application of restrictions on production within its territory.

21. (b) Principles governing exports

The export policy of the Community will be based in particular on a constant effort to improve quality.

The national market organizations will co-ordinate market research and publicity in non-member countries. In this task they will be aided by the Stabilization Fund.

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IV FORM OF ORGANIZATION
WINE STABILIZATION FUND

22. Form of organization

Since the application of the common viticultural policy requires that the action of the national market organizations be co-ordinated, the common organization will be that provided for in Article 40 (2 b) of the Treaty.

A Committee consisting of responsible persons from the market organizations in several countries will ensure the co-ordination, under the aegis of the Commission, of the measures laid down in advance.

A Committee will be established to enable the Commission to consult the circles directly interested on problems in connection with the common organization of the wine market.

23. Wine Stablization Fund

The common organization will have at its disposal the Wine Stabilization Fund, which will be a branch of the European Guidance and Guarantee Fund. The Wine Stabilization Fund will be financed mainly out of

Payment into the Fund of a portion of the customs duties charged at the common frontier,
The levying of a tax proportionate to the area of vineyards cultivated or the quantities of wine marketed.

PREPARATORY STAGE

24. National viticultural policies will have to be shaped in the light of the need to arrive at a common international policy, including a common market organization, at the beginning of the common market stage.

I APPROXIMATION OF PRICES

25. The approximation of prices will result from the progressive opening and organization of the market and from the application of the general provisions of the Treaty.

II ORGANIZATION OF THE MARKET

A Common institutions

26. A Committee composed of persons responsible for viticultural questions in the various Community countries will be set up by the Commission.

This Committee will begin to function on 1 March 1961.

27. With a view to establishing the necessary contacts with the trade organizations concerned, the Consultative Committee will be created by the Commission and will begin its work on 1 March 1961.

28. The Commission will submit to the Council for approval before 1 January 1963 draft statutes of the Wine Stabilization Fund along with proposals on procedures for financing it.

The Commission will propose, for adoption by the Council by qualified majority vote before 1 July 1963, a draft budget for the Fund drawn up in the light of progress made in the organization of the market.

B Preliminary measures

29. By decision of the Council, taken by qualified majority vote before 1 July 1961 on a proposal from the Commission, the wine-producing countries in the Community are to establish

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registers of vineyards; these registers are to be completed before 1 January 1963.

30. Following the same procedure, the Council will before 1 July 1961 decide to make obligatory, with effect from 1 July 1962, the declarations of harvests and stocks to be furnished by growers who market all or part of their harvest, and by wholesalers.

The information thus obtained should make it possible to draw up each year forecasts of future production and consumption in the Community (see section 43).

C. Measures to improve production capacity

31. The improvement of production capacity requires uniform classification of the different varieties of wine, the uprooting of those prohibited, supervision of nurseries and determination of the districts suitable for wine-growing.

The Commission will propose these measures to the Council, for decision at the dates indicated below: the Council will decide by qualified majority vote.

Uniform classification of varieties of wine

32. A complete list of the varieties grown on its territory will be established by each country under the following headings: recommended, authorized, tolerated, prohibited.

These lists are to be lodged with the Commission not later than 31 March 1962.

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The list of varieties to be prohibited throughout the Community will be completed by 1 January 1963.

Uniform classification of the remaining varieties in the categories "recommended", "authorized" and "tolerated" will be carried out by 1 January 1965.

Elimination of prohibited varieties

33. Detailed methods for the elimination of prohibited varieties will be laid down by 1 January 1964.

The effective elimination of these varieties must be completed by 1 January 1970.

Supervision of nurseries

34. Common regulations to ensure that the vine stock and plants marketed are completely reliable from the point of view both of varieties and of plant health will be drawn up before 1 January 1963.

They will take effect on 1 January 1965.

Determination of districts suitable for wine-growing

35. The criteria for the definition of districts suitable for winegrowing will be fixed at latest by 1 January 1963.

From this date onward the studies on the determination of these districts in each member country will be submitted by the Commission as they become available and will be examined by the Council.

This entire task, which will have to be carried out according to a general plan approved in advance by the Commission, is to be completed by 1 January 1967.

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D Measures to improve the quality of wine

Adoption of a common definition of wine, standardization of methods of analysis, of oenological practice, of the treatment and the preparation of wines.

36. The Council will decide before 1 July 1961 on a common definition, for use within the Community, of what constitutes wine. The Council will make its decision on a proposal from the Commission.

In addition, general regulations on oenological practice, and the treatment and preparation of wine will be laid down by the same procedure before 1 January 1963, while common methods of analysis will be adopted in the same way.

Supplies of vinic alcohol

37. The Commission will propose to the Council, for approval before 1 January 1963, measures to prevent excessive pressing of grapes harvested. Among these measures will be the obligation to supply alcohol from the distillation of marcs and lees.

Wines whose origin is specified and certified; graded wines

38. The measures to be applied by the Member States to ensure the protection throughout the Community of wines of controlled appellation will be adopted, before 1 July 1961, by the Council acting on a proposal from the Commission.

Under the same procedure the Council will decide, before 1 July 1962, on the general lines of uniform regulations throughout the Community on wines whose origin is specified and certified.

These regulations will come into force before 1 July 1964.

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39. Before 1 January 1962 the Council, acting on a proposal from the Commission, will fix the criteria according to which wines will be graded and the rules which will have to be established for the marketing of graded wines, especially in view of the exemption from customs duties by which they will benefit (see section 46).

With effect from the above date, the Commission will begin to submit the dossiers of the wines to be graded by decision of the Council voting by qualified majority.

When the general lines of the regulation on wines with controlled appellation and on grading are established, due account will be taken of the criteria already existing in this matter.

E Balance of resources and requirements

(a) Action affecting the established structure of production

40. The completion of the register of vineyards, the supply of exact information on the volume of harvests and stocks and comparison of these data with those concerning consumption in previous years will make it possible to lay down, from 1 January 1963 onwards, the bases on which productive capacity should be stabilized.

41. When in a given region the district suited for wine-growing has been determined, fresh planting outside this area in the particular region will not be permitted.

42. Before 1 July 1961 the Commission will make a study of the stocking-piling capacity available throughout the Community.

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In the light of the results obtained the Commission will, before 1 January 1962, transmit to the Governments concerned recommendations for extending this capacity where it is found insufficient.

The Structural Fund will help to finance any work which may be necessary.

(b) Action to ensure price stability

43. Beginning with the 1961 harvest the Commission will provide, on the basis of information furnished by each Member State, estimated forecasts of resources and requirements in the Community, taking into account the normal flow of trade with non-member countries.

With effect from the 1962 harvest these forecasts will be based on the declarations of amounts harvested.

44. Before 1 January 1962 the Council, acting by qualified majority vote on a proposal from the Commission, will decide on the measures to be taken by the Member States to ensure the short-term stock-piling of part of the harvest and the constitution of a "float".

The quantities of wine harvested in 1962 in excess of requirements will have to be placed in this "float"; however, the volume of the float may be limited to 5 % of the requirements.

Beginning with the 1963 harvest, the volume of this float is to be increased, if the surplus is sufficiantly large, to 10 % of the requirements.

It will be obligatory to withdraw from the market any quantity in excess of this percentage. This can be done by distillation or by any other method.

From the 1962 harvest onwards the measures required by the short-term stock-piling of part of the harvest will be adapted to circumstances.

In any event, the measures described above will be carried out without prejudice to any stricter provisions which may be in force on a national level or which are found indispensable in the light of general economic developments.

45. The action taken in each of the member countries to ensure price stability will be progressively harmonised during the period of the preparatory stage.

The Wine Stabilization Fund will assist more and more in this task of stabilizing prices.

III INTRA-COMMUNITY TRADE

46. Wines graded according to the procedure described in section 39 will be exempt from customs duty and allowed to move freely once the decision on their grading has been taken.

47. Trade in wines other than graded wines will be carried on in conformity with the general provisions applicable to agricultural products.

48. However, the fact that France and Italy are traditionally not importers of wine from the other member countries, the differences in structure between the wine-growing economies of the two countries, and the volume of their production have so far proved obstacles to the application of Articles 33 and 45 by these two countries.

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In this case therefore the solution of the trade problem is closely linked with the co-ordination of national viticultural policies, as provided for in these proposals.

In this connection the Commission proposes that the Council should decide on the opening by France and Italy, with effect from 1960, of a global quota, available to all member countries, amounting to 150 000 hectolitres of wines with controlled appellation (appellations contrôlées, vini tipici, Weine mit Herkunftsbezeichnung) supplied in the wood.

The amount of this quota will be increased annually by the Commission in the light of progress made in the common organization of the market.

Furthermore, France and Italy will be called upon, by decision of the Council taken by qualified majority vote on a proposal of the Commission, to open a quota for the importation of ordinary wines supplied in the cask and fulfilling specific criteria, as soon as progress achieved in the installation of the market organization permits.

Neither of the two countries concerned is to apply any measure likely to restrict the movement of the quantities provided for above.

IV. HARMONISATION OF LEGISLATION

49. The member countries will harmonise their legislation in conformity with the decisions of the Council, especially as regards the standardization of methods of analysis, oenological practice, the treatment and preparation of wine, regulations on controlled appelations, the grading of wines, the supervision of nurseries and of the varieties of wine.

.../...

V COMMERCIAL POLICY TOWARD NON-MEMBER COUNTRIES

50. In the matter of tariff treatment imports from non-member countries will be subject to national customs duties which will be gradually brought into line with the common customs tariff.

This alignment will be carried out in accordance with the particulars contained in Article 23 of the Treaty.

It must be completed by 1 January 1970.

51. As regards wine and the products directly influenced by the common organization of the wine market, it is essential to ensure the transition from national regulations to common regulations. For this purpose, the Governments of the Member States must, both for wine and for the products referred to above,

Undertake to submit to the Commission at an early date, in respect of these products, information on bilateral and multilateral commercial relations with non-member countries and to communicate and keep continually up to date information regarding the system of external trade;

Take steps to ensure that any measures planned in the sphere of external trade in these products are not applied without prior consultation with the Commission and the other Member States;

Take the necessary steps, e.g. the insertion of an EEC clause in bilateral agreements and agreements in respect of these products, to ensure that all obligations concerning the said products can expire at the end of the preparatory period or be adapted to the requirements of the common agricultural policy;

Undertake not to bind customs duties or other import levies in connection with the above products without prior consultation with the Commission and the other Member States.

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52. When carrying out the co-ordination of commercial policies, the Member States will adapt the regulations concerning imports from non-member countries to the Community provisions on the production and marketing of commodities. This adaptation will be carried out pari passu with the application of these provisions to intra-Community trade.

53. The Member States will gradually co-ordinate their publicity in non-member countries. As soon as possible, the Wine Stabilization Fund will assist in this activity.

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