EUROPEAN ECONOMIC COMMUNITY

A farm policy for Europe

OFFICIAL SPOKESMAN OF THE COMMISSION

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CONTENTS

INTRODUCTION

At 5.29 a.m. on 14 January 1962 after an all-night meeting the Council of Ministers of the European Economic Community ended a long session of 23 days during which it approved the essentials of the first common agricultural policy for Europe. "There are no other examples," declared Professor Walter Hallstein, President of the EEC Commission, "of such meetings of Europe's statesmen and officials of the highest rank lasting so long, working so intensively, and devoted so wholeheartedly to the cause of European progress. It is a conclusive proof of the reality of our Community and of its ability to take political decisions of the first order".

The very fact that the struggle to reach a solution was so arduous shows that it was not a matter of seeking a superficial compromise. The debate was difficult, as it always is on questions involving fundamental innovations. But no-one engaged in it attempted to take advantage of the weakness of others. All concerned showed a growing understanding of one another's difficulties. Only in this way was it possible to reconcile very complex interests without imposing excessive sacrifices in any quarter.

The agricultural problem does not arise from the existence of the EEC. Agriculture has been in difficulties for some time. Although it has considerably increased its productivity, other sectors of the economy have overtaken it where increase of income is concerned. This agricultural "crisis" dates back to before the signature of the Rome Treaty but it had to be approached on really new lines, without compulsion, without collectivisation, but in freedom and with respect for the rights of man.

European agriculture has not missed this historic opportunity: it will take advantage of European integration to introduce the reforms essential for survival and progress. Moreover, European integration will profit from the strengthening of agriculture in the six countries.

The agreement reached by the Council of Ministers was aptly described by M. Rolf Lahr, Under-Secretary of State in the Federal German Ministry of Foreign Affairs, as a "new Rome Treaty". It is in fact the first detailed legislative code on agriculture ever to be adopted at the European level; even at the national level there is no precedent for such a complex of measures adopted concurrently and as an organic whole. The only real precedent is to be found in the agricultural section in the Rome Treaty. But the general principles set out there would have long remained in abeyance had not the EEC Commission drawn up the practical proposals known as the "Mansholt Plan", after Vice-President Sicco Mansholt who in the Commission bears the main responsibility for agricultural problems. His first draft was prepared in June 1960 and submitted to the Council after consultation of the European Parliament and the Economic and Social Committee.

The Regulations approved by the Council, while making some modifications, do not fundamentally depart from the Mansholt Plan.

The broad principles of the common agricultural policy are much simpler than its complex details might suggest. In general, it has four objectives:

- *To balance supply and demand* both within the Community and in its external trade, by action on supply (more regional specialization, stockpiling and structural reform) and demand (improvement of quality, etc.).
- *To provide a fair income to farmers* – especially family holdings – by structural and regional improvements.
- *To stabilize agricultural markets* by protecting them from speculative price fluctuations without cutting them off from the influence of long-term movements in the world markets.
- *To ensure a fair deal to consumers* by enabling the processing industries and trade to find external outlets at reasonable and competitive prices, and by preventing prices from being fixed on the basis of marginal production costs.

When all these objectives are attained there will be at the end of the transition period a full common market for agricultural products throughout the Community.

On January 14 the Council of Ministers adopted the following regulations and decisions:

1. Regulation on grain – 2. Regulation on pigmeat – 3. Regulation on eggs – 4. Regulation on poultry – 5. Regulation on fruit and vegetables – 6. Regulation on wine-growing – 7. Decision on wine quotas – 8. Regulation under Article 42 (rules of competition) – 9. Decision under Article 235 (processed agricultural products) plus a list of products – 10. Decision under Article 44 (objective criteria for minimum prices) – 11. Resolution on dairy produce, beef and sugar – 12. Financial regulation.

(All these decisions, with the exception of No. 11, will be published in the Community official gazette).

Regulations are fully binding and directly applicable in all Member States. The levy system, for instance, will be introduced on 1 July 1962. Before that date all national governments must adjust their legislation and their administrative practice and the Community itself must take a number of implementing measures.

These measures will represent a considerable simplification as compared with the sum of the measures at present existing in each country. Although the overall impression may be very complicated, it is nevertheless a logical system. No country possesses such a complex of legislation devised at one stroke. So far national market organizations in the various countries have been set up and have evolved as dictated by necessity and in most cases in answer to crises.

The products so far covered account for more than half of the Community's agricultural production and for 47 % of trade within the Community.

 The substance of the relevant decisions is given below.

LEVIES

The system of levies adopted for the grain, pigmeat, eggs and poultry sectors, supersedes all national measures of protection at the frontier. The levies will be the dominant factor in trade policy vis-à-vis non member countries both during the transition period and after the single market stage has been reached. During the preparatory stage a system of intra-Community levies will also be in force. In order to maintain the preference resulting for the Member States from the application of the Treaty, the amount of the intra-Community levies will be lower. The system thus aims at the gradual development of a common market by providing adequate guarantees for the farming population and effective support for agricultural markets while making possible the development of free movement within the Community and giving a clear picture of the Community's trade policy vis-à-vis the non-member countries.

The amount of the levies on soft wheat and coarse grains from non-member countries is equal to the difference between the most favourable cif price for the product and the threshold price (see under price system) of the importing Member State.

For intra-Community trade the amount thus calculated is reduced by a lump sum. The Member States producing hard wheat fix the levies for this type of wheat in accordance with an analogous procedure, the threshold price being fixed at a level at least 5% higher than that for soft wheat. The amount of the intra-Community levy will be the same as that imposed upon imports from non-member countries in the case of imports from a Member State where no hard wheat is grown.

For a number of *products of grain processing* (malt, gluten, bran, feeding-stuffs, etc.) the levy will contain a first amount corresponding to the effect on the cost price of these products of the levies introduced for the basic products. A second amount will allow for the need to protect the processing industry. This last element will be progressively reduced in the case of the intra-Community levies.

For livestock products (by grain conversion) such as *pigmeat, poultry and eggs,* there is also a system of levies which is not uniform for the three products because the present level of protection also differs. Egg production is protected only by tariffs in all member countries, while pig raising is often protected under the national policies of the member countries by other commercial policy measures such as quotas, minimum prices, etc. The import of poultry is free except in France.

The levy will therefore include for the three products a *first element* corresponding to the difference between the cost of feeding-stuffs in the importing country and the corresponding cost in the exporting country. As the prices of grain in the six countries come closer together during the transition period, this element will disappear from the intra-Community levy.

A second fixed element is added to the first. For pigmeat, this second element is limited in that the two amounts taken together must not be greater than the difference between the average market prices recorded in the exporting country and the importing country during a given reference period. For eggs and poultry, the second fixed amount is calculated on the current customs duty actually applied to the various products. In the poultry sector it may nevertheless in certain cases be determined in the manner described above for pigmeat. The second element will be reduced to nil over a period of 7 1/2 years.

Levies applicable to imports from *non-member countries* are fixed in the same way. They also cover differences in the cost of feeding-stuffs and the second element referred to above, plus a third element which, beginning at 2%, will in the end amount to 7% of an average import price.

The Commission may also in certain circumstances authorize a Member State, on the latter's request, to reduce the amount of these levies to the level of the country applying the lowest levy to its trade with non-member countries.

In the single market stage receipts from levies on imports from non-member countries go to the Community (see financial regulation).

PRICE SYSTEM

GRAIN

In order to maintain for Community producers the necessary guarantees, each Member State will fix basic target prices yearly for wheat and rye and also for maize and barley, when there is a substantial production of these products. This price is the one ruling in the marketing centre of the area with the largest deficit (in the transition period there will be a centre for each Member State, in the single market stage one area will be indicated for the whole Community). Adjusted target prices in the important marketing centres on the regional plane are determined in the light of price differences due to the natural conditions governing their formation.

In order to guarantee producers sales at a price as close as possible to the target prices, taking into account market fluctuations, the Member States also fix intervention prices. These are equal to the target prices reduced by a fixed percentage determined by each Member State between a minimum of 5 % and a maximum of 10 %. In order to compensate producers in remote areas, Member States may in certain circumstances during the transition period fix adjusted intervention prices at a level slightly higher than the natural conditions governing their formation woul have justified. (See also the special arrangements for corn, barley and rye under "transitional measures".)

For hard wheat these Member States fix the target and intervention prices applying in the important marketing centres situated in these areas of production.

The threshold prices – on the basis of which the levies are fixed – are determined in such a way that the sale price of *imported* grains and flour shall make it possible to reach the target price fixed. The threshold price for hard wheat must be fixed at a level at least 5 % above that for soft wheat.

PIGMEAT, EGGS, POULTRY

There are no target prices for intervention prices (and thus no guaranteed price) for grain conversion products. Nevertheless, a Member State may, during the preparatory period, request authorization to take measures on its pigmeat market to mitigate any considerable price fall.

For each of these three products the Council will fix a *sluice-gate price* in order to avoid disturbances caused by offers at abnormally low prices from non-member countries. This sluice-gate price is uniform throughout the Community and is fixed on the basis of the world market prices of feed grains and of a representative conversion rate. This sluice-gate price – like the threshold price itself – operates as a minimum import price. In other words, import below this price is not permitted: either the non-member country guarantees that the imports it provides shall be at the sluice-gate price, or the importing Member State increases the amount of the levy correspondingly.

For the pigmeat sector an intra-Community sluice-gate price has also been instituted. This price is fixed for each Member State with due regard to the margin of Community preference. It will cease to apply as soon as the intra-Community levies disappear.

APPROXIMATION OF PRICES

The criteria for the upper and lower limits of target prices for the marketing of the harvest beginning on 1 July 1962 have been fixed for wheat, barley and rye. These limits apply to all the Member States. The upper limit will be based on the intervention prices guaranteed to the producer in that area of the principal cereal-importing Member State which had the greatest deficit in the 1961/62 season, and the lower limit on the intervention prices guaranteed to producers in the country where prices were lowest during the same period. For maize, only a lower limit has been set.

It should be noted that there is not exactly a price standstill since regional price differentials will affect the present situation.

For the marketing of the harvest beginning on 1 July 1963 prices will be fixed before 1 April 1963. For the crop year measures of price approximation are taken each year before 1 July and on the first occasion before 1 September 1963.

In this way there will be a trial year before beginning the approximation of prices, as was requested by the Federal Republic, but it will not be necessary to lose a whole year because the prices decided on in April 1963 will be valid for the harvests after the following 1 July.

In addition, the Council must fix before 1 September 1962 the criteria for the approximation of prices. These criteria must be designed to promote a degree of specialization consistent with the economic structures and natural conditions of the Community, without obstructing the aims of the common agricultural policy as laid down in Article 39 of the Treaty, and especially the assurance of a fair standard of living for the farming population.

This means that the future Community target prices will be determined in relation to efficient and viable farming and be such as to maintain a reasonable balance of prices among the various products.

EXPORT REFUNDS

These refunds are in general intended to enable countries with a higher price level to export their produce to other countries.

In order to permit exports to non-member countries at the rates obtaining on the world market, the difference between these rates and prices in the exporting Member State may be covered by a refund. These refunds are sometimes called negative levies and they are in fact calculated in a manner roughly similar to that applied to levies.

The way in which the funds operate in the grain sector will be decided by the Commission after hearing the Management Committee (see Institutional questions and rules of competition).

For pigmeat, eggs and poultry the refunds comprise two amounts : the first corresponds to the effect on feeding costs of differences in the prices of feed grains, and the second takes into account the trend of prices in the sector concerned.

For these three products, intra-Community refunds can be made in two ways.

The amount of refund may be equal to the difference in the cost of feeding-stuffs resulting from price differences for feed grain. Or the amount of refund may equal the levy applied to trade with non-member countries, but in this case the importing Member State may impose on the imported products the levy it imposes on similar imports from non-member countries. These refunds, however, do not include those parts of the levies on trade element with non-member countries which correspond to the preferential element ranging from 2 to 7 %.

The amount of refunds for grains can be specifically calculated for some cases of intra-Community trade. In these cases the amount is equal to the difference between the price of the product free frontier and the threshold price of the importing Member State, such difference being increased by the lump sum (see "Translational measures" for some cases in which this method of calculation is employed).

Refunds on exports to third countries will be increasingly borne by the European Agricultural Guidance and Guarantee Fund during the preparatory period. At the single market stage the financial burden of these refunds will rest entirely on the Community.

RULES OF COMPETITION

As from 1 July 1962 the chapter of the Treaty concerning rules of competition will apply to agricultural products (listed in Annex II).

The section dealing with aids granted by States (Articles 92 to 94 of the Treaty) applies to production of, and trade in, products covered by the Regulations on the pigmeat, poultry meat, eggs and fruit and vegetables sectors. For eggs, however, the Member States which at present grant deficiency payments to compensate for differences in grain prices may continue this practice but they must gradually abolish these payments during the transition period.

In the grain sector, Articles 92 to 94 will apply to aids the effect of which is to bring prices below those on which the levy was calculated, or which directly influence the relationship between the price of processed products and the price of products used in their manufacture. In certain cases, however, the Member States may grant aids to producers of hard wheat. They may also refund the levy charged on imports if at any given time consumers do not pay for imported grains the price obtaining for homegrown grains.

Within certain limits and subject to certain conditions export refunds remain permissible for all products subject to the levy system (see above).

With effect from 1 February 1962 the procedure stipulated in the Treaty for the listing and multilateral examination of aids will be applied to the systems introduced to promote production of, and trade in, all agricultural products.

The Treaty rules on dumping will also apply to all agricultural products, with the exception however of the so-called "boomerang" practice (Article 91 (2)).

With effect from 1 July 1962 the rules applicable to enterprises on the subject of understandings or the abuse of a dominant position on the market will apply to the production of, and trade in, agricultural produce (Articles 85 to 90 of the Treaty and Regulation No. 17). Nevertheless, agreements or practices which are an integral part of a national market organization, or which are necessary to attain the objectives of the common agricultural policy, will not be prohibited (e.g. agricultural co-operatives provided their purpose is the common use of installations or the production or sale of farm produce without any obligation to charge a fixed price – (see chapter on Institutional Questions).

PROCESSED PRODUCTS

Processed agricultural products fall into two categories. The first comprises the products listed in Annex II of the Treaty (products covered by the Title on agriculture) ; the second comprises the processed products to which the common agricultural policy does not apply.

For products which are subject to the levy system, the practice in the processing trade, by which trade in processed products incorporating imported produce is carried on between the Member States on the basis of the world prices for these basic products, is not compatible with the levy system.

These products are specified in each Regulation (cereal flours, cereal groats, semolina, malt, potato starch, fodder preparations, sausages and other preserves containing pigmeat or poultry meat, dried eggs, etc.).

The processed products of the second category are governed by a special Decision (under Article 235 of the Treaty) covering a three-year period. (These are processed cereal products, sugar, molasses, potato starch, chicory and milk. The list of these products is drawn up by the Council ; it contains inter alia confectionery, chocolates, macaroni, spaghetti and similar products, bread and bakery products, beer and ice creams.

If the industries producing such products in a Member State are endangered, the Commission may authorize an importing Member State to impose a fixed compensatory levy on such products, unless the exporting Member State applies such a levy on exports of these products. The levy, which is fixed by the Commission, is computed according to the effect on the list of processed products of differing prices for the agricultural products used in their manufacture ; an amount may be added to protect the processing industry. During the first year this amount must not exceed 5 % of the price of the goods ; this percentage is reduced by 1/5 each subsequent year. The total of these two elements is then reduced by the amount of the customs duty imposed on the goods.

However, the second amount is reduced in so far as the total protection exceeds that obtaining on 1 January 1958.

This levy is intended to maintain a Community preference. The Commission can therefore make the levy subject to the application of protection measures towards non-member countries.

STANDARDIZATION AND QUALITY CONTROL

There will be no levy system for the fruit and vegetables and wine sectors, where the liberalization of trade within the Community will be governed by considerations of quality.

For the *fruit and vegetables* sector, common quality standards are laid down for each product or for categories of products. With effect from 1 July 1962 these standards will apply to 21 products to be consumed fresh which are listed in Annex I to the Regulation. In the case of nine of these products the standards have already been defined (by the United Nations Economic Commission for Europe and by the European Productivity Agency). For the remaining twelve they must still be laid down before that date. The Council may add other products to the list in Annex I. Standards have already been laid down for cauliflowers, lettuce, curled and plain endives, onions, tomatoes, apples, pears, apricots, peaches, plums. Standards are to be defined before 1 July 1962 for spinach, witloof chicory, peas, beans, carrots, artichokes, China oranges, mandarines, clementines, lemons, dessert grapes, cherries, strawberries. It also lays down common standards for products intended for industrial use.

The common quality standards will be progressively applied to fruit and vegetables marketed within the producing Member States. The exporting Member State will submit products for exports to another Member State to a quality control before they are exported. A quality and grading certificate will accompany the goods. The importing Member State can check whether the grading of the product is in conformity with the certificate. Quantitative import restrictions will be abolished for graded products in accordance with the following time-table :

"Special" Grade by 1 July 1962
"Grade I" by 1 January 1964
"Grade II" by 1 January 1966.

The Member States will adhere to the same time-table in abolishing minimum prices for these categories of produce (Article 44 of the Treaty).

In France and Italy the import of wine is also governed by quality. These countries will each offer to all the Member States an annual quota of 150 000 hectolitres of quality wines of specified origin. Before 1 January 1963 the Council will issue a Community Regulation on quality wines. Pending the entry into force of this Regulation the import of quality wines will be limited to the origins, and where appropriate the varieties, specified in the present Council decision. The wines must be accompanied by a certificate of origin or quality, or by the national stamp (in the case of Luxembourg wines) and must be supplied for consumption in receptacles containing not more than 3 litres (the label must show the name of the importer and the place where the wine was bottled).

MINIMUM PRICES

The Council has decided the objective criteria for minimum price systems and for the fixing of these prices. This decision, which is based on Article 44 of the Treaty, is not part of the common agricultural policy. On the contrary, the five Regulations relating to the products for which a marketing system has been set up, declare Article 44 to be no longer applicable to these sectors. From 1 July 1962 the appropriate safeguard measures for grain, pigmeat, eggs, poultry, fruit and vegetables will be the safeguard clause provided.

The minimum price system can only be fixed by a Member State for the duration of one year, it applies only during the marketing period for the domestic production of the Member State concerned. At least 14 days notice must be given of any Member State's intention to introduce a minimum price system. The level of the minimum price fixed must be notified at least three working days in advance of the entry into force of the system. The Commission can, if necessary, arrange for a multilateral discussion on this subject.

Where there is in operation a system of minimum prices below which imports can be temporarily suspended or reduced, such measures are subject to three successive quotations showing that the reference price has remained below the minimum price fixed for the product in question (i.e. minimum import prices). Imports must be re-admitted as soon as the reference price on three successive quotations is equal to or higher than the minimum price fixed for the product in question. Time allowed for transport must not be less than three days.

The importing Member State may also accept a guarantee from the exporting Member State that it will respect the minimum price above which imports will be admitted (i.e. minimum export prices). When making the initial notification the Member State must also indicate the price it would adopt if it applied the alternative system. However, the principle of non-discrimination among the Member States must be respected even if a Member State applied the two minimum price systems simultaneously.

The minimum price may not be fixed at more than 105 % of the intervention price for a product governed by a national market organization. For the other products the level must not exceed 92 % of the average reference price on the wholesale markets during the three preceding years. To calculate minimum prices, the Member State must adjust the figures for abnormal years or periods by reference to the average domestic cost price. The Commission may recommend such adjustments. The Member State may fix seasonal minimum prices.

A Member State applying the minimum price system must also apply it to imports from non-member countries. In order to ensure a Community preference the minimum prices for such imports must be fixed at a level higher than that applicable to the Member States.

This decision will come into force on 1 July 1962 and is to be reviewed at the latest three years after that date.

The fruit and vegetables Regulation also provides for the introduction of a minimum price system applicable to non-member countries. Where the Community markets suffer from, or are threatened by, serious dislocation due to imports from non-member countries, these imports may be suspended or subjected to a uniform compensatory levy charged on entry by all Member States.

The amount of this compensatory levy, which can be fixed on a flat rate basis, will be equal to the difference between the reference price and the import price of a product excluding customs duty. The reference price is calculated on the basis of the average prices recorded over a certain period on the producer markets with the lowest prices in the Community.

SAFEGUARD CLAUSE

A general formula has been adopted for all products for which the trading system has been liberalized (therefore not for wine, where only the quotas have been fixed). According to this general formula Member States may resort to safeguard measures should there be great disturbance or threat of such disturbance in their market. They are required to inform the Commission and the other Member States of these measures at the latest when they come into force. If the frontier is closed (goods in transit will not be affected) the time allowed for transport must not be less than three days. The Commission must then decide in the Management Committee, within a maximum of four working days, whether the measures are to be maintained, amended or abolished. Should the Member State be unable to conform with the Commissions's decision, it may appeal to the Council, which will decide by qualified majority. Nevertheless, this appeal will not suspend the Commission's decision : the Member States therefore can only take autonomous measures for a period of four days.

The following two exceptions to this general clause were agreed :

- In the case of *grain* the appeal to the Council will suspend the Commission's decision for ten days.
- For *top quality fruit and vegetables.* Here there is no possibility of autonomous measures, but each member country may request of the Commission authorization to take safeguard measures. In this connection the only possibility of appeal is to the Court of Justice. The Commission has declared that in finding that a serious disturbance has been caused it will take as a determining factor any fall of prices below 82% of the average wholesale market prices of the three preceding years (compare this with the criterion of 92% fixed for the minimum price).

  Furthermore, no steps can be taken with regard to a superior grade of fruit or vegetables unless at least equivalent steps have been taken with regard to poorer grades.

  Any safeguard measure affecting trade between the Member States will be simultaneously applied to non-member countries, with due regard to the principle of Community preference.

  The level of protection which would result from the application of this clause must be lower than, or at most equal to, the level of protection obtaining on 1 July 1962.

MEASURES APPLICABLE TO ONE SECTOR ONLY

GRAINS

The national market organizations may sell wheat and rye at a price lower than the target price, provided they are rendered unfit for human consumption. These organizations may also offer compensation for such treatment to holders of wheat and rye stocks.

All imports and exports will be subject to import certificates. These certificates, issued by the Member State concerned, will be valid for three months (from the first day of the month following that in which the certificate is issued). The certificate is issued on the deposit of a surety for the import; the surety will be forfeited if no import takes place.

PIGMEAT

During the transition period each State may intervene on its own markets. A Community procedure for mutual information is planned and also progressive co-ordination of such intervention at the Community level. Four years at the latest after the entry into force of the regulation the Council, acting on a proposal of the Commission, will have to decide as to its retention at the single market stage and lay down procedures for applying it at that stage.

FRUIT AND VEGETABLES

Before 1 July 1964 the Council will draw up, on a proposal from the Commission, Community rules concerning the functioning of the market and commercial dealings.

The market in this sector will be protected by the gradual establishment of the common external tariff and the elimination of customs duties amongst the Member States under the general rules of the Treaty. The Council will also decide as to the co-ordination and unification of the import systems operated by each Member State with regard to non-member countries (see also the chapter on minimum prices).

WINES

The wine-growing policies of the various Member States differ considerably. To stabilize markets and prices it will be necessary to adapt resources to requirements and to do so on the basis of quality (see chapter on quality control). To this end a register of vineyards is to be established before 30 June 1963; wine growers must declare their harvests and stocks from 1962 onwards, and annual forecasts are to be made. Also, the Council must, before 1 January 1963, issue Community regulations on quality wines of specified origin.

Until the entry into force of this Regulation, wine imports into France and Italy are governed by a quota for quality wines (150 000 hectolitres in 1962). In the Federal Republic of Germany, where there is no excess production and where import requirements are not limited to quality wines, which must nevertheless account for 1/4 of the table wines quota, the import quota has been fixed at 800 000 hectolitres for 1962 (including a maximum of 210 000 hl. of white wines).

A 400 000 hectolitre quota has been opened by this country for wines serving as a basis for sparkling wines. The Council, acting by a qualified majority on a proposal of the Commission, will decide annually as to the expansion of these quotas.

TRANSITION MEASURES APPLICABLE TO VARIOUS COUNTRIES

In the Regulations as a whole account has been taken as far as possible of the difficulties Member States may encounter in bringing their laws and regulations into line before the appointed date of 1 July 1962. Nevertheless, exceptions or privileges must not create obstacles to the development of trade or be damaging to other member countries. Moreover, these arrangements are limited to specified time, or at the most to the duration of the transition period.

In the preceding pages several references have already been made to these special arrangements. Further examples follow below:

For France:
Guaranteed grain prices apply to a certain quantity only; intra-Community levies on poultry are calculated in the same way as those on pigmeat; refunds for maize may be calculated by special arrangement;

For Italy:
The maintenance of state trading in grain may be requested at least for one year on certain conditions; for a period of three years no intervention is necessary in the case of maize, barley or rye;

For Luxembourg:
Special arrangements are provided for refunds on grain and pigmeat. Under a special protocol to the Treaty of Rome this country is also authorized to maintain quantitative import restrictions on all agricultural produce.

For West Germany:
Intervention prices can be adjusted in the framework of the system of target prices organized on a regional basis in order to compensate grain producers in areas remote from the centres of greatest deficit; egg prices may be subsidized; traditional trade can be preserved (e.g. in rye) through specifically calculated refunds.

FINANCIAL REGULATION

A European Agricultural Guidance and Guarantee Fund is set up.

Expenditure :

a. Refunds on exports to non-member countries (calculated on the quantities of net exports and the rate of refund of the Member State with the lowest price level)

b. Interventions on the internal market in accordance with a decision by the Council ;

c. Measures to achieve the aims of the common agricultural policy, including structural changes, taken in accordance with a decision by the Council.

Before 1 October 1962 the Commission will make proposals for Community financing from 1962/63 on.

Annual review by the Council (pattern of production, development of markets, financial consequences of the common agricultural policy). The situation as a whole will be reviewed by the Council before the end of the third year.

The contribution of the Fund to the expenditure under a. and b. will be roughly 1/6 for 1962/63, 2/6 for 1963/64 and 3/6 for 1964/65.

Contributions under c. will as far as possible be 1/3 of the contributions to the other expenditure.

Contributions by the Fund to items under a., b. and c. will increase regularly till at the end of the preparatory stage all the appropriate expenditure is financed by the Fund.

Resources :

The amount of money available will be fixed annually by the Council. The receipts of the Fund during the first three years will consist of financial contributions from the Member States, one part being calculated according to the scale for the budget laid down in Article 200 (1) of the Treaty, and the other proportionately to the net imports of each Member State from non-member countries.

The two parts of the contributions from Member States will constitute the total receipts of the Fund in the following proportions :

(in %)

	1962/1963	1963/1964	1964/1965
According to the scale laid down in Article 200 (1)	100	90	80
Proportionate to net imports	-	10	20

The Council has also fixed a ceiling for the contributions of each Member State during the first three years : 10.5 % for B.L.E.U., 31 % for the Federal Republic, 28 % for Italy and 13 % for the Netherlands.

The Federal Republic and the Netherlands will therefore have to pay more than they would under the general budget scale in Article 200 (1). In other words, the countries with net imports (from non-member countries) must contribute to a part of the refunds on exports to non-member countries. (France for its grain and Holland for its dairy produce will benefit most from this arrangement).

Before the end of the third year the Council will lay down rules to ensure gradual progress towards a single market system.

In this single market phase receipts from levies charged on imports from non-member countries will go to the Community and be used to cover Community expenditure. The budgetary funds of the Community will then be derived from these receipts and any other revenue decided on under the rules of the Treaty plus the budget contributions made by the States under Article 200 of the Treaty.

The Fund will be a part of the budget of the Community.

The Regulation will apply to the grain, pigmeat, egg and poultry markets from 1 July 1962, to the dairy produce market from 1 November 1962, and where necessary to other markets on dates to be fixed by the Council.

INSTITUTIONS

The regulations on the common agricultural policy indicate in detail how the powers of decision are divided between the Council of Ministers and the Commission. The Council takes certain major decisions – on proposals from the Commission – by unanimous vote in the second stage, and by qualified majority vote in the third (see Article 43 of the Treaty). These decisions cover measures such as those relating to the approximation of grain prices and criteria for Community financing of refunds or Community rules concerning the operation of markets and commercial transactions in the fruit and vegetables sector. Other decisions will be taken by the Council by qualified majority once the regulations come into force. Instances are the arrangements for products processed from grain and the co-ordination and unification of import systems in trade with non-member countries in the fruit and vegetables sector.

In addition, five Management Committees are set up for grain, pigmeat, eggs and poultry, fruit and vegetables and wines. These Committees consist of representatives of the Member States presided over by a representative of the Commission, who has no vote. In appropriate cases the Commission seeks the opinion of the relevant Committee on the draft of a proposed measure. The The Committee decides by qualified majority vote (procedure as under Article 148 (2) of the Treaty).

The Commission then decides on the measures to be taken, and these are immediately applicable. If these are at variance with the opinion given by the Committee, the Commission has power to postpone their application for a maximum period of one month. The Council, deciding by qualified majority vote, can then take a different decision within the time-limit set. This procedure has been laid down for fixing the lump sum figure which in effect determines the margin of Community preference and for the arrangements to avoid diversion of trade in the grain sector; it will be used to determine inter-Community sluice-gate prices for pigmeat, the levies on eggs and poultry and the common quality standards for about a dozen products in the fruit and vegetables sector (List B).

In a number of cases the Commission can, without consulting the Management Committee, make decisions which are not subject to revision by the Council. These include authorizing a Member State to reduce the amount of levies on pigmeat, noting of prices delivered free at frontier or prices on world grain markets, authorizing safeguard measures for "top quality" fruit and vegetables, and decisions as to whether agreements between or practices followed by agricultural producers are incompatible with the Common Market.

It should be pointed out that almost all the implementing action is left to the authorities of the Member States; the Commission is thus the co-ordinating body for the national organizations and also watches over the implementation of the regulations.

LENGTH OF THE PREPARATORY PERIOD

The Regulations are to come into force on 1 July 1962. Seven and a half years have been allowed for the progressive implementation of the agricultural common market, i. e. by 31 December 1969, unless there is meanwhile a decision ensuring earlier implementation. The tranches referred to in the financial regulation have already been fixed at one-sixth instead of two-fifteenths for the first three years. All the other adjustments will be made on the two-fifteenths basis.

TIME-TABLE FOR 1962 AGREED BY THE COUNCIL

	Proposals by Commission before:	Decision by Council before:	Entry into force:
Rice	30. 4. 1962	1. 7. 1962	
Dairy produce	1. 5. 1962	31. 7. 1962	1. 11. 1962
Beef and veal	1. 5. 1962	31. 7. 1962	1. 11. 1962
Veterinary system	1. 7. 1962		
Sugar	15. 7. 1962	1. 11. 1962	1. 1. 1963

For the dairy produce sector the Council has already agreed in principle to a levy system and Community financial support for the common agricultural policy.

Now that the major decisions of principle have been taken it will obviously be easier to make the appropriate regulations under the above programme.

SUMMARY TABLE
OF MEASURES ENVISAGED FOR EACH PRODUCT

Sectors	Measures													Date of entry into force
	Levy	Target price	Intervention price	Threshold price	Sluice-gate price vis-à-vis non-member countries	Intra-Community sluice-gate prices	Refunds	Approximation of prices	Standard of quality	Quotas	Import certificate	Customs duties	Annual forecast	
Grain	×	×	×	×			×	×			×			1. 7. 1962
Pigmeat	×				×	×	×							1. 7. 1962
Eggs	×				×		×							1. 7. 1962
Poultry	×				×		×							1. 7. 1962
Fruit and vegetables									×			×		1. 7. 1962
Wine									×	×		×	×	1. 7. 1962
Dairy produce (*)	×						×							1. 11. 1962
Beef and veal (*)														1. 11. 1962
Sugar (*)														1. 1. 1963
Rice (*)														

(*) Common agricultural policy to be decided upon by the Council in 1962.

STATISTICS OF PRODUCTION AND INTRA-COMMUNITY TRADE

PRODUCTION (base year 1958) Percentage ratio of production (in terms of value) to the total agricultural production of the Six (*).	
Grain	12%
Fruit and vegetables	12%
Eggs	6%
Pigmeat	13%
Poultry (dead)	3%
Wine	7%
	53%
Rice	0.4%
Beef and veal	14%
Milk	19%
Sugar (sugar beet)	3%
	36.4%
	Total 89.4%

TRADE (base year 1960) Percentage ratio of trade (in terms of value) to total intra-Community trade in agricultural products (*).	
Grain	8.2%
Pigmeat	4.7%
Eggs	7.7%
Fresh fruit and vegetables	19.8%
Poultry (dead)	2.7%
Wine	3.8%
	46.9%
Rice	0.3%
Beef and veal	6.9%
Dairy produce	7.6%
Sugar	1.7%
	16.5%
	Total 63.4%

(*) Agricultural products as defined in Annex II of the Treaty.

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