

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(76) 274 final.

Bruxelles, 9 december 1976

AMENDED PROPOSAL FOR COUNCIL REGULATION (EEC)

on the common organization of the market in ethyl alcohol
of agricultural origin and laying down additional provisions
for certain products containing ethyl
alcohol.

(presented by the Commission to the Council pursuant
to the second paragraph of article 149 of the EEC-Treaty)

EXPLANATORY MEMORANDUM

1. On 6 March 1972 the Commission forwarded to the Council a proposal for a Regulation on the common organization of the market in ethyl alcohol of agricultural origin and supplementary provisions in respect of ethyl alcohol of non-agricultural origin and certain products containing alcohol ¹.

2. This document was submitted to the European Parliament and to the Economic and Social Committee. The latter issued its opinion thereon on 27 June 1973 ².

After its appropriate Committees had discussed the proposal at length during 1972, the Parliament advised the Council that before issuing its opinion it needed to be informed of the technical adjustments which the Commission proposed making to its proposal to take account in particular of the accession of three new Member States ³.

3. Since being presented, the proposal has been discussed in depth, first by the Six and then by the Nine, in the Council and its committees. In particular, the ad hoc Group appointed by the Council to examine the document has worked intensively, examining all aspects of the problem and making a number of constructive suggestions. In spite of all these efforts, it has not been possible to reach a consensus on a sufficient number of individual problems to enable overall agreement to be reached.

4. One of the criticisms of the Commission proposal has been that it was based on the situation in the Community of Six and is not sufficiently flexible to meet the situation in the Community of Nine. It is true that enlargement has shifted the centre of gravity of certain problems, if only by altering the relative importance of the different products.

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(1) COM (72) 240 of 1 March 1972 -- R/461/72 (AGRI 119) (FIN 131) of 7 March 1972
OJ No C 43, 29 April 1972.

(2) OJ No C 101, 23 November 1973.

(3) Doc. R/232/74, 27 January 1974.

Thus, the production of alcohol of agricultural origin represented on average more than 55 % of total alcohol production in the Community before enlargement and only 35 % afterwards. On the other hand, production of spirituous beverages rose from 25 % to 40 % and that of non-agricultural alcohol from 20 % to 25 % of the same total. The new Member States contribution of alcohol of agricultural origin is only just over 2 % while the original Member States contribution is still 35 %.

These changes are sufficiently great for it to be necessary to take them into account. The Commission was aware of this, for it stated when forwarding its initial proposal to the Council that it reserved the right to communicate subsequently the changes needed to enable the proposal to apply to the enlarged Community. The amended proposal attached hereto takes very full account of this objective.

5. More recently, a temporary shortage of ethyl alcohol of all origins on the world market, in conjunction with the effects of the oil crisis on the conditions governing the production of synthetic alcohol, has served to widen the scope of the discussion,
6. Nevertheless, several of the main principles on which the Commission proposal is based have met with broad agreement from the delegations and it seems that they can be retained.

This applies in particular to the notion of sharing the market according to sectors of consumption between agricultural alcohol and non-agricultural alcohol and to the marketing guarantee in respect of a specified quantity of agricultural alcohol.

Moreover, there was a large majority in favour of seeking a financial balance in this sector and the idea that specific measures of assistance should be adopted in respect of certain spirituous beverages whose market position might be threatened by the other measures did not meet with any relentless opposition.

7. In the course of the discussions it emerged that :

- the principle of placing a strict limit on the production of alcohol of agricultural origin was receiving less and less support,
- the common arrangements for alcohol had to take better account of the distillation decisions taken by the Community in the context of the management of the market in other products (wines and fruit),
- most of the delegations considered it essential to simplify the mechanisms.

8. On the basis of these findings several amendments have been made to the Commission's original proposal :

- (a) the recent situation on the market in ethyl alcohol of all origins has underlined the need for instruments to ensure the security of Community supplies.

It was found that the classic device of a "scarcity clause", together with a strict limit on production, was not sufficient to meet such difficulties. The present proposal gives the Council greater scope to act, within the framework of ^{the} plurianual programmes, the annual quantity in respect of which there is a marketing guarantee, in order to meet situations where there is a surplus or a shortage of alcohol of any origin.

This proposal, on the other hand, should create a greater awareness of the difficulties which would arise if large surpluses of alcohol were created.

- (b) alcohol obtained from distillation operations undertaken on the markets in wine and fruit is included in the plurianual programmes. But, in order to take account of the inevitable fluctuations from one harvest to another (especially in the case of wine) and the better to coordinate the various Community measures, special arrangements for adjusting the guaranteed quantities and the quantities that may be carried over have been provided for in these cases.

- (c) It was acknowledged in the discussions that the changes to the system were not always conducive to the desired simplification of mechanisms. However, the abandonment of the idea of "mixed" sectors of use supplied with both agricultural and non-agricultural alcohol is at least one change in the direction of simplification. In particular, it enables non-agricultural alcohol to be completely excluded from the mechanisms and from the scope of the Regulation.

On the other hand, on a provisional basis and only in certain cases, the perfumery and cosmetics sector needs to be included among those "reserved" for agricultural alcohol and at the same time buying-in and sales mechanisms have to be introduced for agricultural alcohol which is produced within the annual guaranteed quantity but which can not be marketed in the reserved sectors.

d) finally, the substantial rise in the price of ethylene, which is in turn linked with the price of oil, suggests that there will be a new situation regarding the competition between synthetic and molasses alcohol; this makes it possible to propose a freer set of rules for molasses alcohol, with the quid pro quo that this alcohol can no longer benefit from the guarantees accorded for other agricultural alcohol. Since this new situation could endanger certain undertakings which produce molasses alcohol, aid measures should be provided for in certain cases.

9. Perhaps even more important are the adjustments resulting from the proposed alteration to the level of the selling price for agricultural alcohol in the reserved sectors and particularly in the oral consumption sector. In order to ensure that the system is financially in balance the initial Commission proposal made this sector bear most of the financial burden inherent in the concept of equalization by providing for a high selling price. But the proper functioning of the system required that a "charge" be levied on certain spirituous beverages - in particular those obtained from cereals - whose prime cost was lower than the selling price of alcohol intended for oral consumption.

The present proposal expressly provides that the selling price of alcohol for oral consumption should take account of the intervention price for grain alcohol. Thus there is no danger of a wide range of spirituous beverages being subject to a "charge", but this provision raises two further related problems to which solutions must be found :

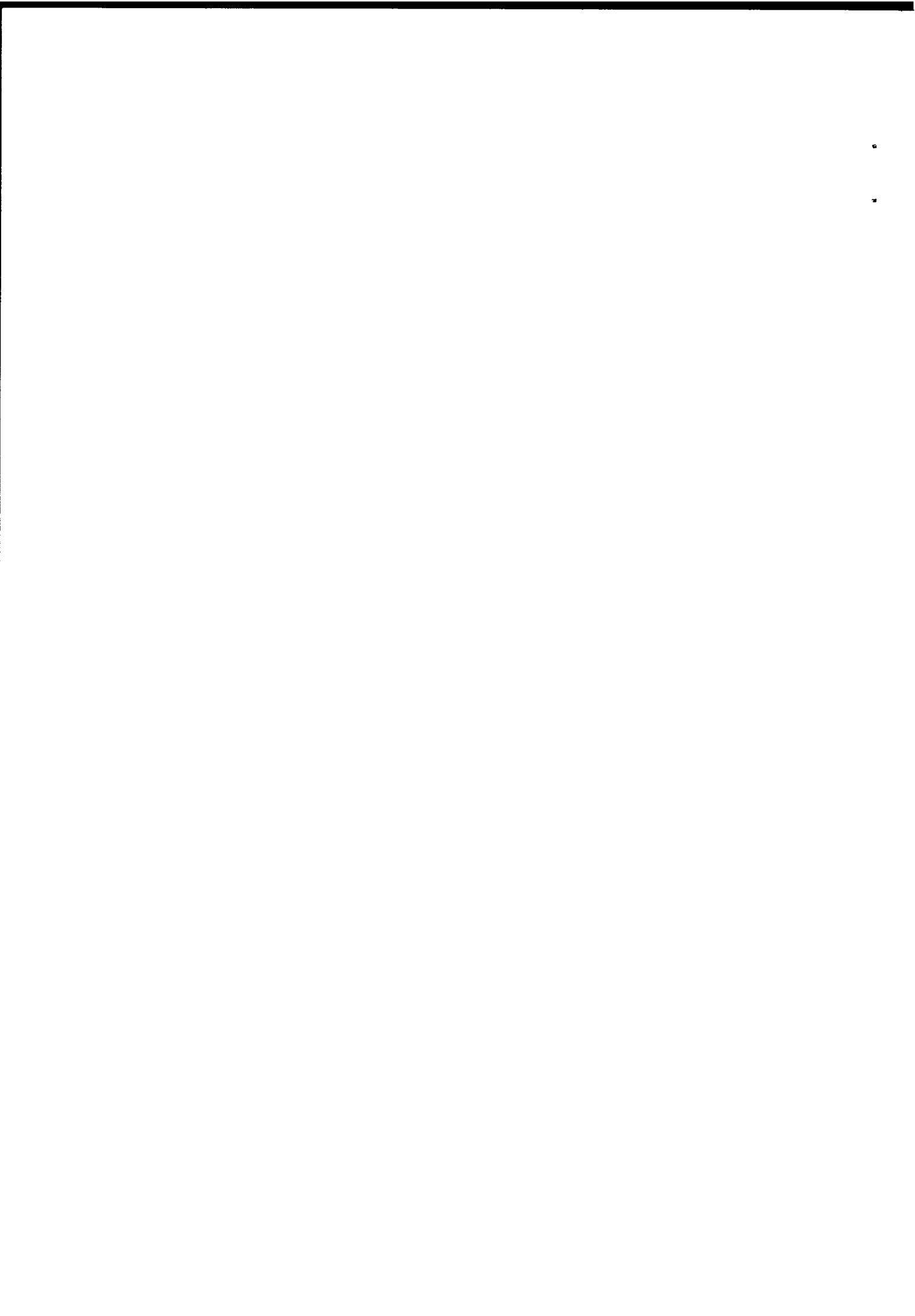
- the much lower level of the selling price of alcohol for oral consumption increases the difference between that price and the high prime cost of certain spirituous beverages, caused by the cost of the raw materials or the conditions of production.

In order to prevent the market in these spirituous beverages from being seriously disturbed and to prevent the market in their raw materials and in some cases the agricultural economy of the regions concerned from being adversely affected as a result, it is necessary to provide for Community intervention measures in their favour.

.../...

- one effect of the new approach is that the system's initial financial balance is no longer safeguarded. A uniform amount levied on all alcohol consumed in the Community, whether potable spirits or beverages obtained from alcohol, will make it easier to achieve this financial balance while acting as a brake on production.

10. A predominant factor in this sector is the fairly marked maladjustment of production potential to the requirements of economically profitable production, regardless of the price of the raw material used. This structural defect, the causes of which are to be found mainly in the national measures to protect the production of agricultural alcohol, is the subject of well-founded criticism. It is therefore advisable to introduce into the proposed mechanisms factors which, by acting on the level of the intervention measures, can help to speed up the necessary modernization and rationalization. It is also advisable to implement subsequently any measures which could raise the industries in this sector to a suitable level of competitiveness, in addition to the measures already provided for under the Guarantee Section of the EAGGF for products subject to the common organization of the market.
11. At the common frontier the freedom of trade will be guaranteed subject to the collection, as a replacement of the customs duties and subject to the undertakings entered into by the Community, of a levy of agricultural type designed to afford alcohol products protection similar to that afforded to alcohol-producing raw materials. The possibility of granting refunds is retained, but special arrangements are added in respect of spirituous beverages to which, by reason of the manufacturing and ageing processes, it is difficult to apply general arrangements.
12. The principle of prohibiting the distillation of imported raw materials is abandoned. However, only products which are entirely of Community origin may qualify for the measures which guarantee the marketing of a certain quantity of agricultural alcohol in the sectors reserved for that product.
13. This new proposal, which takes full account of the opinion of the Economic and Social Committee, introduces greater flexibility into the mechanisms for regulating the production of agricultural alcohol and simplifies the rules. For this reason it should fit more easily than the initial proposal into the framework of an enlarged Community. In addition, it must be stressed that non-agricultural alcohol is no longer directly affected by the rules and that spirituous beverages are only affected insofar as they face a particular agricultural problem.



amended proposal for
COUNCIL REGULATION (EEC)

on the common organization of the market in
ethyl alcohol of agricultural origin and laying
down additional provisions for certain products
containing ethyl alcohol

(Presented in accordance with the second paragraph
of Article 149 of the Treaty)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Articles 28, 42, 43, 113, 227 and 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament (1),

Having regard to the opinion of the Economic and Social Committee (2),

Whereas the operation and development of the common market in agricultural
products must be accompanied by the establishment of a common agricultural
policy, including a common organization of agricultural markets which may
take various forms depending on the product ;

.../...

(1)

(2)

Whereas the conversion of certain agricultural raw materials into ethyl alcohol of agricultural origin is closely linked with the economy of those raw materials since it largely contributes to the realization of their value; whereas this process may be of particular economic and social importance for the economy of certain regions of the Community, or it may be a major source of income for producers of certain agricultural raw materials; whereas in other cases it enables products of unsatisfactory quality to be disposed of, and also the short-term or permanent surpluses of certain products which cause serious economic problems; whereas, lastly in the case of certain products it is the only means of realizing their value;

Whereas provision should be made to guarantee production of the quantity of ethyl alcohol of agricultural origin which corresponds with agricultural, economic and social requirements and whereas excess production of this alcohol which would run counter to the establishment of a balance between production and possible uses should be prohibited; whereas a market should therefore be guaranteed for only a limited quantity of agricultural alcohol and whereas this quantity should be adapted in the light of the abovementioned requirements and of the possibilities for use in the reserved sectors;

Whereas, so that Community producers and users of alcohol may make at least medium-term forecasts, the limited quantity for which a market is guaranteed should be programmed and whereas, for that purpose, this quantity should first of all be apportioned among the different alcohol-producing agricultural products and then among the Community producer undertakings; whereas provision should be made for these mechanisms to be applied with a certain degree of flexibility, especially as regards alcohol obtained in connection with the intervention measures laid down in the regulations on the common organization of the market in wine and on the common organization of the market in fruit and vegetables;

Whereas, in order to provide a guaranteed market for such alcohol, seeing that ethyl alcohol of non-agricultural origin can always be substituted for it and can usually be produced at lower cost, it is necessary to require that ethyl alcohol of agricultural origin be utilized in reserved sectors while enabling those quantities of such alcohol which cannot be disposed of in those sectors to be utilized in others, and also to require the intervention agencies to buy in at a set price the alcohol which is offered to them;

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Whereas, to enable the agricultural alcohol, within the limits of the guaranteed quantity, to be disposed of in the reserved sectors whatever the price of the alcohol-producing product, it is necessary to bring into balance the prices of agricultural alcohol of various origins by levying or paying out, as the case may be, a sum which takes account of the cost of the raw material used, distilling costs and, where appropriate, traditional production conditions and also to ensure the progressive modernization and rationalization of the Community production machinery; Whereas prices should be balanced at a relatively low level, by reference to the price of grain spirits; whereas certain spirituous beverages will thereby be placed at a competitive disadvantage compared with other spirituous beverages obtained from alcohol; whereas the price-balancing mechanisms provided for in respect of alcohol should therefore be extended to the spirituous beverages thus placed at a disadvantage, in order to permit the marketing of a specified quantity of such spirituous beverages ;

Whereas, however, molasses alcohol can compete with synthetic alcohol ; whereas it is therefore necessary to exclude molasses alcohol from the marketing guarantees accorded for other types of agricultural alcohol; whereas this new competitive situation may endanger certain undertakings and whereas provision should therefore be made for measures to alleviate such difficulties in certain cases; Whereas controls of the production, movement and destination of alcohol and spirituous beverages will be necessary as a means of ensuring the stability of the market and its observation;

Whereas in order to protect producers against unfair competition and consumers from confusion and deception rules are required as to the designation and presentation of products;

Whereas the competent authorities must be able to keep the movement of trade continuously under review, in order to assess the market trend and to apply as appropriate the measures provided for in this Regulation; whereas to that end provision should be made for the issuing of import and export licences coupled with the provision of security guaranteeing that the operations in respect of which the licences were applied for will be carried out;

.../...

Whereas the creation of a single Community market for ethyl alcohol of agricultural origin involves the introduction of a single trading system at the external frontiers of the Community ; whereas this system, combined with the intervention system, must comprise a system of import levies and export refunds in order to stabilize the Community market, in particular by preventing price fluctuations on the world market from affecting prices ruling within the Community ;

Whereas in principle this aim can be achieved through the imposition on imports from third countries of levies which take account of the effect on production costs of the difference between the prices of alcohol-producing agricultural products in the Community and on the world market and of the need to protect the Community distilling industry ;

Whereas provision for the granting on exports to third countries of a refund equal to the difference between the prices of ethyl alcohol of agricultural origin within the Community and on the world market would serve to safeguard Community participation in international trade in ethyl alcohol of agricultural origin and in products containing such alcohol ;

Whereas, however, by reason of the special market situation of certain spirituous beverages obtained from cereals and exported to third countries and, in particular, of the need for the Community distilling industry to maintain competitive prices on the world market, it is necessary to ensure that alcohol-producing agricultural products utilized by that industry are made available to it at a price lower than that resulting from the application of the system of levies and common prices ; whereas for that purpose provision should be made for a production refund to be paid for the manufacture of such beverages ;

Whereas, in addition to the system described above, and to the extent required by the market situation, provision should be made for prohibiting recourse to inward processing arrangements ;

Whereas, in addition, the Community should be enabled to take the necessary measures to mitigate the difficulties arising from any shortage of ethyl alcohol ;

Whereas the measures referred to above make it possible to dispense with all other protective measures at the external frontiers of the Community ; whereas, however, the mechanisms provided for may in exceptional circumstances prove defective ; whereas, so as not to leave the Community market without defence in such cases against disturbances which may arise therefrom, the Community should be enabled to take all necessary measures without delay ;

Whereas the establishment of a single market based on a common price system would be jeopardized by the granting of certain kinds of aid ; whereas the provisions of the Treaty which allow the assessment of aid granted by Member States and the prohibition of aid which is incompatible with the common market should therefore be applicable to ethyl alcohol of agricultural origin ;

Whereas, moreover, provision should be made for taking appropriate measures in respect of ethyl alcohol and spirituous beverages obtained from sugar cane in order to maintain the level of employment of sugar cane producers in the French overseas departments and to guarantee a fair income to these producers ;

Whereas certain transitional measures may prove necessary to facilitate the transition from the present arrangements to the system arising from this Regulation and the transition from one marketing year to the next, and whereas provision should therefore be made for the adoption of such measures ;

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Whereas the Treaty does not specifically provide the powers necessary to enable the measures concerning the reservation of sectors of utilization and those concerning intervention in respect of certain spirituous beverages to be taken within the same legal framework as that on which the common organization of the market in ethyl alcohol of agricultural origin is based ; whereas those measures must consequently be taken on the basis of Article 235 of the Treaty ;

Whereas, in view of the special importance of the production of ethyl alcohol of agricultural origin and of spirituous beverages for the economy of the French overseas departments, the provisions concerning the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and the provisions adopted in respect of the products specified in Article 1 (1) (d) and (e) should be applied to the said departments ;

Whereas in order to curb the production of ethyl alcohol of agricultural origin and spirituous beverages, and also in order to ensure some structural improvement of such production, these products should be subject to a levy based solely on the alcohol content ;

Whereas the common organization of the market in ethyl alcohol of agricultural origin must take appropriate and simultaneous account of the objectives set out in Articles 39 and 110 of the Treaty ;

Whereas the still, fermented beverages falling within heading N° 22.07 of the Common Customs Tariff of an actual alcohol strength exceeding 15 ° should be covered by the common organization of the market in ethyl alcohol and whereas these products should therefore be withdrawn from the common organization of the market established by Council Regulation (EEC) N° 827/68 of 28 June 1968 on the common organization of the market in certain products listed in Annex II to the Treaty (1), as last amended by Regulation (EEC) N° (2) ;

Whereas, in order to facilitate implementation of the proposed measures, a procedure should be provided for establishing close cooperation between Member States and the Commission within a Management Committee ,

.../...

(1) OJ N° L 21, 30.6.1968 p. 16
(2) OJ N° L

Whereas the expenditure incurred by Member States as a result of their obligations under this Regulation is to be borne by the Community in accordance with Articles 2 and 3 of Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy (1), as last amended by Regulation (EEC) No 2788/72 (2),

HAS ADOPTED THIS REGULATION :

(1) OJ No L 94, 28.4.1970, p. 13

(2) OJ No L 295, 30.12.1972, p. 1

Article 1

Products covered

1. This Regulation shall apply to the following products :

<u>CCT heading N°</u>	<u>Description</u>
a) 22.08 A I	Denatured ethyl alcohol of any strength, of agricultural origin.
22.08 B I	Undenatured ethyl alcohol of a strength of 80° or higher, of agricultural origin.
22.09 A I	Undenatured ethyl alcohol of a strength of less than 80°, of agricultural origin.
b) 22.07 B II b)	Other fermented beverages (e.g. cider, perry and mead), other, still, of an actual alcoholic strength exceeding 15°.
c) 20.06 B I b)	Fruit otherwise prepared or preserved, other, containing added spirit, with an actual alcohol content exceeding 15 l of pure alcohol per 100 kg.
22.05 C IV a) 2 and 22.05 C IV b) 3	Wine fortified for distillation, within the meaning of Additional Note 4 b to Chapter 22.
22.05 C V	Wine of fresh grapes ; grape must with fermentation arrested by the addition of alcohol, other, of an actual alcoholic strength exceeding 22°.
d) 22.09 B	Compound alcoholic preparations (known as "concentrated extracts") for the manufacture of beverages.
22.09 C	Spirituous beverages
e) 22.06 C	Vermouths, and other wines of fresh grapes flavoured with aromatic extracts, of an actual alcoholic strength exceeding 22°.

2. It establishes in respect of the products specified in paragraph 1

- under (a) and (b), a common organization of the market in ethyl alcohol of agricultural origin,
- under (c), rules supplementing the provisions applicable to these products in connection with the respective common organizations of the market in fruit and vegetables and in wine,
- under (d), rules concerning conditions for release to the market and the possible introduction of an intervention and price system,
- under (d) and (e), arrangements governing trade.

.../...

3. For the purposes of this Regulation, "ethyl alcohol of agricultural origin" means the liquid obtained by distillation, after alcoholic fermentation, from alcohol-producing agricultural products, excluding

a) liquids obtained exclusively from the distillation, whether or not after fermentation, of alcohol-producing agricultural products which give to the liquid organoleptic characteristics discernible by the consumer and which have, on leaving the stills :

- either an alcoholic strength not exceeding 83 % vol.,
- or a volatile content (excluding ethyl alcohol) of not less than 90 g per hectolitre of pure alcohol,

b) liquids intended for direct human consumption and obtained from the distillation of fermented cereal must, whether or not together with fruit, having organoleptic characteristics discernible by the consumer.

4. For the purposes of this Regulation, "alcohol-producing agricultural products" means the products falling within Chapters 7, 8, 10, 11, 12 and 23 and headings N°s 17.01, 17.02, 17.03, 17.05, 22.04, 22.05 and 22.07 of the Common Customs Tariff.

The Council, acting by a qualified majority on a proposal from the Commission, may alter the list of Chapters and headings of the Common Customs Tariff referred to in the preceding subparagraph, subject to the limits laid down in Annex II to the Treaty.

5. The methods to be employed for measuring the levels specified in paragraph 3 shall be adopted in accordance with the procedure laid down in Article 35.

In accordance with the same procedure it may be decided to make the use referred to in paragraph 3 (b) conditional on compliance with certain requirements as to marketing.

T I T L E I
PRODUCTION, MARKETING AND PRICE SYSTEM

Article 2

Grouping into types

The kinds of ethyl alcohol of agricultural origin specified in Article 1(1)(a) may be grouped into types according to the alcohol-producing agricultural products used in accordance with the procedure laid down in Article 43(2) of the Treaty.

Article 3

Target prices

1. A target price shall be fixed for each kind or type of ethyl alcohol of agricultural origin. The target prices shall be valid for unpackaged goods of a standard quality, ex-factory, loaded on the means of transport chosen by the purchaser. They shall be fixed for one marketing year. "Marketing year" means the period running from 1 July of one year to 30 June of the next.
2. The target prices shall be determined by reference to the price of the corresponding alcohol-producing agricultural product and to fixed amounts, valid throughout the Community, representing :
 - (a) the processing margin, established in the light of the need progressively to modernize and rationalize the Community production potential,
 - (b) the yield,
 - (c) the receipts of distillers from the sale of the by-products of distillation.For each alcohol-producing agricultural product which is covered by an intervention system under a common market organization, the price to be taken into consideration may not exceed the intervention, withdrawal or activating price of the minimum price applicable under that system.
3. By way of derogation from paragraph 2,
 - the target price for molasses alcohol shall be determined by reference to the price on the Community and world markets of synthetic ethyl alcohol,
 - the target price for alcohol obtained from wine under the intervention measures in the wine sector shall be fixed at the level of the selling price for the oral consumption sector referred to in Article 10(2).
4. Special target prices may be fixed by reference to the size of the distillery during an adjustment period in the course of which the exercise of such option shall be progressively reduced. This period may not exceed 10 years.
5. The standard qualities and the target prices shall be fixed annually before 1 January for the following marketing year. They shall be fixed in accordance with the procedure laid down in Article 43(2) of the Treaty.

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Article 4

Marketing guarantee

1. A limited quantity of ethyl alcohol of agricultural origin produced in the Community shall be guaranteed an outlet on the Community market in accordance with the following provisions. However, molasses alcohol shall be excluded from this guarantee.
2. Every three years before the first of January preceding the end of the third marketing year and for the first time before 1 April 1978, a target quantity shall be fixed for some or all ethyl alcohol of agricultural origin other than molasses alcohol. It shall be valid for the whole of the period covering the five marketing years following the date on which it is fixed.

The target quantity shall be calculated on the basis of the quantities produced during the five preceding marketing years, and of the sales prospects in the reserved sectors over the five subsequent marketing years.

However, for alcohol-producing products other than those in respect of which distillation measures have been implemented under the relevant common market organization, the target quantity shall be equal to the production average for the five preceding marketing years.

3. A guaranteed quantity valid for the following marketing year shall be fixed annually before 1 January for some or all types of ethyl alcohol of agricultural origin other than molasses alcohol.

The guaranteed quantity must be established within the limits of the target quantity fixed for the particular type of alcohol. It shall be determined by reference in particular to the quantities actually produced and sold during the marketing years preceding the period under consideration and to the production and sales prospects in the current marketing year for the alcohol-producing agricultural product or products in question.

4. The guaranteed quantities relating to those alcohol-producing agricultural products in respect of which distillation measures have been implemented under the relevant common market organization may be adjusted at the end of the marketing year, within the limits of the target quantity.
5. The target quantities and the guaranteed quantities shall be fixed in accordance with the procedure laid down in Article 43 (2) of the Treaty.
6. Detailed rules for the application of this Article, including the adjustments referred to in paragraph 4, shall be adopted in accordance with the procedure laid down in Article 35.

Article 5

Apportionment among distillers

1. The guaranteed quantities shall be apportioned among Community distillers.

That portion of the guaranteed quantity allotted to a distiller is hereinafter referred to as the "guaranteed quota".

In the event of Article 4 (4) being applied, the guaranteed quota shall be adjusted by reference to the variations thus decided on.

2. The apportionment among Community distillers shall be done before 1 May each year for the following marketing year and in accordance with the procedure laid down in Article 35. However, the Council, acting by a qualified majority on a proposal from the Commission, may decide that for a period which may not exceed five marketing years from the date on which this Regulation takes effect apportionment is to be done by the Member States. In that case, the guaranteed quantities allocated to each Member State shall be determined by reference to the average actual output of alcohol of the type or types concerned in the Member State in question over the preceding five marketing years.
3. Provision may be made for any Community distiller to transfer to another Community distiller all or part of the guaranteed quota allotted. Such transfer shall alter, for the marketing year in question, the guaranteed quotas allotted to the distillers concerned.
4. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules concerning the apportionment of the guaranteed quantities among Community distillers, taking into account the need to reserve a share of production for newly established distillers.
5. Detailed rules for the application of this Article, including the conditions under which the transfers referred to in paragraph 3 may be effected, shall be adopted in accordance with the procedure laid down in Article 35.

Article 6
Compulsory buying-in

1. Throughout the marketing year the intervention agencies designated by the Member States shall be obliged, subject to conditions to be laid down, to buy in ethyl alcohol of agricultural origin other than molasses alcohol offered to them by producers within the limits of the guaranteed quota allotted to the distiller in question for the current marketing year and subject to the application of Article 13.

2. The intervention agencies shall buy in the ethyl alcohol of agricultural origin offered to them at the target price valid for the kind or type of agricultural ethyl alcohol in question and, where appropriate, for the size of the undertaking.

If the quality of the alcohol offered differs from the standard quality for which the target price has been fixed, the latter shall be adjusted by applying increases or reductions.

3. Detailed rules for the application of this Article, in particular as regards :

- the minimum quality and quantity required for intervention,
 - the scale of increases and the scale of reduction,
 - the procedures and conditions for taking over by the intervention agencies,
- shall be adopted in accordance with the procedure laid down in Article 35.

Article 7
Transitional measures for molasses alcohol

For a period which may not exceed 7 marketing years, provision may be made for a marketing premium calculated according to a sliding scale to be granted, under certain conditions, to producers of molasses alcohol to enable them to adapt to the new conditions on the market in the said alcohol.

The conditions under which it is granted and the amount of the marketing premium shall be fixed annually before 1 January for the following marketing year, in accordance with the procedure laid down in Article 35.

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Article 8

Sale of alcohol by intervention agencies

1. The intervention agencies shall be responsible for the storage and marketing, including exportation where appropriate, of the ethyl alcohol of agricultural origin bought in. Provision may be made for them to undertake in particular the rectifying and denaturing of the alcohol they have bought in.

2. The intervention agencies may sell only alcohol of a strength of not less than 95 % vol. and residual or denatured alcohol.

3. Alcohol bought in by the intervention agencies shall be disposed of in the reserved sectors at the prices referred to in Article 10. Where, **the disposal possibilities are insufficient**, provision may be made for the intervention agencies to invite tenders in the unreserved sectors.

The invitations to tender shall be issued under conditions which ensure equality of access and equal treatment of purchasers and avoid any disturbance of the market in alcohol in these sectors.

4. Detailed rules for the application of this Article, including the requirements in respect of storage, marketing and invitations to tender, shall be adopted in accordance with the procedure laid down in Article 35.

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Article 9
Reserved sectors

1. Ethyl alcohol used in the reserved sectors or for the manufacture of products belonging to the reserved sectors must be exclusively ethyl alcohol of agricultural origin.

"Reserved sectors" means the following :

- oral consumption,
- vinegar-making,
- the pharmaceutical industry .

2. Paragraph 1 shall not apply to medicinal products which in the finished state no longer contain ethyl alcohol.
3. However, for a transitional period of five marketing years from the date on which this Regulation takes effect, and for Member States who so request, the alcohol requirements of users in the perfumery and cosmetics industries may be reserved for ethyl alcohol of agricultural origin in respect of products manufactured on the territory of those Member States.
4. The precise limits of the reserved sectors shall be defined in accordance with the procedure laid down in Article 35.

Detailed rules for the application of this Article shall be adopted in accordance with the same procedure.

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Article 10

Fixing of the selling price for reserved sectors

1. A selling price shall be fixed for agricultural ethyl alcohol of all types and for each of the reserved sectors.
2. For the oral consumption sector the selling price referred to in paragraph 1 shall be fixed by reference to the target price for ethyl alcohol obtained from cereals.
3. The selling prices shall be fixed annually before 1 January for the following marketing year in accordance with the procedure laid down in Article 43 (2) of the Treaty. The standard qualities to which these prices relate shall be fixed in accordance with the same procedure.
4. If the quality of the ethyl alcohol of agricultural origin sold differs from the standard quality for which the selling price has been fixed, the latter shall be adjusted by applying increases or reductions.
5. Detailed rules for the application of this Article, including the scales of increases and reductions to be applied to the selling prices of ethyl alcohol of agricultural origin in the reserved sectors, shall be adopted in accordance with the procedure laid down in Article 35.

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Article 11

Equalization

1. Where ethyl alcohol of agricultural origin of a particular type, whether or not imported, is sold to a user in one of the reserved sectors and the target price for that alcohol is lower than the selling price fixed for the reserved sector, the Member States shall levy an equalization charge.

The equalization charge shall be equal to the difference between the said target and selling prices.

2. Where ethyl alcohol of agricultural origin of a particular type produced in the Community from alcohol-producing agricultural products obtained or harvested in the Community is sold to a user in one of the reserved sectors and the target price for that alcohol exceeds the selling price fixed for the reserved sector, the intervention agencies shall make a compensatory payment. This compensatory payment shall be equal to the difference between the said target and intervention prices.

3. The quantity of ethyl alcohol of agricultural origin in respect of which the compensatory payment provided for in paragraph 2 is made may not for any one distiller exceed the guaranteed quota allotted to that distiller, less the quantities offered to intervention agencies.

4. Detailed rules for the application of this Article, including the conditions governing the levying of equalization charges, shall be adopted in accordance with the procedure laid down in Article 35.

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Article 12

Penalties

1. In respect of the types of alcohol to which the marketing guarantee referred to in Article 4 applies, the distiller must sell in the unreserved sectors any quantity of ethyl alcohol of agricultural origin which he has produced in excess of the guaranteed quota during a given marketing year.
2. The sale in the reserved sectors of any quantity of agricultural ethyl alcohol produced by a distiller in excess of the guaranteed quota during a given marketing year shall be subject to a charge determined in relation to the financial consequences of such action.
3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 35.

.../...

Article 13

Postponement of production

1. Each distiller may postpone to the following marketing year the production of part of the guaranteed quota allotted for the current marketing year. The quota guaranteed for the following marketing year shall be increased by the quantity postponed.
2. An upper limit, which may vary according to the type of ethyl alcohol of agricultural origin concerned, shall be fixed for transfers of production between marketing years resulting from underproduction.
3. Distillers may apply the provisions of paragraph 1 only if they have notified the intervention agency of the Member State concerned before 1 June of the quantities to be transferred.
4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 35.

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Article 14

Quantitative restrictions on intervention measures for
certain spirituous beverages

1. Each year before 1 January a guaranteed quantity shall be fixed for the following marketing year, in accordance with the procedure laid down in Article 43 (2) of the Treaty, for each spirituous beverage :
 - obtained from an alcohol-producing agricultural product obtained or harvested in the Community, and
 - which may be placed at a competitive disadvantage by the fixing of the selling price for alcohol for oral consumption.

The guaranteed quantity of a spirituous beverage shall be fixed by reference to the quantity of that beverage produced, marketed or stored during the five preceding marketing years.

2. The guaranteed quantities shall be apportioned among the Community distillers. That portion of the guaranteed quantity allotted to a distiller is concerned. hereinafter referred to as the "guaranteed quota".
3. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules concerning the apportionment of the guaranteed quantities among Community distillers, taking into account the need to reserve a share of production for newly established distillers.

It shall, in accordance with the same procedure, lay down the characteristics of the spirituous beverages concerned.
4. The apportionment among Community distillers shall be done before 1 May each year for the following marketing year and in accordance with the procedure laid down in Article 35. However, the Council, acting by a qualified majority on a proposal from the Commission, may decide that for a period which may not exceed five marketing years from the date on which this Regulation takes effect apportionment shall be done by the Member States. In that case, the guaranteed quantities allocated to each Member States shall be determined by reference to the average actual output of the spirituous beverages concerned in the Member State in question over the preceding five marketing years.

5. Provision may be made for any Community distiller to transfer to another Community distiller all or part of the guaranteed quota allotted.

Such transfer shall alter, for the marketing year in question, the guaranteed quotas allotted to the distillers concerned.

6. Detailed rules for the application of this Article, including the conditions under which the transfers referred to in paragraph 5 may be effected, shall be adopted in accordance with the procedure laid down in Article 35.

Article 15

Intervention measures for certain spirituous beverages

1. The Member States shall levy an equalization charge on the alcohol contained in spirituous beverages, whether or not imported, which are released to the Community market and are obtained from an alcohol-producing agricultural product for which the target price of the corresponding alcohol is lower than the selling price fixed for such alcohol intended for oral consumption.

The amount of the equalization charge shall not be less than that laid down for alcohol obtained from the same alcohol-producing agricultural product.

2. Where spirituous beverages for which a guaranteed quantity has been fixed are released to the Community market the intervention agencies shall make a compensatory payment to the producers by reference to the alcohol content, within the limits of the guaranteed quota.

Where, in respect of such spirituous beverages obtained from an alcohol-producing agricultural product, the target price for the alcohol obtained from that product is higher than the selling price for such alcohol intended for oral consumption, the amount of the compensatory payment shall not be more than that made for alcohol obtained from the same alcohol-producing agricultural product.

The amount of the compensatory payment may be fixed by reference to the size of the distillery during an adjustment period in the course of which the exercise of such option shall be progressively reduced.

3. The amounts of the equalization charge and the compensatory payment valid for the following marketing year shall be fixed at the same time as the selling prices referred to in Article 10 and in accordance with the same procedure.
4. Detailed rules for the application of this Article, including the conditions under which the equalization charge may be levied or the compensatory payment made, shall be adopted in accordance with the procedure laid down in Article 35.

Article 16

Transition from one marketing year to the next

The provisions necessary to prevent the market in the products specified in Article 1 (1) from being disturbed as a result of a change in prices on the transition from one marketing year to the next shall be adopted in accordance with the procedure laid down in Article 35.

Article 17

Intervention contribution

1. An intervention contribution shall be levied on the alcohol content of the products specified in Article 1(1)(a) and (d) produced in the Community. However, derogations may apply to exported products and alcohol used for industrial purposes.

The same contribution shall be levied on the products specified in Article 1(1)(a) and (d) imported into the Community.

2. For the determination of the amount of the intervention contribution, account shall be taken of the level of supply and demand for those products on the Community market.

It shall be fixed in accordance with the procedure laid down in Article 43(2) of the Treaty.

3. Detailed rules for the application of this Article, including the conditions and formalities relating to the contribution provided for in paragraph 1, shall be adopted in accordance with the procedure laid down in Article 35.

Article 18

Control

1. Arrangements shall be made for control of the production, movement and use of ethyl alcohol and spirituous beverages.
2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 35.

Article 19

Definition, designation, description

1. The Council, acting by a qualified majority on a proposal from the Commission, shall before 1 July 1979 adopt :
 - a) general rules relating to the definition, designation and presentation of the products specified in Article 1 (1),
 - b) provisions to restrict certain designations to certain products specified in Article 1 (1),
 - c) the conditions under which the products referred to in (b) are obtained,
 - d) provisions relating to the control and protection of such restricted designations.

Until the provisions referred to in the first subparagraph take effect, the provisions adopted by the Member States shall apply.

2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 35.

TITLE II

TRADE WITH NON-MEMBER COUNTRIES

Article 20

Amendment of the Common Customs Tariff

The Common Customs Tariff is amended in accordance with the Annex.

Article 21

Application of the Common Customs Tariff

1. The general rules for the interpretation of the Common Customs Tariff and the special rules for its application shall apply to the tariff classification of the products specified in Article 1 (1) ; the tariff nomenclature resulting from the application of this Regulation to these products shall be incorporated in the Common Customs Tariff.
2. Save as otherwise provided in this Regulation or by the Council acting by a qualified majority on a proposal from the Commission, the following shall be prohibited in trade with third countries in the products referred to :
 - in Article 1 (1) (a) and (d), the levying of any customs duty,
 - in Article 1 (1), the levying of any charge having effect equivalent to a customs duty,
 - in Article 1 (1), the application of any quantitative restriction or measure having equivalent effect.

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Article 22

Licences

1. Imports into or exports from the Community of any of the products specified in Article 1 (1) may be made conditional on the submission of an import or export licence. Such licences shall be issued by the Member States to any applicant irrespective of the place of his establishment in the Community.

The issue of such licences shall be conditional on the provision of security guaranteeing that importation or exportation is effected during the period of validity of the licence; the security shall be forfeited in whole or in part if the transaction is not effected, or is only partially effected, within that period.

2. The list of the products concerned, the period of validity of the licences and other detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 35.

Article 23

Import levy

1. On importation into the Community of any of the products specified in Article 1 (1) (a) and (d), a levy fixed before each marketing year for the duration of that year, in accordance with the procedure laid down in Article 35 shall be charged.

2. On importation into the Community of any of the products specified in Article 1 (1) (b), (c) and (e), there shall be charged, in addition to the customs duty and any levy or countervailing charge payable under the provisions governing respectively the common organization of the market in products processed from fruit and vegetables and the common organization of the market in wine, a supplementary levy fixed before each marketing year for the duration of that year in accordance with the procedure laid down in Article 35.

3. However, if during a given marketing year the conditions of supply of one or more alcohol-producing raw materials are found to have changed considerably the levies referred to in the preceding paragraphs may be altered in accordance with the same procedure by reference to the trend of prices for such alcohol-producing raw materials.

.../...

Article 24

Calculation of the import levy

1. The levy applicable to the products specified in Article 1 (1) (a) shall comprise :

- a) a variable component
- b) a fixed component.

The variable component :

- a) shall be established on the basis of the average protection afforded during the previous calendar year
 - either for the quantities of alcohol-producing agricultural products required for the production in the Community of one hectolitre of pure alcohol,
 - or for the quantity of sugar contained in those quantities or likely to be obtained therefrom;
- b) shall not be less than 50 % of the rate of customs duty applicable the day before the day of entry into force of this Regulation.

2. The levy applicable to the products specified in Article 1 (1) (d) shall comprise :

- a) a component derived from that referred to in (a) of the second subparagraph of paragraph 1 and calculated by reference to the ratio existing in the Community between the prices of the alcohol-producing agricultural products used in the preparation of the spirituous beverages concerned and the prices of the products used in the preparation of ethyl alcohol of the same origin ;
- b) a fixed component.

3. The supplementary levy applicable to the products specified in Article 1 (1) (b), (c) and (e) shall be determined by reference to the alcohol content and to the component referred to in paragraph 2 (a). It shall be applied to an alcohol content exceeding :

- an actual alcoholic strength of 15 ° in the case of the products specified in Article 1 (1) (b),
- an actual alcoholic strength of 18° in the case of wines fortified for distillation,
- an actual alcoholic strength of 22° in the case of the other wines specified in Article 1 (1) (c) and the products specified in Article 1 (1) (e),
- 15 litres of pure alcohol per 100 kg in the case of products falling within CCT subheading 20.06 B I.

.../...

4. For the purposes of applying paragraphs 1, 2 and 3 where the origin of the alcohol-producing raw material cannot be determined with certainty, the component to be applied shall be the highest component as determined in accordance with paragraph 1 (a).
5. For the products specified in Article 1 (1) (a) and (d), the amount of the levy referred to in paragraphs 1 and 2 shall not be less than the rate of customs duty applicable the day before the day of entry into force of this Regulation.

The Council, acting by a qualified majority on a proposal from the Commission, shall lay down special provisions applicable to the products referred to in Article 1 (a) and (d) imported into the Community on preferential terms.

6. By way of derogation from the provisions of paragraphs 1, 2 and 3, for products falling within Common Customs Tariff subheadings ex 22.05 C IV, 22.09 A I, 22.09 B and 22.09 C in respect of which the rate of duty has been bound under GATT, the levies shall be limited to the amount resulting from that binding.
7. The Council, acting by a qualified majority on a proposal from the Commission, shall :
 - determine the fixed components referred to in paragraphs 1 (b) and 2 (b) ;
 - determine the quantities of the various alcohol-producing raw materials required in the Community to produce 1 hectolitre of pure alcohol ;
 - adopt general rules for the application of this Article.
8. Detailed rules for the application of this Article, including the conversion factors corresponding to the ratios referred to in paragraph 2 (a), shall be adopted in accordance with the procedure laid down in Article 35.

These detailed rules may provide for measures designed to establish the alcohol-producing agricultural product from which imported alcohol was obtained.

Article 25

Export refunds

1. To the extent necessary to enable ethyl alcohol either as such or contained in the products specified in Article 1 (1) (b), (c), (d) and (e) to be exported in economically significant quantity, the difference between world market prices and prices in the Community for that alcohol or for the alcohol-producing agricultural product employed may be covered by a refund.

The refund shall be the same for the whole Community. It may be varied according to use or destination. The refund fixed shall be granted on application.

2. Where the application of export refunds would meet with difficulties in the case of ethyl alcohol of agricultural origin contained in certain spirituous beverages, the export refunds may be replaced, under certain conditions, by production refunds.
3. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules for the granting of export refunds and, where applicable, production refunds and criteria for fixing the amount of such refunds.
4. The refunds shall be fixed at regular intervals in accordance with the procedure laid down in Article 35.

Where necessary the Commission may, at the request of a Member State or on its own initiative, alter the refunds in the intervening period.

5. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 35.

.../...

Article 26

Prohibition of inward processing arrangements

To the extent necessary for the proper working of the common organization of the market in ethyl alcohol of agricultural origin, the Council, acting by a qualified majority on a proposal from the Commission, may prohibit in whole or in part the application of inward processing arrangements in respect of the products specified in Article 1 (1) which are intended for the manufacture of products specified in Article 1 and in respect of alcohol-producing raw materials intended for use in the manufacture of such products.

Article 27

Protective clause

1. If the Community market in the products specified in Article 1 (1) (a), (b), (d) and (e) experiences or is threatened, by reason of imports or exports of those products or of other products specified in Article 1 (1) containing alcohol of agricultural origin, with serious disturbances which may endanger the objectives set out in Article 39 of the Treaty, appropriate measures may be applied to those products in trade with third countries until such disturbance or threat of disturbance has ceased.

The Council, acting by a qualified majority on a proposal from the Commission, shall adopt rules for the application of this paragraph and define the cases in which and the limits within which the Member States may take interim protective measures.

2. If the situation mentioned in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures ; the measures shall be notified to the Member States and shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within twenty-four hours following receipt of the request.

3. The Commission decision may be referred to the Council by any Member State within three working days following the day on which it was communicated. The Council shall meet without delay. It may, acting by a qualified majority, amend or repeal the measure in question.

T I T L E I I I

G E N E R A L P R O V I S I O N S

Article 28

Aid

Save as otherwise provided in this Regulation, Articles 92 to 94 of the Treaty shall apply to the production of and trade in ethyl alcohol of agricultural origin.

Article 29

French overseas departments

1. Appropriate measures concerning ethyl alcohol of agricultural origin and spirituous beverages obtained from sugar cane may be adopted by the Council, acting by a qualified majority on a proposal from the Commission, in order to maintain the level of employment of and ensure a fair income to sugar-cane producers in the French overseas departments.
2. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 35.

Article 30

Scarcity clause

1. Where there is a risk that the supply of ethyl alcohol of agricultural origin to the Community or to a utilization sector in the Community can no longer be provided from Community resources or where the Community market in the products specified in Article 1 (1) is disturbed or threatened with disturbance and this situation is likely to continue the necessary measures may be taken.

These measures, which shall be applicable to the products specified in Article 1 (1), may include

- a) adjustment of the internal mechanisms regulating production,
 - b) a limit on exports,
 - c) a charge on exports.
2. The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules for the application of this Article.
 3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 35.

Article 31

Financing

The equalization charges and compensatory payments provided for in Articles 11 and 15, the intervention contribution provided for in Article 17 and the amounts levied pursuant to Article 12(2) shall be regarded, for the purpose of the financing of the common agricultural policy, as intervention designed to regulate agricultural markets.

Article 32

Extension of the system to the French overseas departments

1. From the date on which this Regulation takes effect, Article 40(4) of the Treaty and the provisions adopted for the implementation of that Article shall apply, so far as concerns the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, to the French overseas departments in respect of the market in the products specified in Article 1(1)(a), (b) and (c).
2. The provisions of this Regulation adopted on the basis of Articles 113 and 235 of the Treaty shall apply to the French overseas departments.

Article 33

Exclusive rights

Provisions which grant to certain natural or legal persons or which restrict to nationals of one Member State the exclusive right to produce, package, transport, store, refine, import, export, purchase, sell or otherwise market ethyl alcohol of agricultural origin or the exclusive right to package, transport, store, refine, import, export, purchase, sell or otherwise market ethyl alcohol of non-agricultural origin shall be incompatible with this Regulation.

.../...

Article 34

Establishment of a Management Committee

1. A Management Committee for Ethyl Alcohol (hereinafter called the "Committee") shall be established, consisting of representatives of Member States and presided over by a representative of the Commission.
2. Within the Committee the votes of Member States shall be weighted in accordance with Article 148 (2) of the Treaty. The Chairman shall not vote.

Article 35

Procedure of the Management Committee

1. Where reference is made to the procedure laid down in this Article, the Chairman shall refer the matter to the Committee either on his own initiative or at the request of the representative of a Member State.
2. The representative of the Commission shall submit a draft of the measures to be taken. The Committee shall deliver its opinion on such measures within a time limit to be set by the Chairman according to the urgency of the questions under consideration. Opinions shall be adopted by a majority of 41 votes.
3. The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission may defer application of the measures which it has adopted for not more than one month from the date of such communication.

The Council, acting by a qualified majority, may take a different decision within one month.

Article 36

Other tasks of the Management Committee

The Committee may consider any other question referred to it by its Chairman either on his own initiative or at the request of the representative of a Member State.

Article 37

Communication and information

Member States and the Commission shall communicate to each other the information necessary for applying this Regulation. Detailed rules for the communication and distribution of such information shall be adopted in accordance with the procedure laid down in Article 35.

Article 38

Research

The necessary measures to encourage the search for new outlets for ethyl alcohol of agricultural origin shall be taken in accordance with the procedure laid down in Article 43(2) of the Treaty.

Article 39

Objectives

This Regulation shall be so applied that appropriate and simultaneous account is taken of the objectives set out in Articles 39 and 110 of the Treaty.

Article 40

Amendment of Regulation (EEC) No 827/68

In the Annex to Regulation (EEC) No 827/68, heading No 22.07 is amended to read as follows :

CCT heading number	Description
22.07	Other fermented beverages (for example, cider, perry and mead) B. Other I. Sparkling II. Still a) of an alcoholic strength of 15° or less

Article 41

Transitional measures

Should transitional measures be necessary to facilitate the transition from the existing system to the system established by this Regulation, in particular if the introduction of the new system on the date provided for would give rise to substantial difficulties in respect of certain products, such measures shall be adopted in accordance with the procedure laid down in Article 35.

They shall be applicable until 30 June 1979 at the latest.

Article 42

Entry into force

This Regulation shall enter into force on 1 January 1978.

It shall take effect on 1 July 1978.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

A N N E X

AMENDMENTS TO THE COMMON CUSTOMS TARIFF

I. AMENDMENTS TO CHAPTER 20

A. Amendment to the Additional Notes

The following Additional Note 4 is added :

"4. For the purposes of applying subheadings 20.06 B I a) and b), "actual alcohol content" means the number of litres of alcohol contained in 100 kg of product."

B. Amendments to the tariff

Subheading 20.06 B I is amended to read as follows :

Heading number	Description	Rate of Duty	
		Autonomous % or levy (L)	conventional %
20.06	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit : B. Other :		
	I. Containing added spirit :		
	a) with an actual alcohol content not exceeding 15 l of pure alcohol per 100 kg		
	1. Ginger	32	-
	2. Pineapples, in immediate packings of a net capacity :		
	aa) of more than 1 kg:		
	11. with a sugar content exceeding 17 % by weight	32 + (L)	-
	22. other	32	-
	bb) of 1 kg or less :		
	11. with a sugar content exceeding 19 % by weight	32 + (L)	-
	22. other	32	-

.../...

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
20.06 (cont.)	B. I. a) 3. Grapes		
	aa) with a sugar content exceeding 13 % by weight	32 + (L)	-
	bb) other	32	-
	4. Peaches, pears and apricots, in immediate packings of a net capacity :		
	aa) of more than 1 kg :		
	11. with a sugar content 13 % by weight	32 + (L)	-
	22. other	32	-
	bb) of 1 kg or less :		
	11. with a sugar content exceeding 15 % by weight	32 + (L)	-
	22. other	32	-
	5. Other fruits :		
	aa) with a sugar content exceeding 9 % by weight	32 + (L)	
	bb) other	32	
	6. Mixtures of fruit :		
aa) with a sugar content exceeding 9 % by weight	32 + (L)		
bb) other	32		
b) with an actual alcohol content exceeding 15 l of pure alcohol per 100 kg			
1. Ginger	32 (a)		

(a) In certain conditions a supplementary levy is payable in respect of certain products in addition to the customs duty.

.../...

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
20.06 (cont.)	B. I. b) 2. Pineapples, in immediate packings of a net capacity :		
	aa) of more than 1 kg :		
	11. with a sugar content exceeding 17 % by weight	32 + (L) (a)	-
	22. other	32 (a)	-
	3. Grapes :		
	aa) with a sugar content exceeding 13 % by weight	32 + (L) (a)	-
	bb) other	32 (a)	-
	4. Peaches, pears and apricots, in immediate packings of a net capacity :		
	aa) of more than 1 kg :		
	11. with a sugar content exceeding 13 % by weight :	32 + (L) (a)	-
	22. other	32 (a)	-
	bb) of 1 kg or less :		
	11. with a sugar content exceeding 15 % by weight :	32 + (L) (a)	-
	22. other	32 (a)	-
	5. Other fruits :		
	aa) with a sugar content exceeding 9 % by weight	32 + (L) (a)	-
	bb) other	32 (a)	-
	6. Mixtures of fruit :		
	aa) with a sugar content exceeding 9 % by weight	32 + (L) (a)	-
	bb) other	32 (a)	-

(a) In certain conditions a supplementary levy is payable in respect of certain products in addition to the customs duty.

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
20.06 (cont.)	B. I. b) 6. Mixtures of fruit :		
	aa) with a sugar content exceeding 9 % by weight	32 + (L)(a)	-
	bb) other	32 (a)	-

(a) In certain conditions a supplementary levy is payable in respect of certain products in addition to the customs duty.

II. AMENDMENTS TO CHAPTER 22

A. Amendments to the Additional Notes

1. In Additional Note 1, "subheading 22.07 A" is replaced by "heading N° 22.07".

2. An Additional Note 7 is inserted, as follows :

"7. For the purposes of applying subheadings 22.08 A I, 22.08 B I and 22.09 A I :

A. "Ethyl alcohol of agricultural origin" means the liquid obtained by distillation, after alcoholic fermentation, from alcohol-producing agricultural products, excluding :

a) - liquids obtained exclusively from the distillation, whether or not after fermentation, of alcohol-producing agricultural products which give to the liquid organoleptic characteristics discernible by the consumer and which have, on leaving the stills :

- either an alcoholic strength not exceeding 83 % vol.,

- or a volatile content (excluding ethyl alcohol) of not less than 90 g per hectolitre of pure alcohol,

b) - liquids intended for direct human consumption and obtained from the distillation of fermented cereal must, whether or not together with fruit, having organoleptic characteristics discernible by the consumer.

B. "Alcohol-producing agricultural products" means the products falling within Chapters 7, 8, 10, 11, 12 and 23 and headings Nos 17.01, 17.02, 17.03, 17.05, 22.04, 22.05 and 22.07."

3. Additional Note 7 becomes Additional Note 8.

B. Amendments to the tariff

Headings Nos 22.05, 22.06, 22.07, 22.08 and 22.09 are amended to read as follows :

.../...

Heading number	Description	Rate of Duty	
		Autonomous % or Levy (L)	conventional %
22.05	<p>Wine of fresh grapes ; grape must with fermentation arrested by the addition of alcohol :</p> <p>.....</p> <p>C.</p> <p>.....</p> <p>IV. Of an actual alcoholic strength exceeding 18° but not exceeding 22°, in containers holding :</p> <p>a) 2 litres or less :</p> <p>1. Port, Madeira, Sherry, Tokay (Aszu and Szamorodni) and Setubal muscatel (a)</p> <p>2. Wines fortified for distillation, within the meaning of Additional Note 4 (b) to Chapter 22</p> <p>3. Other</p> <p>b) More than 2 litres :</p> <p>1. Port, Madeira, sherry and Setubal muscatel (a)</p> <p>2. Tokay (Aszu and Szamorodni) (a)</p> <p>3. Wines fortified for distillation, within the meaning of Additional Note 4 (b) to Chapter 22</p> <p>4. Other</p>	<p>16 u.a. per hl (d)</p> <p>19 u.a. per hl (b) (c) (d)</p> <p>19 u.a. per hl (b) (a)</p> <p>13 u.a. per hl (d)</p> <p>13 u.a. per hl (d)</p> <p>19 u.a. per hl (b) (c) (d)</p> <p>19 u.a. per hl (b) (d)</p>	<p>14.5 u.a. per hl (d)</p> <p>19 u.a. per hl (d)</p> <p>19 u.a. per hl (d)</p> <p>12 u.a. per hl (d)</p> <p>-</p> <p>19 u.a. per hl (d)</p> <p>19 u.a. per hl (d)</p>

(a) Entry number this subheading is subject to conditions to be determined by the competent authorities.

(b) In certain conditions a countervailing tax is payable in respect of certain products in addition to the customs duty.

(c) In certain conditions a supplementary levy is payable in respect of certain products in addition to the customs duty.

(d) By way of derogation from General Rule C.3 contained in Part I, Section I, the exchange rate to be used in converting the unit of account in which the customs duty is expressed into national currency shall be the representative rate applicable to wine, if such a rate has been fixed pursuant to Council Regulation N° 129 on the value of the unit of account and the exchange rates to be applied for the purposes of the common agricultural policy (OJ N° 105, 30.10.1952, p. 2553/62).

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
22.05 (cont.)	C. V. Of an actual alcoholic strength exceeding 22°, in containers holding : a) 2 litres or less	1,60 UA per hl and per degree + 10 UA per hl (a)(b)	-
	b) More than 2 litres	1,60 UA per hl and per degree (a)(b)	-
22.06	Vermouths, and other wines of fresh grapes flavoured with aromatic extracts: C. Of an actual alcoholic strength exceeding 22°, in containers holding : I. 2 litres or less	1,60 UA per hl and per degree + 10 UA per hl (b)	
	II. More than 2 litres	1,60 UA per hl and per degree (b)	

(a) In certain conditions a countervailing tax is payable in respect of certain products in addition to the customs duty.

(b) In certain conditions a supplementary levy is payable in respect of certain products in addition to the customs duty.

.../...

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
22.07	Other fermented beverages (for example, cider, perry and mead) : B. Other		
	I. Sparkling	30 UA per hl	-
	II. Still		
	a) Of an actual alcoholic strength of 15° or less, in containers holding :		
	1. 2 litres or less	12 UA per hl	-
	2. More than 2 litres	9 UA per hl	
	b) Of an actual alcoholic strength exceeding 15°, in containers holding :		
	1. 2 litres or less	12 UA per hl (a)	-
	2. More than 2 litres	9 UA per hl (a)	-
22.08	Ethyl alcohol or neutral spirits, undenatured, of a strength of 80° or higher; denatured spirits (including ethyl alcohol and neutral spirits) of any strength :		
	A. Denatured spirits (including ethyl alcohol and neutral spirits) of any strength (b)		
	I. Of agricultural origin (b)	16 UA per hl (L)	
	II. Other	16 UA per hl	
	B. Ethyl alcohol or neutral spirits, undenatured of a strength of 80° or higher		
	I. Of agricultural origin :		
	a) obtained from molasses (b)	30 UA per hl (L)	

(a) In certain conditions a supplementary levy is payable in respect of certain products in addition to the customs duty.

(b) Entries under this subheading is subject to conditions to be determined by the competent authorities.

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
22.08 (cont.)	B.I. b) obtained from cereals (a)	30 UA per hl (L)	-
	c) vinous or obtained from fruit (a)	30 UA per hl (L)	-
	d) other, including mixtures (a)	30 UA per hl (L)	-
	II. Other	30 UA per hl	-
22.09	Spirits (other than those of heading N° 22.08); liqueurs and other spirituous beverages; compound alcoholic preparations (known as concentrated extracts) for the manufacture of beverages :		
	A. Spirits (other than those of heading N° 22.08) :		
	I. Of agricultural origin		
	a) more than 45.2° :		
	1. obtained from molasses, in containers holding :		
	aa) 2 litres or less (a)	1,60 UA per hl and per degree + 10 UA per hl (L)	-
	bb) more than 2 litres (a)	1,60 UA per hl and per degree (L)	-

(a) Entry under this subheading is subject to conditions to be determined by the competent authorities.

.../...

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
22.09 (cont.)	A.I. a) 2. obtained from cereals, in containers holding :		
	aa) 2 litres or less (a)	1,60 UA per hl and per degree + 10 UA per hl (L)	-
	bb) More than 2 litres (a)	1,60 UA per hl and per degree (L)	-
	3. Vinous or obtained from fruit, in containers holding:		
	aa) 2 litres or less (a)	1,60 UA per hl and per degree + 10 UA per hl (L)	-
	bb) More than 2 litres (a)	1,60 UA per hl and per degree (L)	
	4. Other, including mixtures, in containers holding :		
	aa) 2 litres or less (a)	1,60 UA per hl and per degree + 10 UA per hl (L)	
bb) More than 2 litres (a)	1,60 UA per hl and per degree (L)		

(a) Entry under this subheading is subject to conditions to be determined by the competent authorities.

.../...

Heading number	Description	Rate of duty	
		autonomous % or Levy (L)	conventional %
2009 (cont.)	A. I. b) of 45,2° or less		
	1. obtained from molasses, in containers holding :		
	aa) 2 litres or less (a)	1,60 UA per hl and per degree + 10 UA per hl (L)	1,60 UA per hl and per degree + 10 UA per hl (L)
	bb) More than 2 litres (a)	1,60 UA per hl and per degree (L)	1,60 UA per hl and per degree
	2. obtained from cereals, in containers holding :		
	aa) 2 litres or less (a)	1,60 UA per hl and per degree + 10 UA per hl (L)	1,60 UA per hl and per degree + 10 UA per hl
	bb) More than 2 litres (a)	1,60 UA per hl and per degree (L)	1,60 UA per hl and per degree
	3. Vinous obtained from fruit, in containers holding :		
	aa) 2 litres or less (a)	1,60 UA per hl and per degree + 10 UA per hl (L)	1,60 UA per hl and per degree + 10 UA per hl
	bb) More than 2 litres (a)	1,60 UA per hl and per degree (L)	1,60 UA per hl and per degree

(a) Entry under this subheading is subject to conditions to be determined by the competent authorities.

.../...

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
22.09 (cont.)	<p>A. I. b) 4. Other, including mixtures, in containers holding :</p> <p>aa) 2 litres or less (a)</p> <p>bb) More than 2 litres (a)</p> <p>II. Other, in containers holding :</p> <p>a) 2 litres or less :</p> <p>b) More than 2 litres</p> <p>B. Compound alcoholic preparations (known as "concentrated extracts") for the manufacture of beverages :</p> <p>I. Aromatic bitters of an alcoholic strength of 44° to 49° containing from 1.5 % to 6 % by weight of gentian, spices and various ingredients and from 4 % to 10 % of sugar, in containers of a capacity of 0.5 litre or less</p> <p>II. Other</p>	<p>1,60 UA per hl and per degree + 10 UA per hl (L)</p> <p>1,60 UA per hl and per degree (L)</p> <p>1,60 UA per hl and per degree + 10 UA per hl</p> <p>1,60 UA per hl and per degree</p> <p>30 with a min. of 1,60 UA per hl and per degree (L)</p> <p>30 with a min. of 1,60 UA per hl and per degree (L)</p>	<p>1,60 UA per hl and per degree + 10 UA per hl</p> <p>1,60 UA per hl and per degree</p> <p>(b)</p> <p>(b)</p> <p>Free</p> <p>27 with a min. of 1,60 UA per hl and per degree</p>

(a) Entry under this subheading is subject to conditions to be determined by the competent authorities.

(b) See Annex.

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
2.09 (cont.)	<p>Spirituos beverages</p> <p>I. Rum, arrak and tafis, in containers holding :</p> <p>a) 2 litres or less</p> <p>b) More than 2 litres</p> <p>II. Gin, in containers holding :</p> <p>a) 2 litres or less</p> <p>b) More than 2 litres</p> <p>III. Whisky :</p> <p>a) Bourbon whiskey, in containers holding (a) :</p> <p>1. 2 litres or less</p> <p>2. More than 2 litres</p>	<p>1,10 UA per hl and per degree + 10 UA per hl (L)</p> <p>1,10 UA per hl and per degree (L)</p> <p>1,20 UA per hl and per degree + 10 UA per hl (L)</p> <p>1,20 UA per hl and per degree (L)</p> <p>1,20 UA per hl and per degree + 10 UA per hl (L)</p> <p>1,20 UA per hl and per degree (L)</p>	<p>1,10 UA per hl and per degree + 5 UA per hl</p> <p>1 UA per hl and per degree</p> <p>1 UA per hl and per degree + 5 UA per hl</p> <p>1 UA per hl and per degree</p> <p>0,70 UA per hl and per degree + 5 UA per hl</p> <p>0,70 UA per hl and per degree</p>

(a) Entry under this subheading is subject to conditions to be determined by the competent authorities.

.../...

Heading number	Description	Rate of Duty	
		autonomous % or Levy (L)	conventional %
22.09 (cont.)	<p>C. III. b) Other, in containers holding :</p> <p>1. 2 litres or less</p> <p>2. More than 2 litres</p> <p>IV. Vodka with an ethyl alcohol content of 45-2° or less and plum, pear or cherry brandy, in containers holding :</p> <p>a) 2 litres or less</p> <p>b) More than 2 litres</p> <p>V. Other spirituous beverages :</p> <p>a) Brandy (other than brandy made from stone fruit, seed fruit or seed-fruit marc) :</p> <p>1. With an ethyl alcohol content of more than 45-2° in containers holding :</p> <p>aa) 2 litres or less</p> <p>bb) More than 2 litres</p>	<p>1,20 UA per hl and per degree + 10 UA per hl (L)</p> <p>1,20 UA per hl and per degree (L)</p> <p>1,60 UA per hl and per degree + 10 UA per hl (L)</p> <p>1,60 UA per hl and per degree (L)</p> <p>1,60 UA per hl and per degree + 10 UA per hl (L)</p> <p>1,60 UA per hl and per degree (L)</p>	<p>0,80 UA per hl and per degree + 5 UA per hl</p> <p>0,80 UA per hl and per degree</p> <p>1,30 UA per hl and per degree + 5 UA per hl</p> <p>1,30 UA per hl and per degree</p> <p>-</p> <p>-</p>

.../...

Heading number	Description	Rate of duty	
		autonomous % or Levy (L)	conventional %
22.09 (cont.)	C. V. a) 2. With an ethyl alcohol content of 45-2° or less, in containers holding :		
	aa) 2 litres or less	1,60 UA per hl and per degree + 10 UA per hl (L)	1,60 UA per hl and per degree + 10 UA per hl
	bb) More than 2 litres	1,60 UA per hl and per degree (L)	1,60 UA per hl and per degree
	b) Liqueurs :		
	1. With an ethyl alcohol content of more than 45-2°, in containers holding :		
	aa) 2 litres or less	1,60 UA per hl and per degree + 10 UA per hl (L)	-
	bb) More than 2 litres	1,60 UA per hl and per degree (L)	-
	2. With an ethyl alcohol content of 45-2° or less, in containers holding :		
	aa) 2 litres or less	1,60 UA per hl and per degree + 10 UA per hl (L)	1,60 UA per hl and per degree + 10 UA per hl
	bb) More than 2 litres	1,60 UA per hl and per degree (L)	1,60 UA per hl and per degree

.../...

Heading number	Description	Rate of autonomous or Levy (L)	Duty conventional %
22.09 (cont.)	C. V. c) Other, in containers holding: 1. 2 litres or less 2. More than 2 litres	1,60 UA per hl and per degree + 10 UA per hl (L) 1,60 UA per hl and per degree (L)	- -

FINANCIAL STATEMENT

DATE : 12.11.1976

1. BUDGET LINE CONCERNED : Article 100 and Article 720 of the EC Budget

2. ACTION : Proposal for a Council Regulation on the Common organization of the market in ethyl alcohol of agricultural origin

3. LEGAL BASIS : Articles 28, 42, 43, 113, 227 and 235 of the Treaty

4. OBJECTIVES : Establishment of a common organization of the market in ethyl alcohol of agricultural origin

5. FINANCIAL CONSEQUENCE	FOR THE MARKETING YEAR	CURRENT FINANCIAL YEAR (76)	FOLLOWING FINANCIAL YEAR (77)
5.0 EXPENDITURE			
-CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS)	47 mn. UA		
-CHARGED TO NATIONAL ADMINISTR.			
-CHARGED TO OTHER NATIONAL GROUPS			
5.1 RECEIPTS			
-OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)	(35 mn. UA)		
-NATIONAL			

	YEAR	YEAR1978.....	YEAR1979....
5.0.1 PLURIANNUAL PATTERN OF EXPENDITURE		13 mn. UA	24 mn. UA
5.1.1 PLURIANNUAL PATTERN OF RECEIPTS		14 mn. UA	35 mn. UA

5.2 METHOD OF CALCULATION The proposal for a Regulation is based on the principle of a financial balance. The costs of the various measures provided for in Articles 6, 7, 8, 11 and 15 will be covered by charges provided for in Articles 11, 15 (perequation) and 18 (contribution). In addition production refunds (Art. 25) will be granted; resulting in an expenditure of 47 mn. UA. On the other hand, levies on the basic products (barley and maize) will amount to 35 mn. UA.

6.0.1 IS THE PROPOSAL FINANCIALLY BALANCED IN THE CURRENT BUDGET? YES/NO

6.0.2 IS THE PROPOSAL FINANCIALLY BALANCED IN THE BUDGETS OF THE FOLLOWING YEARS? YES/NO

6.0.3 IS THE PROPOSAL FINANCIALLY BALANCED IN THE BUDGETS OF THE FOLLOWING YEARS? YES/NO

6.3 CREDITS TO BE WRITTEN INTO FUTURE BUDGETS ? from 1978 YES/NO

COMMENTS :

(1) Taking into account the date of applicability, 1 July 1978, and payment time-limits.

Details of foreseeable revenue and expenditureI - Revenue (own resources)

1. Direct levies (small quantities imported)	low
2. Levies on raw materials (1)	
imported 100 000 m.t. barley at 50 u.a./m.t. = 5 M.u.a.	
600 000 m.t. maize at 50 u.a./m.t. = 30 M.u.a.	
	<u>35 M.u.a.</u>
Total revenue (1)	<u>35 M.u.a.</u>

II - Expenditure by the Guarantee Section of the EAGGFA. Outside the financial balance system

1. Export refund (Art. 25)		
(not necessary at present)		Token entry
2. Production refund (Art. 25) (1)		
85 % of production from 500 000 m.t. of barley		
and from 600 000 m.t. of maize is exported and		
will qualify for the production refund		
500 000 m.t. barley x 85 % x 50 u.a./m.t. = 21,25 M.u.a.		
600 000 m.t. maize x 85 % x 50 u.a./m.t. = <u>25,5 M.u.a.</u>		
Total	46,8 M.u.a.	+ 47 M.u.a.
3. FOD measures (Art. 29): Still to be proposed to the		
Council by the Commission		Token entry
	Total A	<u>+ 47 M.u.a.</u>

B. As part of the financial balance

1. Buying in by intervention agencies (Arts. 6 and 8).		
As a result of the system of guaranteed quantities,		
the quantities to be bought in by the intervention		
agency should be small. Assuming that 25 % of production		
is bought in at a net cost of 3 u.a./hl, expenditure will		
amount to (1.0 million hl x 3 u.a./hl)		+ 3,0 M.u.a.
Losses to intervention agencies on sales to		
non-reserved sectors		+ 30 M.u.a.

.../..

2. Equalization charge (Art. 11 (1)). On the basis of a quantity of 1 700 000 hl and an average equalization charge of 18.8 u.a./hl, the amounts collected will total	- 32 M.u.a.
3. Grant of the compensatory payment (Art. 11 (2)). On the basis of a quantity of 1.650.000 hl and an average payment of 23.3 u.a./hl, the amounts granted will total	+ 38,5 M.u.a.
4. Equalization charge (Art. 15 (1)), applied only if the situation is the reverse of that provided for in Article 15 (2)	Token entry
5. Grant of compensatory payments (Art. 15 (2)). On the basis of a quantity of 750 000 hl and an average payment of 30.6 u.a./hl, the amounts granted will total	+ 23 M.u.a.
6. Transitional measures for molasses alcohol (Art. 7), Grant of a marketing payment of 10 u.a./hl for a quantity of 300 000 hl	+ 3 M.u.a.
7. Intervention contribution (Art. 17). On the basis of a quantity of 6 mn hl and a contribution amount of 11 u.a./hl; the amounts levied will total	- 65,5 M.u.a.
Total B (expenditure by the EAGGF)	<hr/> 0

(1) Calculation assumes no recourse to inward processing arrangements. At present most imported raw materials are processed under these arrangements.

If inward processing arrangements are maintained, no import levy will be charged or production refund granted on raw materials processed under such arrangements.

