

The Market Organization for Unmanufactured Tobacco

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## THE MARKET ORGANIZATION FOR UNMANUFACTURED TOBACCO

### Background

The inhabitants of North America were already smoking tobacco when Columbus discovered them in 1492. Tobacco was first cultivated in Europe purely as an ornamental plant. Later it came to be prized as a medicinal plant, the therapeutic properties claimed for it being grossly exaggerated. Tobacco was first taken in the form of snuff, then smoked, and it was not long before the harmful effects of its excessive use were recognized. Despite its dangers, however, this allegedly therapeutic substance developed into an indispensable luxury. Church and State both opposed its use at first, but governments gradually came to see that tobacco offered them a rich source of revenue and they began to cash in on the steady growth of tobacco consumption. Today tobacco is widely used all over the world and is of great industrial and commercial importance.

This is more or less what the 1895 edition of Brockhaus's encyclopedia has to say about tobacco. But the old problem is as alive as ever. Even then, the fiscal authorities were faced with a special difficulty because, in addition to domestic production, large quantities of tobacco were imported, and both had to be taxed accordingly. This marked the beginning of tax systems and monopolies.

In Europe before 1900 Germany, in particular, grew a lot of tobacco; some 33 000 tons of unmanufactured tobacco were produced each year. At that time France produced only 22 800 tons and Italy a mere 1 900 tons. However, the picture has since changed completely. Italy now grows the lion's share of the Community's tobacco crop. In 1968 it produced 74 100 tons, France produced 51 900 tons and Germany no more than 7 400 tons (see Table 1).

As a crop, tobacco makes special demands on both climate and soil. Furthermore, quality is closely linked with the variety of seed sown, and the crop is particularly labour-intensive. It is hardly surprising, then, that in Germany, where growers had no price and sales guarantees of the type existing in France and Italy thanks to State monopolies, tobacco growing should have declined more and more with the spread of industrialization. It is now confined to a very small area, mainly in the valley of the Rhine. But where tobacco is still seriously grown in Europe - and this is particularly true of France and Italy - the incomes obtained from it are vital for growers, and the tax and monopoly system, once regarded as a burden by growers as well as consumers, has developed over the years into a system to protect growers. It cannot be abandoned overnight.

Fundamental to tobacco-growing in the Community is the question of varieties (see Table 2). Some varieties grown in Community countries - Burley, for example - are in such request on the markets of the other Member States that they can command a price which ensures that the grower receives a fair income. Because of their

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quality, there is no difficulty in finding an outlet for these varieties, which can compete with tobaccos imported from non-member countries and liable to customs duties. Finding an outlet for dark tobacco is more difficult. Dark tobacco is not in such universal demand, and South American countries - the main suppliers on the world market - offer it at extremely low prices. Oriental tobacco grown in Italy is in an even more ticklish position, since it must compete with tobacco imported from Greece and Turkey. Both these countries are associated with the Community, and their tobaccos are now allowed on the Member States' markets free of customs duty. The monopolies in Italy and France provide approved growers with a guaranteed market, the State itself ensuring that home-grown tobacco is processed and consumed. In Germany special tobacco tax arrangements give home-grown tobaccos a slight advantage over imported tobaccos.

However, trading monopolies and tax advantages are not compatible with the Common Market. Article 37 of the Treaty of Rome stipulates that no discrimination regarding supplies or marketing shall exist between nationals of Member States when the transitional period expires, that is to say, on 31 December 1969. The same is true of import restrictions of all kinds.

Article 37 of the Treaty also stipulates that equivalent guarantees in respect of employment and standard of living must be given to the growers concerned where a monopoly involves rules designed to facilitate the marketing or valorization of agricultural products. These "equivalent guarantees" can only be provided, however, within the framework of a common organization of the market.

Self-sufficiency and trade

The Community's average annual production - 135 000 tons - covers some 35% of its demand for unmanufactured tobacco. This means that the remaining 65% must be imported from non-member countries. However, if we look at the position of the individual Member States we get a completely different picture. A rough calculation gives the following national degrees of self-sufficiency:

Italy	100%
France	45%
Germany	5%
Belgium	5%
Netherlands	0%

The tobacco-growing monopolies in Italy and France were coupled with trading monopolies which also hindered intra-Community trade in tobacco. As far back as 1962 the Commission addressed a recommendation to France for the dismantling of this monopoly. Some measures of relaxation were taken at that stage but by 1970, when all discrimination regarding supplies or marketing should have been abolished

with the expiration of the transitional period, these improvements were not working to the satisfaction of the other Member States. There was still no free market for tobacco, since the monopoly continued to control the selection of brands and only approve those brands with a large share of the market in their country of origin.

### Common Market Organization

Because of its production and consumption position, the Community is a net importer of tobacco.

There has been a definite tendency for Community imports from non-member countries to increase since 1960/61. By 1969 they had topped the 266 000 ton mark - an increase of 45% (see Table 3).

Community exports to non-member countries amounted to some 5 000 or 6 000 tons, including 4 000 to 5 000 tons of re-exports (see Table 3).

Because of the large tobacco stocks held by manufacturers, however, these foreign trade figures do not give an accurate picture of utilization. Furthermore, the statistics show that imports fell in 1968. This quite extraordinary development can be partly explained by the introduction of new customs arrangements in France (duty-free stores).

In fact, this unusual trend affected all French imports of unmanufactured tobacco in 1968. These were some 60% lower than previously, and the trend may have continued, though to a lesser extent, in 1969.

In intra-Community trade, imports are given as 26 000 tons. But in actual fact only 7 000 tons of this is Community-grown tobacco, from Italy and France. The remainder is tobacco from non-member countries re-exported within the Community to other Member States.

### Structure of the market organization

The Common Customs Tariff duties on tobacco are bound in GATT. Following the implementation of concessions made during the Kennedy Round the CCT duty on unmanufactured tobacco and tobacco refuse will be 23% from 1 January 1972. This amounts to a minimum duty of \$28 and a maximum duty of \$33 per 100 kg.

For a large proportion of Community production, application of the CCT to imports from non-member countries fails to offset the difference between growers' costs and world market prices.

For some 90% of Community production, national arrangements ensure that there is a market for the tobacco crop at prices which guarantee growers a fair income. These guarantees must be maintained, which means that national arrangements must be replaced by

similar ones, to be inserted in the Common Market framework. These new arrangements must benefit all growers in all Member States in the same way. They must involve no discrimination either for the trade or the consumer. And they must make free movement of products possible. These goals cannot be fully or completely achieved merely by creating a common organization of the market. To achieve them, monopolies will have to be abolished and arrangements for taxing tobacco consumption will have to be harmonized. Initially the Council tried to view the above three facets of the tobacco problem as a whole and to deal with all three in agricultural regulations. In the end, however, it decided that the agricultural facet should be dealt with by a regulation based on Articles 42 and 43 through the introduction of a common organization of the market in unmanufactured tobacco, and the other two facets of the problem should be covered by decisions.

Thus a common organization of the market in unmanufactured tobacco, involving price and trade arrangements, came into being. It covers unmanufactured tobacco and tobacco refuse of CCT heading 24.01.

The purely agricultural aims of the market organization will be achieved through a price and subsidy system and intervention and trade arrangements which are modelled in part on other market organizations. There are, however, further provisions to allow for the special requirements of tobacco and to deal with surplus production. These market control measures are an innovation. Thanks to them, if surpluses begin to form the Community will be able to act in good time instead of being forced to watch unsaleable mountains of tobacco building up.

The Commission was able to incorporate amendments suggested by the European Parliament and the Economic and Social Committee into its proposals, which were modified during debates in order to bring viewpoints closer together.

The European Parliament advocated a different price system with no provision for support buying. Although there is something to be said for this, it seemed at the time to be ruled out as a basis for a solution acceptable to all, because of the views expressed by the Member States within the Council. The Parliament also suggested that action be taken in the social field to counteract the effects of market control on growers' incomes and employment. This idea was incorporated in the Commission's proposal and approved by the Council. Finally, the trade arrangements for non-member countries in the initial proposal were simplified in line with the Parliament's views.

The Commission was also able, to a large extent, to incorporate the amendments proposed by the Economic and Social Committee. The Committee had approved the main lines of the original Commission proposal but did suggest a number of changes with regard to the criteria for fixing subsidies and the extension of intervention to baled tobacco. The Committee also favoured the introduction of

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procedure which would be set in motion once support buying went above a certain level, and advocated measures to compensate growers hit by these changes.

The Council discussed the draft text relating to this market organization at many meetings, until it was finally approved on 21 April 1970. Politically, the market organization for unmanufactured tobacco is of considerable importance because it is closely linked with the agreement on wine and therefore with the definitive financing arrangements for agriculture. It is also associated with competition policy - because of the State monopolies - and with taxation policy.

### Price arrangements

The price and intervention arrangements are based on the need for joint provisions which will give Community growers the same guarantees on employment and standard of living that they previously enjoyed under national market arrangements. This will be achieved through an intervention system based on a target price and arrangements for support buying. Firstly, buyers will receive a subsidy if they purchase tobacco directly from a Community producer, and secondly intervention agencies will be obliged to buy in at the intervention price. The arrangements are to be applied in such a way that growers will be given an incentive to improve quality and adjust production to demand. Above all, growers will be expected to change over to competitive varieties which are in request.

### Prices

The target price will be fixed each year at a level which will guarantee growers an adequate return, bearing in mind the direction to be given to production in the future. In fixing this price it will be assumed that enterprises are economically viable and run on rational lines.

The intervention price, which will be lower than the target price, must represent the minimum at which growers can market their tobacco. The intervention agencies will therefore be obliged to buy all tobacco offered them by growers at this price.

A target price and an intervention price valid for the following year's crop will be fixed by the Council before 1 August each year. This arrangement has been made so that the grower will know before he plants what price he can expect to get for his crop. Such information is of the utmost importance when planning decisions are being taken on a farm run along rational lines, and also when deciding production.

The target price will be based on the target prices valid for previous harvests. It must be such as to encourage the degree of specialization consistent with the economic structure and natural

conditions of Community production. It must also help to improve quality and to ensure that growers receive an adequate income, assuming that their farms are economically viable and rationally run. This highlights the link between price policy and structural policy in agriculture on the one hand and a comprehensive regional policy on the other.

The intervention price will be 90% of the target price.

Target and intervention prices will be fixed for each variety of tobacco grown in the Community and for leaf tobacco which has not been subjected to any preliminary processing or preparation. A reference quality, which is sufficiently representative of qualities in a normal harvest, will be determined for each variety. The characteristics of each variety will also be specified.

"Varieties grown in the Community" will be taken to mean the different types of tobacco as distinguished by their botanical characteristics. Where necessary, allowance can be made for ecological changes in these varieties.

The reference qualities will also be fixed by the Council before 1 August each year.

#### Subsidies

Since the target price to be fixed by the Council will as a general rule be higher than the price of comparable imports from non-member countries, a determined effort will have to be made to ensure that deals can be freely concluded on the tobacco market and that growers will be able to command prices which are reasonably close to the target price. To encourage deals of this kind, buyers who purchase supplies direct from the growers will receive a subsidy. With this subsidy it should be possible to dispose of tobacco bought thus under normal competitive conditions.

Any natural or legal person buying leaf tobacco direct from a Community grower will be able to claim the subsidy. To qualify for it they must sign a contract with a grower or alternatively buy leaf tobacco at an auction. Auctions were included in the scope of the regulation because this is the way in which tobacco is most commonly sold in Germany (the so-called Einschreibungen). Tobacco bought thus will either be processed beyond the preliminary processing and preparation stage or, alternatively, exported to non-member countries.

Leaf tobacco has a limited life and a number of growers or growers syndicates look after the preliminary processing and preparation themselves. This is particularly true of the Concessionari in Italy. The subsidy must also be available to these growers or growers syndicates if their produce is sold for processing or for export outside the Community.

These buyers subsidies will be paid on the basis of growing contracts drawn up along uniform lines. Controls will also be needed. Special regulations to deal with these matters are to be adopted in accordance with the Management Committee procedure, whose efficacy has been proved in the case of earlier market organizations.

When subsidies are paid to ensure that growers receive a certain income, people are inclined to think immediately of the British deficiency payments system. However, those subsidy arrangements for tobacco sales differ in several respects from the British deficiency payments.

Under the deficiency payments system the subsidy is fixed retrospectively, that is to say after the harvest, when crops have already been sold and the difference between the market price and an acceptable price can be calculated. The subsidy is then paid to farmers who can produce evidence to show what they have sold.

The number of tobacco-growing farms in the Community is extremely high (the average area planted by each grower is only 0.5 ha), and in Italy, for instance, the authorities are not even sure what the exact number is. For administrative reasons, therefore, it is simpler to pay the subsidy to the buyer, which means that the amount of the subsidy must be known before a deal is made.

Another point is that, in contrast to the British system, the subsidy here is backed by intervention arrangements. Great care must be taken to ensure that encouragement is given to the free arrangement of deals, so that tobacco is not simply bought in by the intervention agencies without any effort being made to sell it. The conclusion of contracts is of enormous importance here. But, again, contracts of this kind can be concluded only if the amount of the subsidy is known in advance. Under the market organization arrangements, therefore, the subsidy for unmanufactured tobacco will be fixed before 1 November each year by the Council on a proposal from the Commission, for the following year's harvest.

The subsidy, which should ensure that growers get the target price and that Community tobacco is freely marketed, will be made up of two elements for each variety.

The first will be determined in the light of past and future sales opportunities under normal competitive conditions on the Community market, and of the incidence of the price trend for tobaccos imported from outside the Community where these tobaccos can be substituted for Community-grown tobaccos and are competitive with them.

The second element will be a standard amount that will make it possible to honour the price and income guarantees given to growers and to dispose of Community tobacco under the best possible conditions.

Where allowance is made for the cost of preliminary processing and preparation of leaf tobacco into baled tobacco in calculating the subsidy, this will be based on the cost of preliminary processing and preparation in efficiently-run Community enterprises.



The subsidy will be fixed for one kilogram of unprocessed leaf tobacco, for each variety and each reference quality. The subsidies fixed in this way will apply to all tobacco of that variety grown in the Community. However, if the payment of an identical subsidy for different quality tobaccos were to hinder the smooth operation of the common organization of the market, or interfere with the adjustment of production to buyers' requirements, exceptional arrangements may be made to fix the subsidy in some other way.

### Intervention

Basically the intervention agencies are obliged to buy in all Community-grown leaf tobacco offered to them, provided it has not already benefited from a sales subsidy. Intervention agencies will pay the intervention price appropriate to the various varieties and qualities. Upward and downward adjustments will be made if the quality offered is not exactly the same as the reference quality. Such price increases and reductions will be calculated on the basis of trade practice and objective criteria. Intervention agencies will not, however, be obliged to buy-in leaf tobacco which falls short of the minimum quality standards for fixing the increases or reductions.

The Council has still to adopt basic rules on the buying-in of leaf tobacco by the intervention agencies. The relevant implementing provisions will be established in accordance with the Management Committee procedure.

Baled tobacco produced from leaf tobacco harvested in the Community can also be offered to the intervention agencies, provided the tobacco has not enjoyed a previous subsidy. This will call for the fixing of a derived intervention price which will take the cost of preliminary processing and packing into account. Here too, the relevant prices and basic rules have to be fixed and approved by the Council and, again, implementing provisions will be adopted by the Commission in accordance with the Management Committee procedure.

If the intervention agencies buy-in leaf tobacco they will look after the preliminary processing and packing themselves. They will be free to sign contracts for this purpose with specialized firms, as also for the continued storing of the baled tobacco.

Under no circumstances may the marketing of tobacco bought in by the intervention agencies be allowed to hinder the free trading encouraged by the subsidy arrangements. Tobacco held by the intervention agencies will be sold by public auction or by tender. There must be no disturbance of the market, and buyers must be guaranteed equal access to the merchandise and accorded equal treatment. Basic rules and implementing provisions have to be adopted here too.

Because of the measures introduced by the price arrangements, all quantitative restrictions on the Community's external frontier can be abolished. In exceptional circumstances, however, the new arrangements might prove to be inadequate. Here, the Community must be able to act quickly so that the market will not be left completely exposed to any disturbances resulting from the removal of the earlier import restrictions.

Imports

It has already been said that customs duties on tobacco are bound in GATT. This is why the special import arrangements we have come to expect in a basic market regulation are missing from the tobacco regulation. When unmanufactured tobacco is imported from non-member countries, customs duties are charged in accordance with the provisions of the Common Customs Tariff.

In addition, the levying of charges with an effect equivalent to customs duties, and the application of quantitative restrictions and measures with equivalent effect, are forbidden. The absence of any special rules on imports heightens the importance of the internal market organization, with its intervention and subsidy arrangements. To cover all eventualities, a safeguard clause has been included as an emergency measure to enable the Community to deal with persistent disturbances of the market.

Exports

Where necessary, the difference between world prices and Community prices can be offset by the payment of an export refund which will enable the Community to trade on the international market in unmanufactured tobacco.

Unlike earlier market organizations, the market regulation for unmanufactured tobacco places a ceiling on this export refund. Save in exceptional circumstances, when a decision would have to be taken in accordance with the Management Committee procedure, the refund, which can vary from one importing area to another, will be fixed within the limits of the incidence of the Common Customs Tariff. This will be calculated on the basis of average offer prices for tobacco from non-member countries.

The refund will be the same for the entire Community. It will be fixed at regular intervals in accordance with the Management Committee procedure, and it can vary from one importing country to another. The Commission will have power to change the amount of the refund in the intervals between regular fixings, if necessary. It can do so either at the request of a Member State or on its own initiative.

The refund will be paid on application.

As in other market organizations, the inclusion of a safeguard clause here is quite logical. If the Community market is seriously disturbed, or if it is threatened with serious disturbances, because of imports or exports, some arrangement must be available to allow the immediate application of suitable measures until the danger has disappeared. In cases of this kind the Commission will take the necessary action either at the request of one of the Member States or on its own initiative. In this it will be bound by implementing provisions to be approved by the Council. These will determine when, and to what extent, safeguard measures can be applied.

If the Commission decides to introduce safeguard measures, the Member States will be informed and the measures will be put into effect immediately on a Community basis. If any Member State disagrees with the Commission's decision it can object and have the matter referred to the Council.

It is unlikely, however, that the safeguard clause will ever be invoked for tobacco. The Community's deficit is such that it will be forced to import supplies permanently.

General provisions

A regulation introducing a common market organization usually needs to be rounded off by a number of general provisions dealing with points which cannot be covered either by the price arrangements or by the arrangements for trade with non-member countries. These general provisions concern trade between the Member States, rules on aids and competition, financing arrangements and the creation of a Management Committee. In addition to these usual provisions, however, the tobacco regulation has another which is making its first appearance in a Community regulation - namely, a market control measure designed to combat the formation of large surpluses.

Aids

The effectiveness of the general measures provided for by the new regulation would be jeopardized if the Member States were to grant certain aids. For this reason it seemed essential (except as otherwise provided in the regulation) to apply the provisions of Articles 92 to 94 of the Treaty of Rome, which deal with the question of aids, to the production of and trade in unmanufactured tobacco. The incorporation of this provision will enable the Community to assess the aids (subsidies) given by the Member States and to ban those which are incompatible with the Common Market.

### Monopolies

Since the new Community measures as a whole provide the necessary guarantees for growers, existing national arrangements concerning the production and marketing of unmanufactured tobaccos in the individual Member States can be abolished. Any national provisions which give certain individuals or legal persons, or nationals of one Member State, the sole right to grow tobacco, to subject it to initial processing (including fermentation) and to market it will be incompatible with the new regulation. This applies in particular to sowing, planting, harvesting, packing, transporting, storing, buying and selling.

### Financing

Once the rules contained in the new regulation are applied, the unmanufactured tobacco sector will be covered by the provisions on financing the common agricultural policy.

Similarly, as far as the Guarantee Section of the EAGGF is concerned, Article 40(4) of the Treaty and the relevant implementing provisions will also apply to the market in unmanufactured tobacco in the French overseas departments.

### Statistics

Since trade in unmanufactured tobacco will no longer be subject to a licensing system which gave the authorities a fair idea of transactions, greater attention will now have to be paid to trade statistics. If all the provisions of this regulation are to be properly and consistently applied, there must be a two-way exchange of information between the Member States and the Commission. Detailed arrangements for the transmission of statistics, with special reference to import and export statistics, will be adopted in accordance with the Management Committee procedure.

### Management Committee

Many passing references have been made to decisions being taken "in accordance with the Management Committee procedure". A Management Committee will be created for tobacco, comprising representatives of the Member States, with a representative of the Commission in the chair.

Under the Management Committee procedure, the chairman refers the matter to the Committee either on his own initiative or at the request of the representative of one of the Member States.

This procedure ensures close cooperation between the Member States and the Commission, and has worked out very well with earlier market organizations.

Market control

None of the earlier market organizations made any provision for market control arrangements. Organizations of the markets in the main agricultural products came into being in 1967. This was the year in which the farm surplus problem first became evident, and the situation has deteriorated visibly over the last two years. The German and Benelux delegations were afraid that unsaleable surpluses of tobacco, too, would accumulate behind the protective wall of intervention arrangements, and insisted on the inclusion of measures to check undesirable trends in production and in the formation of surpluses.

The subsidy system will serve as a yardstick for undesirable trends, designed as it is to encourage direct trading. The system will show the quantities over a given level which are bought in by the intervention agencies.

According to Article 13 of the new regulation, if the quantity of a given variety or group of varieties bought in during one tobacco harvest exceeds a certain percentage of total production, or simply if it exceeds a certain figure, the Commission will be required to produce a report. The Council will then assess the situation, and if it feels that the trend shown in the report is an undesirable one it can take appropriate action for the next calendar year. In this way the balance between supply and demand can be improved and stocks reduced.

The Council's main weapon here is to fix suitable target and intervention prices. If, however, the instruments of price control fail to guide production in a satisfactory manner, the Council will be able to adopt specific measures to deal with the varieties which are the main cause of the market disturbances. In such cases it can lower the intervention price, or exclude some (or even all) qualities of the varieties in question from support buying. Article 13 concerns all tobacco for which the subsidy is to be paid, irrespective of variety. But the variety is the unit that triggers off Community action; and care must be taken to ensure that the production of those varieties that need marketing subsidies does not increase. Increased production of these varieties would not be consistent with the market organization. A constant watch must be kept on this situation too, and any increase in production which is not economically justified must be combated by reducing the target price and cutting subsidies.

This will be the Commission's responsibility. It must keep an eye on the situation, prepare reports and submit these with appropriate proposals to the Council. It will be for the Council to decide what action should be taken.

The Commission's reports to the Council will have to include forecasts of the effect which the measures it proposes will have. This will make it possible to assess the effects on the employment situation and standard of living of the growers concerned. As we said at the outset, the growers most likely to be hard hit live in areas where ecology and economics preclude an overnight change to some other way of earning a living. The solution in cases of this kind might be a system of subsidies not connected with the product.

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Implementing measures

At its meeting on 21 April 1970 the Council approved the basic regulation (Regulation (EEC) No. 727/70) on the establishment of a common organization of the market in unmanufactured tobacco. This came into force with the 1970 harvest.

At a meeting on 20/21 July 1970, the Council approved six regulations on prices<sup>1</sup> and subsidies<sup>2</sup> for the 1970 harvest and general rules on intervention arrangements and criteria for initiating the procedure in Article 13 of the basic regulation.<sup>3</sup>

The key to the price and intervention arrangements is the annual fixing of a target price for a reference quality. The target price in the first marketing year will correspond to the average price fetched during the three previous marketing years.

To ensure that the target price is reached and all tobacco grown is disposed of, a subsidy will be paid to the first buyers of leaf tobacco. This subsidy ultimately benefits the grower.

The level of this subsidy will be fixed by the Council each year in the light of marketing opportunities and the influence exercised by the trend of prices for imported tobaccos.

The intervention price for leaf tobacco will be 10% below the corresponding target price. Intervention agencies are obliged to buy tobacco which cannot be sold in the normal way. The prices paid by the agencies, however, will be slightly higher for the better qualities and slightly lower for the poorer.

Similarly, baled tobacco can be bought in by the intervention agencies up to a given amount, provided no subsidy has been paid on the tobacco at an earlier stage.

Conditions governing the sale of tobacco held by the intervention agencies are also fixed.

The basic regulation contains arrangements for imports from non-member countries but says nothing specific about the application of the Common Customs Tariff. Both the levying of additional countervailing duties and the application of quantitative restrictions are prohibited. The regulation also lays down the conditions under which exporters can claim refunds and Community procedures for applying a Community safeguard clause.

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<sup>1</sup>Regulations (EEC) Nos. 1464/70 and 1465/70.

<sup>2</sup>Regulation (EEC) No. 1466/70.

<sup>3</sup>Regulations (EEC) Nos. 1467/70, 1468/70 and 1469/70.

Once the common organization of the market is in force, national arrangements for the tobacco sector - and in particular State monopolies for planting, initial processing and marketing of unmanufactured tobacco - will have to be abolished.

Finally, a number of provisions allow the Council to introduce special measures to maintain equilibrium on the tobacco market should Community production as a whole, or the quantity of a given variety bought in by the intervention agencies, exceed a given level.

These may involve a reduction in the target price and/or the intervention price, and stricter conditions for buying-in either all tobacco produced or merely a proportion of a given quality of one variety.

On 25 August 1970 the following procedures were approved to implement arrangements for the 1970 harvests:

- (a) The necessary control procedures for the payment of subsidies;
- (b) Detailed arrangements for buying-in by the intervention agencies;
- (c) Arrangements for determining quality differences and for assessing them when tobacco is being bought in by the intervention agencies.

Table 1

Area planted and tobacco production  
in the European Community

Country	1955	1965	1966	1967	1968	1969
Area planted ('000 ha)						
Germany	10.6	3.7	3.4	3.5	3.5	3.2
France	29.0	21.3	20.6	19.8	20.4	20.1
Italy	48.4	55.4	54.1	53.8	51.8	46.6
Belgium	1.2	0.8	0.7	0.5	0.6	0.6
EEC	89.2	81.2	78.7	77.6	76.3	70.6
Production ('000 tons leaf tobacco) <sup>1</sup>						
Germany	26.0	8.7	9.5	3.6	7.4	7.9
France	56.3	49.0	47.1	47.5	51.9	48.2
Italy	72.3	73.5	73.1	86.9	74.1	75.8
Belgium	3.0	2.2	1.9	1.6	1.8	1.8
EEC	157.6	133.4	131.7	144.6	135.2	133.8

<sup>1</sup>Leaf tobacco weight must be multiplied by a coefficient of 0.85 to obtain a gross figure for baled tobacco produced in the Community.

Source: Statistical Office of the European Communities.

Table 2

Breakdown of Community production of leaf tobaccoby variety or variety group and Member State

(1000 tons)

Variety	Country	1964	1965	1966	1967	1968	1969
Dark air-cured	Germany	4.9	4.0	4.2	4.3	3.8	3.7
	Belgium	0.8	0.8	0.7	0.5	0.6	0.6
	France	43.3	48.8	46.8	47.1	50.0	43.2
	Italy	13.1	14.1	13.9	14.6	14.2	11.7
Sun-cured	Italy	26.6	23.2	22.6	29.1	16.9	21.7
Light air-cured	Germany	4.4	4.2	4.7	3.6	2.9	3.2
	France	0.1	0.2	0.3	0.4	0.5	0.6
	Italy	17.7	16.7	16.5	22.4	25.6	29.5
Flue-cured	Germany	0.7	0.5	0.6	0.7	0.7	0.7
	Italy	11.5	9.8	10.6	11.5	9.3	9.4
Fire-cured	Italy	9.0	8.4	8.3	8.7	7.6	6.7
Other	Italy	1.1	1.2	1.1	0.7	0.5	0.4

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Table 3

Community imports of unmanufactured tobacco

(tons)

Origin	1966	1967	1968	1969
CCT heading 24.01 A = Tobacco of a value, per bale, of not less than 280 u.a. per 100 kg net weight				
World	4.662	4.846	3.143	4.686
of which: EEC	1.837	1.941	1.508	1.791
: non-EEC	2.825	2.905	1.635	2.894
CCT heading 24.01 B = Other baled tobacco; tobacco refuse				
World	278.758	296.164	240.942	292.435
of which: EEC	16.808	21.213	23.907	26.450
: non-EEC	261.950	274.950	217.000	265.983

Community exports of unmanufactured tobacco

(tons)

Origin	1966	1967	1968	1969
CCT heading 24.01 A = Tobacco of a value, per bale, of not less than 280 u.a. per 100 kg net weight				
World	682	484	662	821
of which: EEC	641	347	556	679
: non-EEC	41	139	107	144
CCT heading 24.01 B = Other baled tobacco; tobacco refuse				
World	117.076	18.732	20.723	22.421
of which: EEC	11.679	13.704	13.660	16.303
: non-EEC	5.327	5.029	7.064	6.119

Provisional completion of harmonization  
of legislation on seeds and seedlings

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On 28 September 1970 the Council adopted a directive on the common catalogue of agricultural varieties and another on trade in vegetable seed, thus virtually completing its work on the harmonization of legislation on agricultural and horticultural seeds and seedlings. The directive on the common catalogue of agricultural varieties supplements the directives adopted some time ago on trade in beet seed, fodder seed, seed grain, seed potatoes, and seed of oleaginous and fibrous plants. These earlier directives had temporarily shelved the question of a common catalogue, allowing Member States to retain their restrictive national lists of varieties for the time being.

From now on, any variety approved in any Member State under Community rules will be automatically approved throughout the Community after a certain length of time. The main conditions to be fulfilled by a variety before it can be nationally approved are that it must be distinct from other varieties, true to type and sufficiently homogeneous. It must also be of agricultural value. Member States who have justified doubts about a given variety may make these known in accordance with the procedure for the Standing Committee on Seeds and Seedlings. In addition, the directive contains provisions to allow the incorporation of old varieties, approved at an earlier stage, in the common catalogue.

The directive on trade in vegetable seed also provides for a common catalogue of varieties. This, like the catalogue of agricultural varieties, would involve automatic approval. But here there is no need for field trials to test agricultural value. Vegetable seed, like agricultural seed, will in future be subject to approval (certification) in accordance with Community procedures. So-called "standard" seed may, however, be marketed for the time being. Like certified seed, this must be varietally pure and true to type. But it is only inspected on a sampling basis after the event while certified seed and its previous generations must be officially inspected before being put on the market.

Now that these new directives have been approved it can be assumed that, as far as the main agricultural and horticultural varieties are concerned, only seeds and seedlings which have been officially tested for variety and quality can be marketed. For seeds and seedlings which comply with Community rules, there are no restrictions of any kind on intra-Community trade.

Commission proposal for a Council directive amending  
the directive of 9 April 1968 on trade in material for  
the asexual propagation of vines

This proposal was submitted to the Council just before the summer holidays.

Under the 9 April 1968 directive the Member States were entitled to limit trade in multiplication stock to varieties of agricultural value on their own territory pending the introduction of a common catalogue of varieties.

Adoption of a Council directive of 16 July 1970 containing rules for the classification of vine varieties made the introduction of a common catalogue superfluous.

The basis of the new proposal is that a list should be drawn up of the varieties approved in each wine-growing area of the Community. Once this has been done, all that will be necessary is to allow the marketing of multiplication stock in those Member States in which the particular variety in question is approved.

This can be arranged simply enough by making a number of amendments to the Council directive of 9 April 1968 on trade in material for the asexual propagation of vines.

These new provisions replace Article 5 of the earlier directive and provide for the introduction of uniform criteria and uniform minimum requirements for field trials before individual varieties are approved for inclusion in national catalogues.

The amending directive will also make a number of small improvements in the original directive.