

March 26, 1973

BACKGROUND NOTE/AGRICULTURE/02/1973

THE COMMON ORGANIZATION
FOR FRUIT AND VEGETABLES

	<u>Page</u>
I. PRICE AND INTERVENTION REGULATION	
1) New criteria	1
2) Improvement of intervention regulation	2
3) Use of intervention produce	3
II. COMMON QUALITY STANDARDS	
1) The most important instrument for raising quality	4
2) Technical application	5
III. RECONSTRUCTION MEASURES	7
1) For the production of apples, pears, and peaches	7
2) Promoting the production of citrus fruit	7
IV. TRADE WITH THIRD COUNTRIES	
1) Common customs tariff as a basis	10
2) Reference price - instrument of safeguard	10
3) Shortfall levy	11
4) Protective measures	12
5) Export refunds	14
6) Preferential agreements	14
V. TRANSITIONAL MEASURES FOR NEW MEMBER STATES	15

THE COMMON MARKET ORGANISATION FOR FRUIT AND VEGETABLES
STATUS AS OF JANUARY 1973

The EEC Council of Ministers, after long and difficult discussions, reached at the end of 1972 agreement on revising the market organisation for fruit and vegetables (1). The problem was to take a step towards meeting the wishes of the producer countries without neglecting the justified interests of the consumers. The principal producer countries, France and Italy, had repeatedly made the point that protection for EEC produce - even compared with products of other regulated markets - was too low. The Council did not accept this argument. However, it did once more become clear on this occasion that the market regulation for fruit and vegetables occupies a special position in the market regulations of the Community. This is explained by the special characteristics of the products - quickly perishable, with wide variations in yield, etc. - so that the regulation must be constructed accordingly. If the focal point of the modification decided on by the Council lies in the extension of intervention possibilities on the internal market as well as in the alteration of protective measures for third country imports, yet the guarantee in the form of intervention can still not go so far as it does, for example, with cereals. In normal market conditions, fruit and vegetable prices are at a reasonable level, so that special measures are only exceptionally necessary. Further, it is sensible to avoid stimulus to extending production because of too high intervention prices. In spite of these facts, the regulation of the fruit and vegetable market takes into account the principle that the proceeds from the production of fruit and vegetables constitute an important part of agricultural income. Therefore, everything is aimed at balancing supply and demand at a reasonable level of prices for the producers, taking trade with third countries into account, and thus opening the way for specialisation in the Community. In the interest of the consumer, the promotion of quality is a primary concern.

I. PRICE AND INTERVENTION REGULATION

1. New criteria :

The determinants for support measures on the internal market are the basic price and the purchase price. These prices are determined for

(1) Council Regulation NO. 2454/72 of 21.11.72, modifying Regulation NO. 1035/72 on a common organisation of the market for fruit and vegetables (Official Journal NO. L 266/1 of 25.11.72).

the following kinds of fruit and vegetables which are of particular significance for the income of producers : Cauliflowers, Tomatos, Oranges, Mandarins, Lemons, Table Grapes, Apples (except for cider apples), Pears (except for perry pears) and Peaches (except for Brugnoles and Nectarines), and serve to determine the price levels for intervention and also the compensatory amounts to be granted within the intervention framework. Experience has shown that the mathematical criteria used up to now are not flexible enough to permit establishment of prices at a reasonable level. But at this stage basic prices should be decided on the basis of general criteria and particularly that of necessity, to contribute to maintaining the income of the farmer, to guarantee the stability of quotations on the market, without creating structural surpluses within the Community and, finally, taking into account the interests of consumers. However, the basis of reference continues to be the development of the average values of quotations, which have been established on representative producer markets of the Community over the last three years for products with trading characteristics that can be exactly determined such as type, classification of goods, size and packing. The level of basic prices was maintained, since it determines purchase prices. Thus the purchase price for cauliflowers and tomatos continues to be established at between 40 and 45% of the basic price, apples and pears between 50 and 55%, and for the rest of the products named above, which are listed in Annex II of the basic regulation, between 60 and 70%. In any case, in the criteria, a certain flexibility has been decided on in establishing this level. It is, however, of particular significance that the establishing of basic and purchase prices for fruit and vegetables will now be done in the framework of a politically oriented price package. As is already the case for other regulated market products, the Council will take decisions in this sector before the 1st August each year for the following marketing year.

2. Improvement of intervention regulation :

In the course of time, intervention regulation has continually been improved to adapt it to necessities and on the basis of experience. Thus, with the objective of tightening and unifying the regulation of market intervention, freedom to act in this sector was removed from individual Member States, and the obligation was placed on them, firstly to guarantee financial compensation to producers who withdrew their produce from the market and secondly, in the case of serious crisis, to buy up the produce in question. In the meantime, many Member States have withdrawn from this last obligation.

In addition, the altered regulation, with a view to more effective support of the market, gives producer organisations the possibility of establishing their withdrawal price at a higher level. This does not however mean that they have to forfeit the financial compensation. It had always been assumed that the constitution of producer organisations, because of the particular characteristics of this sector, contributed to the realisation of the objectives of the common market organisation for fruit and vegetables, and this was particularly valid where the marketing regulations were concerned. For this reason, the constituting and the activities of producer organisations were supported with Community resources, and this has proved to be a useful thing. The products marketed by producer organisations constitute a large part of production. Therefore the Commission immediately notifies a state of serious crisis in the market only when the quotations for a specific product are situated below the purchase price in one of the representative markets, on three successive market days, and then only at the request of the Member State in whose territory this situation has arisen. Besides, all intervention measures affect principally only goods in class II, independently of whether the goods offered are of better quality and correspond to Class I or Extra. This signifies a step forward on the way to the desired quality improvement.

3. Use of intervention produce

We must without fail ensure that produce withdrawn from the market or bought in direct intervention procedures does not in any way find its way back into normal trade. There is a choice of ways in which produce can be brought back onto the market :

- distribution gratis to charity organisations or needy people;
- use for purposes other than nutrition;
- use in the fresh state as fodder;
- use as fodder after processing by the feedstuffs industry;
- processing and gratis distribution of the processed products to the legal and natural persons named in cases 1 and 6;
- gratis distribution to school children, Member states ensuring that these quantities are distributed over and above the normal supplies purchased by the school canteen.

The distribution of products to schools after processing was decided on under the modified procedure, and this is designed to help use up such produce. With apples, pears and peaches, there is for more than 80% the possibility of processing into alcohol by immediate distilling. Besides, for all products, there is the possibility of a decision in the management committee that certain categories can be handed over to the processing industry. It is, however, a prerequisite for this procedure that it should not lead to distortions of competition in the industries concerned in the Community. A producer organisation can dispose of produce withdrawn from the market only in such a manner that the normal sale of the produce in question is not hindered. For financing these measures, the members have set up an intervention fund.

Should it become evident that the timely possibility of withdrawing or purchasing the produce in question cannot be guaranteed, then Member States are free to decide that farmers who undertake not to put a certain amount of their produce on the market but consume it on their own farms can be compensated. But this measure has up to now never been applied, owing to the technical difficulties of controlling it. Free distribution of produce withdrawn from the market is under the responsibility of the Member States. The release of the produce to the feedstuffs industry or for such processing as jams and alcohol is carried out by tenders.

The regulations for execution and control, the establishments of adaptation coefficients, and the criteria for tendering are determined by the procedure of the administrative committee.

II COMMON QUALITY STANDARDS

1. The most important instrument for raising quality :

The establishment of common quality standards (trading classes) for fruit and vegetables can probably be designated as the most important measure in the line of quality improvement. With produce that is to be sold to the consumer or exported in the fresh state, common standards can be established for products or groups. These standards comprise the classes of goods Extra, I and II and also, for the time being, class III, which is established taking the following factors into account :

- economic interest of producers in the products in question,
- necessity of corresponding to the requirements of consumers.

Besides these, quality standards can be fixed for produce that is destined for industrial transformation and processing.

The decision as to which products to subject to the quality standards is taken by the Council of Ministers. The standards themselves and the time they are to be applied are decided by the administrative

Committee.

The products listed in Annex I of the basic regulation, and destined for fresh consumption, are subject to quality standards. These products are :

Vegetables : Cauliflower, cabbage, brussels sprouts, spinach, lettuce, endives and curly endives, chicory, garden peas, runner beans, carrots, onions, garlic, asparagus, artichokes, tomatoes, gherkins and white c alery;

Fruit : Citrus fruit, table grapes, apples, pears, apricots, peaches, cherries, plums and strawberries.

When alterations in standards become necessary, this is done through the procedure of the administrative committee. With the aid of the standards, produce of insufficient quality is to be excluded from the market, and production is to be influenced in such a way that the requirements of consumers are met. This creates a market transparency, and this in its turn facilitates commercial relations on the basis of fair competition. This also contributes to the profitability of production.

2. Technical application :

As soon as quality standards have been established, then the goods which come under these standards in the Community may be put on sale, offered, bought, delivered or otherwise put into circulation only when they correspond to the appropriate standards. Exempted from the obligation to conform with quality standards in a Member State are products which are sold or delivered by the producer to sorting, packing or storage points, or sent from the producer's business to such places, and also products which are sent from storage points to sorting or packing points. Without prejudice to stricter regulations in individual countries, the following are also excepted : products which are put on sale, offered, bought, delivered or otherwise put into circulation by the producer in wholesale selling centres, e.g. producer markets within the cultivation area, and products which are sent by these wholesale selling centres to sorting, packing or storage points within the same area. In the Community, the following are exempted from the obligation to conform to the quality standards : produce which is sent to transformation and processing industries, subject to the eventual establishment of quality standards for produce destined for industrial transformation or processing.

Also exempted are products which the producer gives away at the farm for the personal use of the recipient. In so far as produce conforming to quality standards is not sufficient to cover consumer needs, temporary measures deviating from these standards may be taken. For goods which have been graded as Class III, such measures can be taken only where this class was previously valid or is being applied at the time. If the opposite situation arises, that is, if the amount of produce conforming to quality standards exceeds consumer needs, then measures may be taken to modify the minimum size required for products admitted for sale according to the standards. With regard to produce for which class III has been established, these measures can be taken only when this class is not applied. The information required for marking of quality standards must be indelibly and legibly shown on one side of the pack, either directly printed on, or by means of a durable label affixed to the pack. Goods which are unpacked and transported loose must have this information on a document accompanying the transport or on a clearly visible label inside the transport. Labelling at retailer level is also sharply defined. If the produce is offered at this stage in packs, then the information required for labelling must be applied in such a way that it is clearly visible. The produce may also be offered for sale unpacked, if the retailer puts a sign up by the produce which legibly displays the following information required for quality standards : type, origin, class of goods. Controls at all levels of trading, and spot checks on transport, guarantee that the regulations on quality standards are being respected, as laid down in the basic directive for fruit and vegetables. Preferably control should take place before transport from the cultivation areas and at the time of packing or loading. Imported goods are also subject to quality standards. But goods for which quality standards are established may be imported from third countries only if they correspond to the quality standards for classes Extra, I or II, or at least similar standards.

III. RECONSTRUCTION MEASURES

1. For the production of apples, pears and peaches :

The Council of Ministers supported the Commission's conclusion that, in order to deal with the difficulties arising from the continuing existence of older fruit plantations and a production of types out of step with consumer demand, special initiatives must be taken. Because of the production of surpluses, it was thought right to exercise influence on potential production. The rooting-up action (1) acted as an incentive to producers and made it easier for them to uproot plantings that were too old. The costs of this uprooting were refunded by an uprooting premium, but in receiving this, the producer must undertake not to put down any new planting for a certain period of time. At the end of 1970, to intensify the action, the uprooting premium was raised from 500 to 800 units of account per hectare, and at the same time it was decided to pay the premium all at one time. At that time, the Council of Ministers had reached the view that the periods of time applicable on the one hand to the submission of applications for the uprooting premium and on the other hand to the execution of the uprooting itself must be prolonged, in order to give interested parties the possibility of putting in new applications for uprooting premiums and carrying out the necessary uprooting. According to the new provisions (2), the applications must have been submitted by 1 February 1973, and the uprootings must be done by 1 April 1973. The Council further agreed to decide about the continuation of the uprooting programme for the Community of Nine by 1 July 1973. Member States who carry out uprooting actions have 50% of their expenses refunded from the Agricultural Guidance and Guarantee Fund. Certain Member States gave varying premiums for new planting; this state of affairs could not be reconciled with the reconstruction programme, and must be adjusted.

2. Promotion of citrus fruit production

After the Commission had reported to the Council on the situation in the orange market, and after taking the advice of the European Parliament, the Council issued a Directive (3) on 9 December 1969

(1) Directive No. 2517/69 of the Council of 9.12.69 on the establishment of measures for reconstruction of fruit production in the Community (O.J. L. 318 of 18.12.69)

(2) Directive 2456/72 of the Council of 21.11.72 modifying Directive 2517/69 on reconstruction of fruit production (OJ L 266/9 of 25.11.72)

(3) Directive 2511/69 on special measures to improve the production and marketing of citrus fruits in the Community (OJ L 318 of 18.12.69)

for promoting, with financial help from the Community, in particular the adaptation of the presentation of products to the marketing conditions in the Community's import markets, the improvement of processing installations for certain categories, and finally the sale and marketing of Community oranges and mandarins on certain Community markets.

a) Medium term measures

For actions in the framework of a programme up to 31 December 1976 at the latest - the date was extended from October 1972 to December 1976 by a decision of the Council - aid will be given if these measures are aimed at one of the following objectives :

- the conversion of existing orange and mandarin plantings to other sorts or other citrus fruits, such as satsumas or clementines, which better correspond to consumer demand;
- the installation, improvement or extension of equipment for sorting, packing, storing or processing.

In the promotion of processing installations for oranges and mandarins, the general trend of consumer preference is taken into account. This production is also markedly on the increase in producer areas of third countries. The necessary work for the establishment of the programme is being carried out in connection with the Commission.

Since the necessary conversion would mean an insupportable lowering of income for many of the smaller orange producers, compensating aid is granted in certain cases. Farmers who are principally producers of oranges and mandarins receive this aid on conditions that :

- their total area cultivated is 5 Ha or less;
- the receipts from their business do not exceed the receipts from 2 Ha planted with oranges or mandarins;
- at least half the planting of oranges and mandarins is simultaneously affected by the conversion;
- the conversion comprises an area of at least 20 ares.

This aid, which amounts annually to 1,000 U/A per converted hectare of orange trees and 1,200 U/A per converted hectare of mandarin trees, is paid in five annual instalments. These sums are paid by the Member States, and are meant to cover all the costs which arise from the conversion of planting and the compensating payment to the producer in connection with this. For investment payments, only a

part is taken over, and part is borne by the beneficiary. The Agricultural Guidance and Guarantee Fund repays to Member States 50% of the expenses resulting from conversion of cultivation and compensatory payments.

b) Short term measures

Here we foresee contracts between sellers in the Member States which are producers and buyers in other Member States. However, these contracts are to refer only to products that are able to find acceptance on Community import markets. The conditions these contracts have to fulfill regarding sorts and classes, minimum quantities, and spacing of deliveries in time, will be established in the administrative committee. The regulation provided that the EEC agricultural fund should participate in carrying these costs up to 1 June 1974. But this date was abolished in a Council resolution at the end of 1972, so that there is now no firm time laid down. The degressions that had been foreseen were also suppressed. Member States pay sellers who have concluded appropriate contracts a financial compensation which, according to the sort involved, varies between 3 and 5 U/A per 100 Kg. This amount is valid for the first year, and for contracts carried out in the financial year 1972/73 it was to be 25% less, and for 1973/74 50% less. But now these cuts will not be made. A further short term measure is meant to encourage a greater degree of processing for certain sorts of oranges (1). Since difficulties in selling on Community markets are above all caused by the way Community production is grouped in sorts, we are striving towards increased processing for the less acceptable sorts. For quantities additionally processed, therefore, until further notice - the date of 1 June 1974 has also been suppressed in this context - a subsidy will be paid from the Agricultural Guidance and Guarantee Fund where appropriate contracts have been concluded between producers and the processing industry.

(1) Council Directive 2601/69 of 18.12.69 on special measures to promote certain sorts of oranges (OJ L 324 of 27.12.69).

IV. TRADE WITH THIRD COUNTRIES

1. Common customs tariff as a basis :

The unified regulation of trade at the outer frontiers of the Community is based on the common customs tariff. In general it represents the safeguard for Community produce. In principle it should suffice to ensure the stability of the Community market, but it is hampered by the fact that levels and fluctuations of prices in third countries spill over to affect prices inside the Community. Subject to any exceptions that might arise from decisions of the Council in the framework of the voting procedure in Art. 43 para. 2 of the treaty, or any Community provisions that might be otherwise worded, in imports from third countries since 1967 :

- ~~tall taxes with effects similar to customs duties have been similar suspended,~~ and

- the application of quantitative restrictions or measures of similar effect is forbidden.

However, for the following products and periods, under certain conditions, exceptions are still permitted as far as they exist on a national scale :

Lettuce 15 November to 15 June; Beans 1 June to 30 September; Melons 1 July to 15 October; Table grapes 1 July to 31 January; Tomatoes 15 May to 31 December; Artichokes 15 March to 30 June; Apricots 5 June to 31 July.

2.

Reference price - instrument of safeguard :

In the case, however, of offers from third countries at an abnormally low price, the common customs tariff is not sufficient as a safeguard. Therefore for years we have had reference prices which ensure that customs duty is applied at a certain minimum import price. Certain improvements have now been made to this system. Experience has shown that mathematical criteria are too rigid to be used in fixing reference prices. To permit us to fix a level that corresponds to the various needs of both producer and consumer these criteria, which take the arithmetical mean of producer prices in the last three years, represent a way of fixing reference prices that takes only one principle into account, although it does take transport costs between producer and consumer regions of the Community into the calculation. The latter is, however, not valid for tangerines, mandarins, satsumas, clementines, and other similar hybrid citrus fruits, for which there is an agreement to retain special provisions such as premiums for marketing and processing. Onto this basis we add one new reference criterion : the average development of the basic price and purchase price.

3. Shortfall levy

In practice the reference price is of decisive significance because a levy is applied in cases where it is not reached. This levy - exceptions apart - is applied where the import price for importing produce from a third country lies at least 0.5 U/A below the reference price on two successive market days. This compensating levy is equal to the difference between the reference price and the arithmetical mean of the last two available import prices for the country of origin concerned - the so-called middle import price. This means that the calculation of the import price is also very important. In this case also, the Council of Ministers has made some completions and modifications. It was above all necessary to remove the disadvantages arising from the fact that imports were being made to an ever increasing extent outside the normal flow of trade. The altered text of the directive lays down that for every product connected to a reference price, on any market day, for any country of origin, an import price will be calculated on the basis of representative quotations ascertained or calculated at the importer/wholesaler stage. "Representative" is understood as follows :

- the quotations for class I products, where the quantities in this class constitute at least 50% of the total quantity marketed per country of origin;
- the quotations for class I products, where the products in this class make up less than 50% of the total quantity, through the unchanged quotation for class II products for which the necessary quantities are increased to cover the 50% of the total quantity marketed;
- the unaltered quotation for class II goods, if class I goods are lacking, in so far as it has not been decided to apply an adaptation coefficient to these quotations, if these products, as a consequence of production conditions prevailing in the country of origin, are not normally and traditionally marketed in class I by reason of their qualitative characteristics.

The import price for a specific country of origin is equal to the lowest representative quotation or the average of the lowest representative quotations for at least 30% of the quantities from the country of origin in question which have been traded on all representative markets for which quotations apply. However, there will be previously deducted the duty rate of the common customs tariff, any compensatory levies there may be, and any other import taxes. In cases where the goods traded on the representative markets constitute only a small part of the total quantities imported, then in

calculating the import prices, a connection is established with the quotations for Community produce. This ruling is valid for summer pears, tomatoes, cucumbers, table grapes and peaches.

As regards the alteration of suppression of the compensatory levy, the decisive article of the basic directive has also been redrafted :

1) The compensatory levy is not altered :

- so far as the alteration of the factors of calculation, after the application of the compensatory levy, does not lead to a modification in its amount of more than 1 U/A on three successive market days;
- so long as the grouping of countries of origin does not have to be adapted.

2) The application of the compensatory levy to produce from a specific country of origin is decided as soon as the import price is at least as high as the reference price on two successive market days; its removal will equally be decided when, for the products in question from this country of origin, there have been no quotations on 6 successive working days, except in the application of Art. 24 para. 4 (see the reference above to quotations for Community produce in the calculation of the import price) and when the amount of the compensatory levy would be equal to zero.

4. Protective measures

In an unusual situation, the Community must react quickly and be able to apply protective measures to guard itself against distortions of trade. Here the Council has altered the pertinent article of the basic directive, in order to be able to launch protective measures at the frontier in case of an extensive intervention. According to the new version, suitable measures may be applied in trade with third countries :

- when, in the Community, the market for one or more products is exposed to serious disturbance or threatened with serious disturbances, and where these disturbances could endanger the aims of Art. 39 of the treaty (reasonable development of producer prices);
- or when withdrawal or purchase measures for cauliflower, tomatoes, table grapes, peaches, apples and pears are applied.

But these measures must not be applied to apples and pears from overseas countries.

These measures can be applied only until the actual or threatened disturbance is removed, or when the quantities removed from trading or bought up have been considerably reduced. The rules of application

will be established by the Council on the proposal of the Commission. The Council decides in which cases and within what limits Member States can apply protective measures. If the situation described above occurs, then the Commission, at the request of a Member State or on its own initiative, decides on the measures necessary. These are communicated to the partners and must be immediately applied. Where the Commission has received such a request from a Member State, it decides within 24 hours of receiving the request. Each Member State can submit the Commission's measures to the Council within a maximum period of 3 working days after the communication of the measure. The Council then meets immediately. It can suspend or modify the Commission measures in question.

The application regulation for protective measures has already been issued by the Commission (1). This is based on the following criteria, of which special account is taken in judging the situation

- a) the scope of the actual or probable imports;
- b) the quantities available on the Community market;
- c) the prices or price trend established on the Community market for Community products.

If the threatening situation has arisen because of imports, these further factors must be considered :

- the quotations established on the Community market for products from third countries, particularly any tendency to excessive fall in rates;
- the quantities which are affected or could be affected by withdrawal measures.

In judging whether the withdrawal or purchase measures for the products in question refer to considerable quantities, the volume will be taken into account that has been withdrawn or bought up from the market over a period of 7 days. Total or partial suspension of imports is foreseen as a measure. A subsidiary amount can also be levied over and above customs duties or compensatory levies where these apply. Suspension follows as soon as, for one week at least, a considerable diminution of the quantities withdrawn or bought up from the market is noted, during one week at least, as compared to the quantities to which withdrawal or purchase actions were applied before the introduction of these measures. Besides these measures, which can be limited to imports into specific regions of the Community, take into account the particular situation of the products which are en route for the Community.

(1) Council Directive 2707/72 of 19.12.72 establishing the prerequisites for the application of protective measures in the fruit and vegetable sector (OJ L 291 of 28.12.72)

5. Export refunds

To permit an economically significant export of produce on a basis of prices that are valid in international trade, it was a principle of the basic directive that the difference between these prices and the prices in the Community should be compensated by an export refund. But now, the experience gained has shown that the measures taken, as far as the period of validity for refunds is concerned, do not in every case provide a degree of security corresponding to the requirements of the trade. For this reason; the modified directive provides for the possibility of prefixation, in the fruit and vegetable sector, for contracts concluded at the beginning of or during the marketing year. At the same time, the Council has decided on details for the application of prefixation (1). The possibility of prefixation by administrative committee procedure will be decided later.

6. Preferential agreements

The Community has concluded preferential agreements with various supplier countries, and these are of particular significance for citrus fruits. The procedure is similar for Spain, Israel and Turkey. It affects fresh oranges, mandarins, satsumas, clementines and other similar hybrids from citrus fruits or lemons. Here the customs duties are only 60% of the common customs tariff applicable at the time of import. There are also agreements of this type with Morocco and Tunisia, but here the customs duties are only 40% of the prevailing rate. In all these cases, it is a precondition that the prices for these goods on the Community internal market, after customs and taking into account the adaptation coefficient for the various kinds of citrus fruit, and after deducting transport costs and import charges other than customs duties, are at least as high as the reference prices for the period in question, to which are added the incidence of the common customs tariff on these reference prices and a flat rate of 1.20 U/A per 100 Kg. If the quotations for one of the products in question on the representative markets of the Community, with the lowest quotations on three successive market days, stay below the price defined above, then the common customs tariff prevailing at the time of import will be applied. This regulation remains in force until the price level of the agreement is attained on three successive market days.

(1) Council Directive 2455/72 of 21.11.72 modifying Directive 2518/69 on basic rules for payment of export refunds for fruit and vegetables and for the fixing of the refunds (OJ L 266/67 of 25.11.72)

The agreement with Greece establishes that citrus fruit can be imported duty free. But the reference prices must be respected. Further, overseas supplier countries, in particular the U.S.A. and the Union of South Africa, benefit from reductions of customs duty on fresh sweet oranges and grapefruit (1). Later the autonomous rate of the common customs tariff will be lowered to 5% for sweet oranges for the periods 1 June - 30 September 1972 and 1 June - 30 September 1973, and 4% for grapefruit and shaddocks from 1 April 1972 to 31 December 1973.

Finally, the Community rules provide for the Association of African and Malagash States (2) and the East African States (3) customs franchise for some products of the fruit and vegetable sector, but this is mainly limited to specified periods.

7. TRANSITIONAL REGULATIONS FOR NEW MEMBER STATES.

With regard to the procedures for the new Member States, Great Britain, Ireland and Denmark who, from 1973 onwards, have to adapt to all Community regulations over a transitional period of 5 years, the Council of Ministers has already issued a Directive on fixing general provisions for the settlement of compensatory amounts in the fruit and vegetable sector. The amounts established in this directive, which replace the existing quotas, comprise a basic compensatory amount, corrected by the customs charge. First of all the compensatory amounts were established for apples and pears up to 31 December 1973 in trade between the new Member States and the original Community, and between new Member States and third countries. After this first group, further compensatory amounts will have to be established for some further products in this sector. These amounts will be abolished in five annual stages.

(1) Council Directive 780/72 of 17.4.72 on customs reductions for fresh sweet oranges customs sub-heading A 1 a and grapefruit and shaddock 0802 D (OJ L 93/1 of 20.4.72)

(2) Council Directive 859/72 of 25.4.72 on procedures to be used for certain fruit and vegetables from the A.A.M.S. (OJ L 101/5 of 28.4.72).

(3) Council Directive 860/72 of 25.4.72 on procedures to be used for certain fruit and vegetables from Panama, Uganda and Kenya (OJ 101/7 of 28.4.72)