

Newsletter on the Common Agricultural Policy

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Self-help on the Community's fruit and
vegetable market

The first five common market organizations set up by the EEC Council on 14 January 1962 included - besides those for cereals and products derived from cereals (pigmeat, eggs and poultry) - an organization for the fruit and vegetable market.

It was the Italians who had pressed for such an organization. As a commodity, fruit and vegetables stood in any case quite apart from the other four products mentioned. But the arrangements made to regulate this market really emphasize the difference: no levies, no sluice-gate prices, no provision for any kind of intervention.

The fruit and vegetable markets in the Community were to be regulated, as a general rule, through the duties hitherto in force; then through the duties as currently aligned on the common external tariff; and from 1 January 1970 through the duties in the common external tariff. To prevent dumping by non-member countries, a safeguard clause provided for a "reference-price system", ensuring that goods from non-member countries would be sold on Community markets at reasonable prices. This system has not yet been applied. In short: trade in fruit and vegetables was regulated by much the most liberal of all the agricultural market organizations so far set up in the EEC.

The only effective protection for Community growers provided by the regulation while internal duties and quantitative restrictions were gradually being eliminated was the intra-Community safeguard clause - known as the "little" safeguard clause, since it does not give such extensive protection as the "big" safeguard clause for cereals. In addition, the fruit and vegetable regulation to some extent authorizes the fixing of minimum prices for imports into a Member State.

The common standards for quality, size and presentation introduced for individual products or groups of products have proved most beneficial to growers, tradesmen and consumers. Products to which the quality standards apply are admitted to trade among the Member States only if they satisfy these standards, and imports from outside the Community must also come up to the same or equivalent standards. This has made for a considerable simplification of trade and is an indispensable starting point for uniformity on the market. For some time the Council has therefore been studying a draft regulation to extend standardization to the domestic markets of the Member States.

From the outset, however, all the experts were aware that such a loose regulation of trade in fruit and vegetables was a considerable experiment, for hardly any other market in farm produce in the EEC is subject to such wide fluctuations in production, supply, harvesting and consequently prices as the fruit and vegetable market.

Production of the most important fruits and vegetables
in the member countries in 1962

(thousands of metric tons)

Product	EEC	France	B.L.E.U.	Netherlands	Germany	Italy
Apples	5 124	857	139	225	1 694	2 209
Pears	1 829	309	53	93	461	913
Peaches	1 405	310	10	10	38	1 037
Plums	511	134	12	11	246	108
Dessert grapes	1 228	312	13	9	1	893
Oranges	732	2	-	-	-	730
Cherries	565	99	31	6	213	216
Mandarins	118	1	-	-	-	117
Tomatoes	3 582	563	60	229	38	2 692
Cauliflowers	1 069	410	52	58	67	482
Carrots	1 021	604	33	115	125	144
Lettuces	931	443	30	77	57	324
Melons	851	165	-	5	-	681
Onions	871	232	19	209	17	394

Source: Statistical Office of the European Communities,
Agricultural Statistics, No. 2/1962.

Intra-Community trade in the most important
fruits and vegetables in 1962

Imports from other member countries (thousands of metric tons)

Product	EEC	France	B.L.E.U.	Netherlands	Germany	Italy
Apples	645.8	130.8	24.8	41.7	448.5	-
Pears	150.0	8.2	7.1	8.2	126.5	-
Peaches	148.1	5.6	7.2	2.5	132.8	-
Plums	9.8	1.3	1.6	1.8	5.1	-
Dessert grapes	189.6	0.1	10.7	5.0	173.8	-
Oranges	58.9	-	3.0	9.1	46.8	-
Cherries	28.1	0.2	1.8	4.7	21.4	-
Mandarins	18.6	-	0.4	2.8	15.4	-
Tomatoes	175.5	7.3	2.1	0.2	165.9	-
Cauliflowers	154.2	1.1	20.9	16.9	115.0	0.3
Carrots	74.6	3.5	15.6	0.1	53.6	1.8
Lettuces	49.7	7.1	3.3	-	39.3	-
Melons	1.5	0.2	1.3	-	-	-
Onions	145.5	36.1	7.2	1.4	100.8	-

Source: Member States' foreign-trade statistics.

Moreover, the intra-Community protectionist measures contained in the regulation must - if they are ever enforced - be regarded as inimical to integration, for they will certainly cut the Member States off from each other. As early as the marathon Council session of December 1961 to January 1962, at which the fruit and vegetable regulation was adopted, all the ministers attending realized that additional measures to stabilize the market would be needed. The EEC Commission was given the task of preparing proposals to this effect by 30 June 1964.

It is therefore not surprising that advantage was taken of the safeguard clause during the first year the regulation was in operation, the first country to do so being Belgium for its hothouse grapes.

However, the difficulties facing some Member States only became really evident when the safeguard clause was invoked by certain member countries against imports of apples at the beginning of 1964. We must also remember the market disturbances caused in the summer of 1963 by a surplus of cucumbers on the German and - after the frontiers were closed - the Dutch markets, and the difficulties French producers encountered at the same time in disposing of their apricots, peaches, cauliflowers, tomatoes and other fruits and vegetables. The French Minister of Agriculture repeatedly pointed out in the Council that the provisions of the fruit and vegetable regulation were inadequate for the organization of domestic markets, particularly as regards guaranteed producer prices in the major producing countries (see table on page 8).

The prices of these products thus often came under heavy pressure in the Member States. Now Regulation No. 23 (on the gradual establishment of a common organization of the market in fruit and vegetables) specifies that the existing market organization is to be supplemented in due course by further measures. Article 3(2) states: "The Council shall, on a proposal of the Commission and voting in accordance with the procedure laid down in Article 43 of the Treaty, adopt not later than 30 June 1964 Community rules on the operation of the markets and on commercial transactions." And Article 11(1) states: "The Council shall, by qualified majority vote on a proposal of the Commission, decide as to the co-ordination and standardization, pari passu with the development of the common market organization, of import systems applied by each Member State vis-à-vis non-member countries."

There is no doubt that the measures taken so far have helped to guarantee free movement of goods and to guide production towards regional specialization. Experience during the first two years of the market organization confirms, however, the opinion already expressed that these measures were insufficient to prevent price reductions on Community markets in horticultural produce which were so excessive as to endanger the objectives of Article 39 of the EEC Treaty. It therefore seems particularly important that Community measures be taken to reorganize the markets, so that the balance between supply and demand can, if need be, be restored at what may be regarded as a normal price level in consideration of the fair income to be guaranteed to the farmer.

These measures seem all the more justified as fruit and vegetables, which account for a significant proportion of total agricultural production (7 to 25%, depending on country), are agriculture's major source of income in many parts of the Community.

In pursuance of Articles 3(2) and 11(1) of Regulation No. 23, the EEC Commission has therefore put before the Council a proposed regulation making supplementary provisions for the market organization for fruit and vegetables.

The basis of this regulation is that self-help on the part of agriculture seems the most suitable means of preventing over-production of these commodities in the Community and of guaranteeing price stability. The Commission's major proposal is that the Council should encourage growers to set up co-operatives. Before the Member Governments introduce joint compulsory measures to reorganize the markets, the prices of cauliflowers, tomatoes, oranges, mandarins, dessert grapes, apples (other than cider apples), pears (other than perry pears) and peaches are to be kept at a reasonable level; this will be achieved by the co-operatives intervening on the market on their own responsibility and with financial assistance from the European Agricultural Guidance and Guarantee Fund (EAGGF). Only in some Member States do these co-operatives already exist in a shape suited to the task they are to undertake. In the other states they still have to be formed. Consequently, the Commission urges that such co-operatives be set up, and the form of co-operation to be suggested must be made attractive to the growers. In broad outline, the proposals are as follows:

1. The Member States will give official approval to growers' co-operatives, whose members are required to comply with certain rules on production and marketing.
2. The Member States may promote the formation and functioning of approved co-operatives by defraying part of their operating costs; the subsidies granted should be for limited periods and be degressive, so as gradually to place more financial responsibility on the growers.
3. The role the co-operatives can play in market intervention, in particular by a system of withdrawal prices, should be recognized.

The Commission therefore thinks it expedient to repay a significant part of the expenditure involved for these co-operatives through the EAGGF. Together with the draft regulation, a draft resolution has been presented, proposing that the Council decide on the advisability of giving priority in the EAGGF to schemes submitted by approved co-operatives under the Community programme set out in the resolution; this would encourage the rapid and efficient establishment of the co-operatives. The main purpose of the Community programme is to promote the development of facilities for the storage, handling, packaging and marketing of fruit and vegetables.

Only when the measures taken by the agricultural market organizations themselves no longer suffice to prevent prices from falling sharply will the Commission resort to compulsory intervention - by the States but jointly executed.

These measures too can only be carried through for cauliflowers, tomatoes, oranges, mandarins, dessert grapes, peaches, and dessert apples and pears, which account for some 80% of the fruit and 35% of the vegetables grown in the Community countries.

First of all, on the home market of any Member State in which difficulties have arisen, the lowest qualities and the smallest sizes would be excluded from trade, or further processing could be encouraged. If the situation continues to deteriorate despite these measures, the bodies designated by the individual Member States will intervene by buying up at prices fixed by the Council. These measures of intervention are to guarantee a certain income to growers where there are serious disturbances of the market and at the same to remove from the market any quantities it can no longer absorb.

Measures affecting the internal market in the Community would be incomplete and could not be expected of Community farmers unless effective steps were taken simultaneously to maintain a normal level of prices for imports from non-member countries. These steps should be viewed in the context of the proposal - also contained in the draft regulation - to liberalize all imports of fruit and vegetables from non-member countries with effect from 1966.

The Commission believes it should make provision for measures to prevent imports from non-member countries from reducing the prices of products on Community markets to an abnormally low level.

A countervailing charge is proposed for this purpose. ("If, however, Community markets suffer or become liable to suffer serious disturbances because of imports from non-member countries at prices below a reference price, Member States may suspend such imports or subject them to a countervailing charge on entry which shall be equal in all Member States" - Article 11(2) of Regulation No. 23.)

Measures affecting imports of fruit and vegetables into the Community, however, would also impose responsibilities on the Member States as regards exports. With a view to achievement of a genuine common agricultural policy on the market for fruit and vegetables, care must be taken to ensure that competition between firms in the Community on export markets outside the Community is not distorted. Articles 11 and 12 of the new regulation are intended to produce equal conditions for competition in this field, by extending application of the common quality standards to products exported to non-member countries and replacing the existing systems of aid in the Member States by a system authorizing refunds to be paid on exports to non-member countries, under certain circumstances.

Producer prices for certain fruits and vegetables in 1962 and 1963

Year	January	February	March	April	May	June	July	August	September
	France	<u>Peaches</u> - FF/kg							
1962						2.18	1.39	0.98	
1963						1.32	0.74	0.49	
	France	<u>Cauliflowers</u> - FF/kg							
1962	0.40	0.72	0.71	0.52	0.62	0.80			
1963	1.40	1.50	0.85	0.85	0.68	0.90			
	Netherlands	<u>Cauliflowers</u> - Fl./kg							
1962						0.30	0.37	0.25	0.40
1963						0.43	0.44	0.38	0.51
	Netherlands	<u>Tomatoes</u> - Fl./kg							
1962						1.34	0.76	0.45	0.45
1963						1.58	0.89	0.47	0.50

Sources: For the Netherlands, information bulletin of the Fruit and Vegetable Board; for France the Balance-sheets, Research and Information Division of the Directorate-General for Agriculture.

The Community's foreign trade in the most important
fruits and vegetables in 1962

(thousands of metric tons)

Product	EEC	France	B.L.E.U.	Netherlands	Germany	Italy
<u>Imports</u>						
Apples	150.5	1.0	22.6	20.9	106.0	-
Pears	32.4	-	3.8	1.0	27.4	0.2
Peaches	30.7	-	0.5	0.2	30.0	-
Plums	32.9	-	2.7	-	30.0	0.2
Dessert grapes	67.3	0.4	-	0.3	66.5	0.1
Oranges	1 002.6	24.4	118.9	195.3	663.7	0.3
Cherries	4.1	-	1.0	3.2	2.9	-
Mandarins	60.4	1.1	8.3	6.7	44.3	-
Tomatoes	69.1	1.9	3.4	1.5	57.4	4.9
Cauliflowers	1.1	-	-	-	0.9	0.2
Carrots	14.5	-	2.6	-	10.9	1.0
Lettuces	5.2	0.1	0.1	-	5.0	-
Melons	1.1	0.1	-	0.4	-	0.6
Onions	245.9	1.6	3.3	156.8	81.0	0.3
<u>Exports</u>						
Apples	141.9	0.2	-	2.0	2.3	137.4
Pears	53.9	-	0.3	4.7	-	48.9
Peaches	50.7	0.1	-	-	-	50.6
Plums	7.1	-	-	-	1.3	5.8
Dessert grapes	48.5	1.4	1.1	1.0	2.5	42.5
Oranges	91.9	0.7	-	-	-	91.2
Cherries	10.9	-	-	-	0.2	10.7
Mandarins	11.7	0.1	-	-	-	11.6
Tomatoes	68.6	0.2	-	51.4	0.1	16.9
Cauliflowers	39.4	4.2	-	1.7	-	33.5
Carrots	32.8	0.6	1.6	9.7	4.1	16.5
Lettuces	37.0	0.1	-	12.3	-	24.6
Melons	4.6	0.2	-	0.9	-	3.5
Onions	77.5	0.4	0.7	59.1	-	17.3

Source: Member States' foreign-trade statistics.