

Newsletter on the Common Agricultural Policy

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The effects of the cereal-price decision of 15 December
1964

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During the Council's long-drawn-out discussions on the common cereal price, it was repeatedly said in many quarters that until a decision was reached the Community could make no further progress. On 15 December 1964 the Council came to its decision. The conclusion to be drawn is that the road is now open for the EEC to move forward. Is this so? The answer can only be "Yes". The decision really was a breakthrough, the manifold consequences of which are already becoming steadily more obvious, after only a few weeks.

Consolidation

The first point to note is that a common market for agricultural produce will be attained on 1 July 1967. On this date, then, we shall also have a real common agricultural policy to guide and direct the market. The decision on common cereal prices also means, however, that the common agricultural policy has finally been given a solid foundation. It would be practically impossible to weaken or overturn it now. Furthermore, what was achieved on 15 December last initiates the gradual changeover from national agricultural policies to an exclusively Community farm policy. Whereas the common policy has hitherto consisted essentially in the application of common rules of procedure for trade in farm products, on 1 July 1967 it will cover farm price policy, broad areas of farm structure policy, and consequently incomes policy for the people engaged in agricultural activities.

Of all the fields covered by a common policy, agriculture already contained most common regulations, directives, recommendations and provisions constituting "European" law and replacing national legislation. But the Council decisions of 15 December 1964 also make it the most "institutionalized" field: joint organs with clearly defined powers have been set up to give the agricultural policy an internal and external effect that will override national considerations.

The preamble to the EEC Treaty affirms the resolve of the member countries "to ensure (their) economic and social progress by common action in eliminating the barriers which divide Europe". The common agricultural policy has already done much to achieve this aim.

Common financing

Particular progress has been made as regards financing the common agricultural policy. The intention is to give the Community independent power to conduct its finances, with a proper distribution of burdens among the six member countries. An initial step towards joint financing was taken when Regulation No. 25

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(on the financing of the common agricultural policy) was adopted. This regulation, however, did not provide for the Community to raise its own revenue but only to receive scaled contributions from the member countries. When the common agricultural market is finally established in 1967, there is also to be a unified market in trade and industry. The customs union is to provide the opportunity for fulfilling the requirements of Article 201 of the EEC Treaty, which stipulates that "the Commission shall study the conditions under which the financial contributions of Member States provided for in Article 200 may be replaced by other resources available to the Community itself, in particular by revenue accruing from the common customs tariff when finally introduced".

The Council laid down that Regulation No. 25 should expire on 30 June 1965. The decision on cereal prices has made it still more imperative to reach decisions by that date on the Community's financial responsibility for agricultural policy. Amplification and renewal of the Council Regulation setting up the European Agricultural Guidance and Guarantee Fund will therefore be a major item of discussion in Brussels during the first half of 1965.

As the Community is now fixing important agricultural prices such as the price of cereals, it must also take full financial responsibility for the consequences. On the one hand it must bear the costs involved in disposing of any farm surpluses and on the other it must compensate farmers in Germany, Italy and Luxembourg for loss of income resulting from the common cereal price.

Before 1 April 1965 the EEC Commission is to put proposals before the Council on the financing of the common agricultural policy between 1965 and 1970, and the Council must make a final decision by 1 July 1965. However, the repercussions of the cereal-price decision are not restricted to agriculture. Other important spheres affected are dealt with below.

Common commercial policy

Commercial policy is closely linked with the problem of common financing. Under the EEC Treaty the common commercial policy must be introduced before the end of the transition period (1970). Imports of farm produce into the Community are regulated under the agricultural market organizations. This is not so much the case with farm exports, particularly exports of surplus produce to non-member countries. The task of harmonizing import and export arrangements is therefore still to be tackled.

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Monetary policy

The possibility of maintaining flexible exchange rates was much reduced by the cereal-price decision, which may provide an argument for going over to a system of fixed exchange rates. The Council decided that cereal prices should be laid down in units of account, in order to protect them from exchange fluctuations. The same procedure will consequently be followed for the other agricultural prices. As it does not seem possible to give differential treatment to agricultural and industrial products in the long run, the system of fixed rates of exchange will have to be extended to other commodities.

Transport policy

The Council decisions on agriculture give a direct stimulus to efforts to elaborate a common transport policy. The Council has passed a resolution on freight charges for agricultural products, which are of special importance for competition within the Community. The resolution calls upon the Commission to submit a report by 1 July 1966 covering freight charges for the individual farm products, the share of each form of transport in freight receipts, and the divergence in freight charges for each group of products. At the same time the Commission was instructed to put appropriate proposals, within the framework of the common transport policy, before the Council by 1 July 1966.

This Council resolution must be seen in the light of the zonation of cereal prices, for freight charges will be the major price-differentiating factor on the Community cereal market.

Competition

The fixing of common prices is not the end of the matter. Once the common market is achieved, care must be taken to ensure that member countries' measures to implement the common agricultural policy are worked out from a uniform standpoint. Furthermore, practices that distort competition will no longer be permitted in granting subsidies, aid or other support.

As the first step towards harmonizing these measures, the Commission will shortly submit to the Council a catalogue of all subsidies and other support given in the Member States. An assessment must then be made of what aids are to be brought into line with the common agricultural policy.

Social policy

The EEC Commission believes - and so does one of the member countries in particular - that social policy in agriculture is covered by Articles 39 and 43 of the Treaty. The member country concerned is in favour of further examination of the plans for measures on regional development.

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Tax policy

The creation of a common market with conditions similar to those on a national market, and the interpenetration of individual markets, necessitate the extensive harmonization of turnover taxes, which, as factors in costs, have a considerable effect on intra-Community trade in goods. Provision is therefore made for such harmonization in Article 99 of the Treaty. The Commission has worked out proposals and submitted a directive to the Council.

This directive provides for the introduction of a common system of added-value taxation embracing all stages of the economic process. Agriculture is to be included, but tax already paid by previous suppliers will be deductible from invoices.

Elimination of frontier controls in intra-Community trade

The EEC Commission believes that all necessary measures must be taken to ensure that import and export controls in trade among Member States are removed by 1 January 1970. To this end the Commission proposes that the Council shall pass a resolution setting out certain aims, on the basis of which the Commission is called upon to suggest measures to remove such obstacles. The measures concern:

- (a) removal of tax frontiers, particularly turnover-tax frontiers;
- (b) abolition or harmonization of excise duties;
- (c) abolition of disparities resulting from legislative or administrative provisions (concerning plant protection, veterinary control and technical matters);
- (d) elimination of divergences in commercial policy.

External relations

By fixing the common cereal price, the Community can proceed with the Kennedy Round negotiations in GATT. The United States has already said that it is prepared to accept the system of the support margin for cereals, suggested by the EEC in Geneva.

Completion of the common agricultural policy

This survey shows that it is not possible to take decisions on farm prices and implement them from 1967/68 without affecting most of the other spheres of economic union - competition, transport, harmonization of legislation. The decision of 15 December also shows, however, that the development of the common agricultural market is no isolated feature in economic union as a whole, but is likewise affected by those other spheres.

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The common cereal price will necessarily be followed by other important steps to round off the common agricultural policy: the system of European market organizations must be extended to sugar and fats and some minor products. For milk, beef, rice, sugar, olive oil and oilseeds, the EEC Council must decide on a common European price policy with common target and guide prices, just as for cereals. Some of these tasks will reach the phase of final discussion in the near future, and will have to be dealt with by the Community's institutions during 1965.