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Contents

The EEC Commission's proposals for completion of  
the common agricultural market

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The EEC Commission's proposals to the Council on the establishment of a common price level for important agricultural products contain two main points:

- (a) The Council, acting on a proposal of the Commission, shall, as from 1 July 1967 and for the ensuing marketing year applicable to each product, fix a common price for milk and common threshold prices for milk products, a common guide price for cattle and calves, a common basic target price for rice, a common target price for sugar and a minimum price for sugarbeet, a common norm price for oil-seeds and a norm price for olive oil.
- (b) Special provisions will be made for sugar, and in the case of milk products authorization to arrange temporary support for certain products will be given to those Member States where heavy increases can be expected in the prices of the products concerned.

Together with these proposals the Commission has laid before the Council a "Report on the probable development of production and of the possible outlets for certain important agricultural products". The report covers the products for which the Commission is proposing that a common price level be established.

The Commission estimates that the total effect of establishing a common level of agricultural prices will affect the cost-of-living index in the various countries as follows:

Belgium	+ 0.40	(1)
Germany	- 0.02	(1)
France	+ 0.67	
Italy	- 0.40	(1)
Netherlands	+ 1.00	(1)

#### The financial effects

When the financial effects of the establishment of a common price level are being considered, the first point to be examined is the expenditure that would have to be borne by the European Agricultural Guidance and Guarantee Fund.

To obtain an estimate of the resources needed, the year that must be considered is the one in which producers and consumers will feel the full economic effects of the common prices, i.e. 1970. When this is done, the gross exports and the full amount of the refund necessary per unit must be taken into account.

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- (1) Provided there are no special arrangements, such as temporary consumer subsidies for medium hard cheese and butter.

.../...

In this assessment, no allowance has been made for the effect and cost of special provisions such as consumer subsidies or measures to limit price and sales guarantees.

Estimated expenditure of the European Agricultural  
Guidance and Guarantee Fund in 1970

Gross exports, full refund (100%)		
Products and types of expenditure <sup>(1)</sup>		in '000 000 u.a.
Milk products	(a)	150
	(b)	30
	(c1)(2)	190
	(c2)(2)	80
Beef and veal	(a)	2
	(b)	possible
Rice	(a)	10
	(b)	possible
Sugar	(a)	45
	(b)	-
Oil-seeds	(a)	32
	(b)	-
Olive oil	(a)	140
	(b)	-

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(1) (a) Refunds on exports to non-member countries.

(b) Intervention on the domestic market.

(c) Other types of intervention

(2) (c1) Aid for skimmed milk for animal feed.

(c2) Effect of binding Emmenthal and Cheddar cheese, and casein.

Establishment of a common price level for agricultural products in the EEC

The aim and structure of the common agricultural market depend in the main on there being a common price level for various farm products.

Without common prices there can be no free trade in agricultural products within the EEC. Unlike prices in most other sectors of the economy, agricultural prices are determined not only by the laws of the market, they are fixed, guaranteed and stabilized in order to ensure appropriate returns for farmers.

Their level is maintained through levies at the frontier and intervention measures on the domestic market.

The common cereals price: the starting-point for all aspects of agricultural price policy in the EEC

On 15 December 1964 the EEC Council of Ministers, acting on a proposal of the Commission, unanimously decided that a common target price for the most important types of cereals should be applied from 1 July 1967. The central feature of the Council's decision is a common basic target price of DM 425 per metric ton for wheat other than durum. Thus a decisive step was taken towards determining the level of prices in the EEC, as cereal prices occupy a key position in the context of agricultural prices.

The resolution on common cereal prices means that from 1 July 1967 there can be free trade in cereals and all products directly derived from cereals, such as pigs, eggs, poultry and processed cereal products, from 1 July 1967. On the same date the Community will take over full financial responsibility for the common financing of surpluses exported on the world market, and of storage.

This decision is at the same time a constructive contribution to the success of the Kennedy Round.

The Council of Ministers instructed the Commission to work out proposals for the completion of the common agricultural market by means of:

- (i) Common organizations of the markets in sugar and in oils and fats, and additional provisions for the market organization for fruit and vegetables;
- (ii) Common prices for milk, beef and veal, rice, sugar, oil-seeds and olive oil, which will come into force after 1 July 1967, with the exception of the common price for olive oil, which will come into force at an earlier date.

The limits within which the Council can fix the common agricultural prices that have not yet been decided upon are conditioned by three general considerations which affect the whole range of agricultural prices:

- (i) The view of agricultural policy which is expressed in all the agricultural prices in the Community must be consonant with the aims of the Community's commercial policy;
- (ii) The ratios between the prices of individual agricultural products must be such as to take into account the price-cost situation in the various branches of production and their development in the growth of the economy, and must therefore be such as to contribute to the profitability of all branches of agricultural production in the Community;
- (iii) They must not be such as would hamper realization of the aim of ensuring reasonable prices in supplies to consumers.

Some way of harmonizing these three conflicting elements will have to be found.

The common cereal prices already decided upon provide a firm starting-point for all matters connected with price policy.

The EEC Commission has kept these considerations in mind when making its proposals for common prices.

#### The ratios between the prices of different agricultural products

For the Community's price policy, the problem of price ratios cannot be regarded statically but only in terms of trends. In this connection both the effects on supply and demand that have been produced by changes in price ratios and the trends followed by production costs are of importance. Cereals and products derived from cereals - pigs, poultry and eggs - account for about 30-40% of all receipts from the sale of farm produce.

In the present circumstances it is apparent that the most important point to be considered when fixing common prices for the products mentioned is the trend followed by the following price ratios:

sugarbeet	:	wheat
rice	:	maize
rape-seed	:	wheat
milk	:	wheat and fodder grain (barley)
beef cattle	:	milk

After ascertaining and examining all the relevant points, the aim when fixing common prices should be to ensure that the ratios between producer prices in the individual Member States keep within the following limits:

wheat : sugarbeet = 100 : 16-18  
maize : rice = 1 : 1.4 - 1.5  
wheat : rape-seed = 1 : 1.9 - 2.1  
wheat : milk = 1 : 0.98 - 1.05  
milk : first-quality cattle = 1 : 7 - 7.6

These limits apply - in the case of common basic target prices - for the ratios between the average producer prices in the individual Member States. As both the cereal prices and also the milk prices within the Community will vary from one region to another, even after a common price level is established, price ratios will on the whole vary from one Member State to another. By and large, the same applies to the most important producing areas.

The Commission's proposal for a common target price for milk

The situation on the milk market

In the EEC, milk production and deliveries to dairies have gone up faster than the dairy-herds (the annual increase in deliveries to dairies is between 2 and 3%). The milk yield per cow has risen and less milk is being used in agriculture itself.

Milk production in the EEC (cow's milk)  
(1962 = 100)

	Production in millions of metric tons	%	Deliveries to dairies	%
1961	64 701	98.5	42 668	96.7
1962	65 662	100	44 112	100
1963	65 804	100.2	44 885	101.8
1964	65 775	100.2	46 014	104.3

The increase in deliveries is due in no small measure to the higher prices resulting from the policy on aid (Federal Republic of Germany, Belgium, Netherlands and Luxembourg).

Consumption

In the EEC, consumption per head of the most important milk products has also been rising in the long term. As in the case of milk production, it has, however, not shown any appreciable increase since 1962. In addition, the Community's net exports have fallen.

There has hardly been any change in the consumption per head of fresh milk and cream, but the consumption of other milk products has gone up.

Prices

Over a longer period, producer prices for milk have been raised in the Member States - slowly in Germany, France and the Netherlands, and steeply between 1963 and 1965 in Belgium, Italy and Luxembourg.

In certain member countries the increase has been passed on in consumer prices, and in others it has been partly offset by aids.

The present producer prices for milk in the member countries are as follows:

	in u.a. per 100 kg.
Belgium	9.85
Germany	9.50
France	8.51
Italy	10.30
Luxembourg	9.90
Netherlands	8.84

An important part is played by the aids that form part of the member countries' milk policy (except in Italy). At present the Community countries spend about DM 2 300 million per year on aids for the production and utilization of milk.

The common target price for milk

It is particularly important to lay down a common target price for milk because, on the average of all six Member States, about 25% of earnings in agriculture are derived from the sale of milk and milk products.

In Article 18 of Regulation No. 13/64/CEE the Council laid down the following definition of the common target price:

"This common target price shall be the producer price for milk which, at the single-market stage, it is the aim of market policy to guarantee to all Community producers for the total volume of milk produced and marketed in the milk year."

In order that the common target price may be reached, the following measures are necessary for the organization of the milk market:

- (a) Establishment of uniform threshold prices for the most important milk products (pilot products) in the framework of the trading system;
- (b) Fixing of a common intervention price for butter;
- (c) Support for the use of skim milk as animal feed.

To attain the desired result, the EEC Commission gives priority to lowering the price of skim milk as feed because of the smaller outlay involved, and is prepared to propose any measures needed to offset the inadequate external protection for products in respect of which external customs duties are bound under GATT. For milk ex-farm with 3.7% fat content the EEC Commission proposes to the Council of Ministers a common producer target price of

9.5 units of account (DM 38) per 100 kg, with a value ratio between milk fat and skim milk of 70 : 30 and with average costs and yields as at present.

Changes in intervention prices for butter

The Commission proposes that the intervention price for butter be fixed 15 u.a. (DM 60) per 100 kg. lower than the current threshold price. Butter which is bought by the intervention authorities would thus earn about 0.3125 u.a. (DM 1.25) per 100 kg. of milk less than the current target price for milk.

Consequently, market prices for butter could fluctuate between the intervention price and the threshold price within a range of 15 u.a. (DM 60) per 100 kg. As long as there were surpluses, the market prices would be in the neighbourhood of the intervention prices; only if there are no surpluses, for instance in the winter months, will they rise towards the threshold price.

Even when market prices for butter are in the neighbourhood of the intervention price there is a prospect of attaining the current target price for milk.

With the target price at 9.5 u.a./100 kg, average producer prices in the Member States can be estimated as follows:

Common target price 9.5 u.a./100 kg. (38 DM)

<u>Producer prices</u>	u.a./100 kg. with 3.7% fat content		Estimate of change in producer prices for milk in the individual states, as against 1965/66:	in u.a./100 kg. DM	
	u.a.	DM			DM
Belgium	9.50	38	Belgium	- 0.35	- 1.5
Germany	9.50	38	Germany	{ + 0	{ + 0
				{ - 0	{ - 0
France	9.25	37	France	+ 0.75	+ 3.0
Italy	10.25	41	Italy	{ ± 0	{ ± 0
Luxembourg	9.50	38	Luxembourg	- 0.45	- 1.0
Netherlands	9.62	38.5	Netherlands	+ 0.75	+ 3.0



Changes in the market prices of milk products

For each of the 14 groups into which all milk products are broken down a pilot product has been chosen. In general, the market prices of these pilot products correspond to the threshold prices in the individual states.

When the single market stage has been reached, market prices for the pilot products will still be related to the threshold prices. It is, however, quite possible that in the long run market prices will not reach the threshold prices for a number of products, for at this stage production of the individual milk products will shift to the places where they can be manufactured best and cheapest. This will often be reflected in lower costs and market prices.

Probable effects of the common target price on consumer prices of milk and milk products

For the time being, the effects of the changes in market prices on retail prices in the member countries can only be estimated.

In some member countries there could be certain difficulties for medium-hard cheese, because of the necessary run-down of subsidies and the transfer of the relevant sums to genuine market prices.

This remark applies especially to the Federal Republic of Germany, the Netherlands and Belgium. For Germany the EEC Commission proposes that there should be special measures, since the higher prices to be expected could appreciably inhibit consumption.

In Belgium the price of butter may be expected to fall by 10% or a little less.

In the Federal Republic of Germany no price increases are to be expected for a large proportion of the milk and milk products marketed, but retail prices for butter will probably rise by 3 to 5%.

In France it is only in industrially processed whole and skim milk powder for human consumption that the higher producer target price is likely to entail rises of more than 5%. How far the necessary price increases for liquid milk will exceed 5% in this country is not yet sufficiently clear.

In Italy the ultimate single market will probably see a short-term decline in the prices of condensed milk and milk powder for human consumption. As regards butter, the situation in Italy is peculiar. Collection and marketing are very costly, since butter is only a by-product of cheese production. The cost of collection brings the relatively low wholesale price of Lit. 950 (DM 6) per kg to more than Lit. 1 400 (DM 9) per kg retail - the highest price in the Community.

It may be that in the Common Market freedom to import quality butter from other member countries will in future mean that Italian butter will sell in Italy at Lit. 800-950 per kg.

In Luxembourg the situation is roughly the same as in Belgium.

### Beef and Veal

#### Long-term production trend

After falling sharply in 1962 and 1963 because of dry summers and the resultant shortage of fodder, production in the Community in 1964 was 7.4% below the 1963 figure.

On the basis of the counts made in the Member States and the known figures for slaughtering in the first half year, production in 1965 can be estimated at 3 520 000 tons, or a little less than in 1961.

#### Long-term consumption trend

From the end of the war up to 1963 demand for beef and veal rose constantly. This was due not only to population growth but also to an increase in per capita consumption, which rose from 14.8 kg in 1955 to 24.3 kg in 1963 - an increase of 65%. A closer examination shows that consumption in 1964 fell for the first time in 20 years. In 1964, consumption shifted from beef and veal to pig and poultry meat, prices of which were in easier reach of the consumer.

In 1965 consumption per head of beef and veal will probably have been slightly lower than in 1964, whereas in 1966 there is likely to be another rise in consumption.

#### Trend of prices since 1960

If prices are weighted according to the cattle population of the different Member States, the following average prices are obtained for full-grown cattle for the whole of EEC.

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
in DM per 100 kg	196	195.4	200.3	214.2	249.4	259.6
Change in relation to previous year		- 0.3%	+ 2.5%	+ 6.9%	+16.4%	+4%
Change in relation to 1961 prices			-	-	-	+32.8%

The year 1964 was a period of shortages, and was marked by a strong upward price push.

In 1965, as a first consequence of a recovery in the cattle population, prices tended to decline during the second half year, bringing the situation back to normal.

The Member States laid down their guide prices for the last marketing year within the following limits:

	<u>Full-grown cattle</u>		<u>Calves</u>	
	<u>100 kg live weight</u>			
	u.a.	DM	u.a.	DM
France	58.13	232.53	81.43	325.70
Netherlands	58.70	234.81	78.43	314.92
Germany	60.00	240.00	84.00	336.00
Belgium	60.00	240.00	78.00	312.00
Italy	60.00	240.00	82.00	330.00
Luxembourg	60.00	240.00	85.00	340.00

The actual market prices for the period 1 January to 31 December 1965 developed as follows:

	<u>100 kg live weight</u>			
	<u>Full-grown</u>		<u>Calves</u>	
	u.a.	DM	u.a.	DM
Belgium	65.00	260	84.25	337
Germany	67.50	270	98.75	395
France	62.25	249	92.75	371
Italy	68.75	275	108.00	432
Luxembourg	63.50	254	96.50	386
Netherlands	60.00	240	93.25	373

In conclusion it may be noted that the Community will in future have to aim at increasing its own production in order to cover growing needs. No great increase in supplies from non-member countries is, in fact, to be expected. With the United States and Great Britain, the EEC is one of the three heavy importers of beef and veal. Net imports since 1960 have been as follows:

1960	317 000 tons
1961	250 000 "
1962	297 000 "
1963	463 000 "
1964	587 000 "

Proposal for the introduction of a common guide price

Higher returns for beef and veal production therefore seem to be called for in the setting of the general agricultural price arrangements in EEC. On the one hand, existing difficulties for milk and milk products could be eased if it were possible to use prices in order to make the production of meat more interesting than the production of milk. At the same time, the difficulties being encountered by a number of commercial crops, in particular cereals, would be reduced if the fodder that they represent could be converted into beef and veal.

The tendency to go over to beef production noted in 1965 must be maintained. In view of these factors, a 5% increase in the average current Community prices is a minimum. The possible fixing of the price for milk at 9.5 u.a. (DM 38.) per 100 kg in 1967 means an increase of 0.79% over 1965. In keeping with this increase, and taking a price ratio of 1 : 7.4 between one kg live weight of full-grown cattle of average quality at the wholesale stage and one kg of milk at the producer stage, the EEC Commission proposes a common guide price of 66.25 u.a. (DM 265) per 100 kg live weight. So that the greatest possible amount of meat shall be produced, slaughtering of calves should not be encouraged. For this reason it is proposed to fix the ratio

$$\frac{\text{Price for calves}}{\text{Price for adult cattle}} = 1.35$$

This would give a guide price for calves of 89.50 u.a. (DM 358) per 100 kg live weight.

At present the intervention price for cattle has been fixed by the Member States at a level between 93 and 96% of the guide price. When the transition is made to the ultimate single common market the type and manner of Community intervention will have to be defined and the level of the uniform intervention price fixed.

It may be assumed that in 1966 and 1967, if there is an easing of the severe shortage of beef and veal which the Community experienced until 1964, the prices will not continue to rise at the same rate as in the last two years.

Rice

Production

Out of a world production of some 150 million tons of husked rice, the Community at present produces about 600 000 tons. This is accounted for by only two Member States:

France, with 100 000 tons  
Italy, with 500 000 tons.

### Consumption

Rice output in the EEC is insufficient to cover requirements. The Community's total consumption is about 720 000 to 750 000 tons of husked rice per year.

The theoretical degree of self-sufficiency in the Community is thus 82%, but it must be remembered that the consumption of round-grain rice from Community countries is smaller than that of long-grain rice from non-member countries. For this reason there is even a small export surplus of round-grain rice. Italy, with a per capita consumption of 5.4 kg, is the only Member State where rice consumption is above the average; consumption in the other Member States ranges as follows: Netherlands 2.4kg, Germany and France 1.7 kg, BLEU 1.6kg. The Community average is approximately 3 kg.

### Producer prices

Over the last fifteen years, the prices paid to French and Italian producers for 100 kg of paddy have developed on practically parallel lines, with a differential of about 2 u.a. per 100 kg, French prices having risen from 11.5 to 13 u.a. and Italian from 9 to 11.5 u.a.

### Proposals for a common price level for rice

With a view to the establishment of the common market the following prices must be fixed in accordance with Article 22(2) of the rice market regulation:

- (i) A common basic target price;
- (ii) A single threshold price;
- (iii) Intervention prices based on the derived target prices expressed in terms of paddy and reduced by 4%.

The Council has not yet decided which place is to be considered as the area with the greatest surplus to which the basic target price would apply.

The Commission proposes to the Council that it fix the common basic target price at 18.12 u.a. per 100 kg, the single threshold price at 17.78 u.a. per 100 kg, the intervention price for paddy in the rice-growing areas of Italy at 12 u.a. and of France at 12.30 u.a.

In Italy the increase in the prices to producers means that intervention and threshold prices will be higher than the present prices (without imports).

In France, retention of the present intervention price (without imports) will mean a fall in the threshold price.

In the non-producing Member States the threshold price will rise 25%.

Sugar

Production

Sugar output in the EEC, inclusive of the French overseas départements, has averaged 5.7m. tons in the last five years. Since the first half of the fifties it has increased by 1.7m. tons, an average of 3.2% per year. All the Member States contributed to the increase, but the highest rate of growth was in the Federal Republic of Germany.

Consumption

In the last five years sugar consumption in the EEC has on the average totalled 5.4m. tons, as against 3.8m. tons in the years 1950-1954. It has therefore been growing almost as fast as production; per head, the rise has been from 23.2 kg. to 30 kg. The Community's degree of self-sufficiency (inclusive of the overseas départements) averaged 106%.

Prices

In the last 10 to 15 years the ex-factory prices for sugar (excluding taxes) and sugarbeet prices in all Member States have been raised by some 20 to 40%.

This means that the trend of sugarbeet prices has been more favourable to the producer than that of cereals prices.

To preserve the balance between production and marketing possibilities in all Member States it therefore became necessary, at least from time to time, to take measures which would directly or indirectly counteract the tendency for production to expand.

In the 1964/65 marketing year sugar and sugarbeet prices in the Member States were as follows:

in u.a.

	Belgium	Germany	France	Italy	Nether-lands	Arithmetic average
Sugar <sup>(1)</sup>						
Consumer price	27.61	29.75	23.50	34.40	31.58	
Ex-factory price (excluding taxes) <sup>(2)</sup>	20.46	22.17	18.76	24.35	20.53	21.25
Sugarbeet <sup>(3)</sup>	16.86	18.13	13.09	19.03	16.26 <sup>+</sup>	16.68

(1) Per 100 kg, white sugar.

(2) Including, however, the sugarbeet tax in Belgium, France and Italy.

(3) Basic price in u.a./ton for sugarbeet with 16% sugar content.

+ Price when producers' claim for return of beet chips is allowed for; the price would otherwise have been 17.96 u.a./ton.

Proposal for a common price level for sugar and sugarbeet

On the basis of the 1964/65 basic sugarbeet prices in France and Germany, the following prices were proposed in view of the higher or lower prices payable under the decision of 15 December 1964 for cereals in the two countries.

(i) Common target price for sugar	21.96 u.a./kg
(ii) Common intervention price	20.84 u.a./ton
(iii) Minimum price for sugarbeet. with 16% content	16.5 u.a./kg

The Commission's proposed prices mean that in all countries except France sugarbeet prices will be slightly lower than in 1964/65.

Since the cultivation of sugarbeet in the present areas of production is very important from the angle of farm management and agricultural structure and, furthermore, is bound up with extensive investments in agriculture and the sugar industry, it seems reasonable to set for each producer a basic quota which will correspond to his past output and for which the price guarantee will not at first be subject to limitations.

In order to prevent overproduction, all producers should be given a ceiling for their price and sales guarantees. The ceiling, which will be related to the basic quota, should be worked out in such a way that production in the areas of the Community suitable for growing sugarbeet can still be expanded considerably.

On this basis regional specialization can be ensured, while excessive surpluses are avoided if arrangements are made for a levy on the quantities produced between the limits formed by the basic quota and the ceiling.

The levy will serve as a guiding light for production if its level is fixed in accordance with each year's sugar surplus in the Community. This limiting of the price guarantee through a levy should, however, itself be limited by the fixing of a maximum amount for the levy.

In order to avoid heavy surpluses it is necessary, in addition to the above steps, to prevent any quantities produced by the individual manufacturers in excess of the ceiling from being sold on the internal market or from benefiting from export refunds.

It is to be expected that within a few years the economic conditions to which sugarbeet and sugar production are subject, will by and large be aligned throughout the Community. From 1973/74 on, therefore, the proposed production levy could be increasingly related to overall production. In this way progressive harmonization of producer prices will be achieved for output within the basic quota and beyond, even if the special measures are applied.

In order to ensure that these measures are effective it is necessary to arrange that they shall also influence the beet growers.

In Italy there are special natural and structural difficulties which affect beet and sugar production. The situation resulting from the Mediterranean climate and slowness in applying modern production methods justifies the granting of subsidies for sugarbeet growing. Since, moreover, sugarbeet processing is rendered more expensive, in particular, by the shortness of the beet season, a consequence of the climate, it seems appropriate to provide a system of subsidies so that the sugar factories can be adapted.

The Treaty provides for the inclusion of the French overseas départements in the common organization of the market, but they do not automatically benefit from the European Agricultural Guidance and Guarantee Fund. As the EAGGF is an important factor in view of the price guarantee which producers enjoy in the framework of the common organization of the market, its application should also be extended to the French overseas départements because of the special significance which sugar production has for them.

### Oilseeds

#### Production

Oilseed production in Community countries is practically confined to rape-seed and sunflower seed. Rape is grown chiefly in the north, while the sunflower requires a warmer climate. At present producer prices are guaranteed for rape-seed in Germany and France and for sunflower seed in France only. For this reason it is only in those two countries that there is an appreciable production of rape-seed; sunflowers are grown exclusively in central and southern France.

In recent years output per hectare has been increased considerably by improved cultivation and harvesting methods. The ratio established in France since 1961 between the price of these oilseeds and that of crops which can replace them in the rotation of crops may have encouraged the expansion of oilseed growing.

#### Prices

Producer prices for rape-seed have followed divergent trends in the two leading countries growing and producing oilseeds.

In France, where the market organization has been operating only since the 1955 harvest, prices have risen gradually to level off at 798 FF/ton or 161.63 u.a./ton. In the Federal Republic of Germany prices were fixed for the first time in 1954 at 750 DM/ton and were lowered in 1958 to DM 660, which at the present exchange rate corresponds to 165 u.a./ton. It was possible to reduce the producer price in the Federal Republic of Germany mainly because output increased from 1 670 per hectare in 1951-1953 to 2 090 per hectare in the last three harvests.



The producer price for sunflower seed remained at some 450 Fr/ton in France until 1960, when it rose rapidly to the current price level for rape-seed.

### Consumption

Oilseeds are consumed in the form of oil; and there is practically no limit to the substitutability of vegetable oils. The Community's oil consumption must therefore be examined in the light of consumption of vegetable oils and fats generally. If the unusually high output of 200 000 tons achieved in 1965 is taken as a basis, the Community's production of rape-seed and sunflower seed oil amounts to less than 9% of average consumption of oils and fats other than olive oil. In the last few years olive oil consumption, which is constantly on the rise, has been some 500m. kg annually.

### Trade

From 1955/56 to 1962/63 the Member States' total net imports of such oils and fats, in the form of oil or of oleaginous seeds and fruits, increased from 1 673 000 tons to 1 923 000 tons (oil equivalent) i.e. about 250 000 tons.

The Member States' net imports of rape-seed and oil and of sunflower seed and oil grew in the same period, despite the increased production of these seeds in France and Germany, from 25 000 tons in 1955/56 to 113 000 tons in 1962/63 (oil equivalent), i.e. 90 000 tons.

The Community continues to import nearly 90% of its requirements in sunflower seed and oil.

### Market organization measures

As the EEC Council has not yet extended the common agricultural policy to vegetable oils and fats, the national market systems are still in force.

### Proposed common oilseed price

The Commission's proposal to the Council aims at the establishment of norm and intervention prices for rape-seed and sunflower seed grown in the Community. Since all seeds and oils can be imported at the world market price - and oilseeds are even duty free - the price of oilseeds grown in the Community is also to be reduced to the world market price and purchasers given a subsidy equal to the difference between the norm price and the world market price.

As no criteria were available for fixing the norm price, it was selected on the basis of an estimate.

The Commission has proposed a common norm price of 170 u.a./ton, applicable throughout the Community. It is proposed that the norm price for sunflower seed should be the same as that for rape-seed.

#### Consumer price

Because of the adjustment of direct production subsidies decided upon by the Council, the level of these common prices has no influence on consumer prices, which are aligned on world market prices.

#### Olive oil

In proposing a norm price for olive oil the Commission has had to keep in mind its importance for farm incomes in certain regions of Italy, where it represents over 20% of the total value of agricultural production, the trend of farm wages in northern Italy (wage costs account for over 50% of the cost of producing olive oil) and the need to maintain the purchasing power of the price paid for olive oil. The Commission has also taken into account the upward trend of olive oil prices in Italy (a trend also visible in Spain, the world's leading producer of the commodity) and, having projected this trend until 1967/68, it has concluded that for the quality known as Semifino Vergine 3<sup>o</sup> there should be a norm price of not less than 111 u.a. per 100 kg. The upward price trend of Semifino Vergine 3<sup>o</sup> is less pronounced than with other qualities, but this quality was chosen because it accounts for the major part of the olive oil produced for direct human consumption.

#### Conclusions

The above Council decision contains three features which are intended to bring the common market considerably nearer completion:

- (1) The free market for farm products, no longer restricted by market organization measures, is to be established within the Community;
- (2) By fixing all the important common prices and making them a structural element in the overall agricultural price level, guidance is to be given to agricultural production in the framework of medium-term measures;
- (3) It is essential for the Community's continued participation in the Kennedy Round negotiations that the common prices and their consequences be known.

The common prices for milk, milk products, cattle, calves, rice  
sugarbeet, oil-seeds and olive oil

(in u.a. and national currency per 100 kg.)

	u.a.	DM	FF	Bfrs/Lfrs	Lit.	Fl.
<u>MILK</u>						
Target price	9.5	38.00	46.90	475 00	5 937	34.39
<u>BUTTER</u>						
Intervention price	176.25	705.00	870.16	8 812.50	110 156	638.03
Threshold price	191.25	765.00	944.21	9 562.50	119.531	692.33
<u>CATTLE</u> (on the hoof)						
Guide price <sup>(1)</sup>	66.25	265.00	327.08	3 312.50	41 406	239.83
<u>CALVES</u> (on the hoof)						
Guide price <sup>(1)</sup>	89.50	358.00	441.87	4 475.00	55 937	323.99
<u>RICE</u>						
Basic target price	18.12	72.48	89.46	906.00	11 325	65.59
Intervention price						
Italy	12.00	48.00	59.24	600.00	7 500	43.44
France	12.30	49.20	60.73	615.00	7 688	44.53
Threshold price	17.78	71.12	87.78	889.00	11 113	64.36
<u>SUGAR</u>						
Common target price for white sugar	21.94	87.76	108.38	1 097.00	13 712	79.42
Intervention price for white sugar	20.84	83.36	102.89	1 042.00	13 025	75.44
Minimum price for sugarbeet	16.50	66.00	81.46	825.00	10 312	59.73
<u>OIL-SEEDS</u>						
Common norm price	18.60	74.40	91.83	930.00	11 625	67.33
Intervention price	17.40	69.60	85.91	870.00	10 875	62.99
<u>OLIVE OIL</u>						
Common norm price	111.00	444.00	548.01	5 550.00	69 375	401.82
(1) Medium quality;						
For first quality:	68.75	275.00	339.42	3 437.50	42 969	248.88