## European Communities - Joint Information Service

## **Newsletter on the Common Agricultural Policy**

No. 7

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## Community-wide markets for cereals, pigmeat, eggs and poultry

On 1 June 1967, with the tenth year after the entry into force of the EEC Treaty not yet over, the Ministers of Agriculture of the six member countries took the most far-reaching decision ever in the short history of the Community, giving practical effect to the decision taken on 15 December 1964 (1) on the introduction of common prices for cereals from 1 July 1967 and on the establishment of common markets in pigmeat, eggs and poultry and oilseeds. In so doing, the Council fulfilled the political undertakings given on 15 December 1964 and 24 July 1966 to try to complete the common agricultural market for all major commodities by 1 July 1968.

In one sector of economic integration the EEC has thus taken a step nearer the complete removal of economic frontiers. Trade in the products in question will very soon be free throughout the Community, as trade in clive oil has been since 1 November 1966 and that in a quite range of fruits and vegetables since 1 January 1967. These regulations prohibit discrimination in respect of these products and all obstacles or impediments to free trade or to dealers in agricultural products on grounds of origin.

Following a certain transition period (2), levies will no longer be charged on Cereals, flour, pigmeat, eggs and poultry in trade within the Community after 1 July of this year. The domestic markets in these products will then be incorporated in a single Community-wide market.

Unfortunately, it has not been possible to do away with all frontier formalities in intra-Community trade. For livestock products the differing veterinary provisions remain in certain cases a serious obstacle to totally free movement of goods. The Council has, however, made clear its firm determination to have legislation on this matter aligned as soon as possible. The six Member States will also retain their sovereign rights as to taxation for some time - until taxes, too, have been harmonized. Negligible amounts of various taxes still have to be paid, collected or refunded which are hardly worth the effort but which, for the time being, are still retained for reasons of principle. What we are getting in the EEC, then is a free market in agricultural products with initially a few minor blemishes. The positive advantages are that:

- (i) In future greater importance will attach to the appropriate location of the production of these items;
- (ii) Free competition between agricultural producers will come into its own;
  - (iii) As a result of the disappearance of barriers to intra-Community trade, administrative controls will be reduced to a minimum, as will be the possibilities of evading the common arrangements;

<sup>(1)</sup> See "Newsletter on the Common Agricultural Policy" No. 27, January 1965.

<sup>12)</sup> Con Marratatte a on the Common Applical tuned Dollians No. 5

- (iv) It will be considerably easier for the distributive trade, the processing industry and consumers to use quality as a criterion when choosing from a wider range of supply;
- (v) Sufficient authority has been secured for the EEC Commission to act as a co-ordinating body in co-operation with the Member States in the Management Committees for the proper implementation of the regulations.

#### CEREALS

#### The main lines of the Community regulation for cereals

From 1 July 1967 trade in wheat, meslin, rye, barley, oats, maize, buckwheat, millet, canary seed, grain sorghum, wheat or spelt flour, meslin flour, rye flour, wheat groats and meal, and a series of other processed grain products will either immediately or after a short time be exempt from the intra-Community levies still in force.

Manioc roots and tubers (tapioca) were added as new items to the list of products which are covered by the market organization for cereals.

#### Prices\_

Acting on a Commission report, the Council fixes before 1 August each year the following new prices which are to apply to the marketing year beginning in the course of the following calendar year:

- (i) A target price for each of the following: durum, other wheat, barley, maize and rye
- (ii) Individual basic intervention prices for durum, other wheat, barley, rye and for maize (provided that the quantity of home-grown maize marketed accounts for more than 45% of the quantities consumed in the Community).

The Council also fixes a guaranteed minimum price for durum.

The prices are fixed for a uniform Community standard quality laid down for each of these cereals. On 15 December 1964 the Council fixed the level of target prices for cereals as follows:

Wheat other than durum	DM 425	(106.25 u.a.) per ton
Barley	DM 365	( 91.25 u.a.) per ton
Maize	DM 362.50	( 90.63 u.a.) per ton.

For Germany (where overall cereal prices will fall by some 11%), Italy (where bread-grain prices will fall by some 12-13%) and Luxembourg, degressive Community compensation will be paid, as follows:

Germany	1967/68 1 <b>968</b> /69 1969/70	DM 560 million DM 374 million DM 187 million
Italy	1967/68 1968/69 1 <b>969/70</b>	DN 250 rillion DM 176 million DM 88 million
Luxembourg	1967/68 1968/69 1969/70	DM 5 million DM 3 million DM 2 million.

The payments will be made from a special section of the European Agricultural Guidance and Guarantee Fund, which is to be financed as soon as possible according to the scale of contribution provided for in Article 200(1) of the EEC Treaty.

The target price and the basic intervention price are fixed at the wholesale stage for Duisburg - the marketing centre in the north of the Community with the largest cereal deficit.

The guaranteed minimum price for durum wheat is fixed for the marketing centre of the Community region having the largest surplus, at the same stage and on the same conditions as the target price.

In order to give producers a guarantee that the market price will not fall below a certain minimum, derived intervention prices are fixed for various regions of the Community for durum, other wheat, barley, maize and rye, in addition to the basic intervention price.

The transitional arrangements applicable hitherto also provided for derived target prices, but the new and final basic regulation on cereals no longer uses this type of price.

For maize, unlike the other types of cereal, only one intervention price is fixed for all maize marketing centres, provided the quantities of home-grown maize marketed after a normal harvest do not reach 45% of the quantities consumed in the Community. The responsibility for specifying the major marketing centres in the Community and the derived intervention prices applicable for these centres each year lies with the Council, which has to act on a Commission proposal according to the voting procedure laid down in Article 43(2) of the EEC Treaty. The Council must reach its decision by 15 March, the decision to apply to the following marketing year.

The target prices, intervention prices and the threshold prices - which will be explained later - are increased monthly in order to make allowance on the one hand for storage and credit charges and on the other for the necessity of marketing cereal stocks in accordance with the requirements of the market.

Cereal growers will not be able to obtain identical prices in all six member countries as there is at least one member country where special taxes and charges are still deducted from the producer price.

... Protection of the Community cereal market from outside competition

In addition to intra-Community levies, the calculation of special free-at-frontier prices in trade between the member

Chreshold prices will be fixed for durum, other wheat, the indice and rye at the Community's external frontiers only and will apply for the entire EEC; they will be determined in such a way that the selling price of the imported product on the Duisburg market corresponds with the target price, allowance being made for differences of quality. Thus, cereal growers in the Community are afforded protection against offers from outside.

The threshold prices are calculated for Rotterdam, which will be the only frontier-crossing point in the EEC.

It will still be for the Council, acting on a Commission proposal in accordance with the voting procedure laid down in Article 43(2) of the Treaty, to

- (a) adopt rules for fixing threshold prices and the requisite standard qualities.
- (b) fix each year before 15 March the threshold prices to apply during the following marketing year.

Special provisions apply to certain processed grain products in respect of threshold-price procedure and calculation. With regard to the rest of the rules governing trade with non-member countries, the Community also keeps to the system that has worked satisfactorily since 1962.

On cereals and cereal products of all kinds imported from the world market into the EEC, a levy is imposed which for each product is equal to the difference between the offer price on the world market (cif price) and the Community's threshold price. The cif prices are calculated by the EEC Commission for Rotterdam on the basis of the most favourable offers on the world market. It is also the EEC Commission which then fixes the levies. For processed products the levy consists of two components, one of which corresponds to the incidence on the prime cost of these products of the levies on the basic products. The second component serves to protect the processing industry.

All imports and exports of cereals and cereal products are subject to the presentation of an import or export licence which is issued by the Member States to any applicant irrespective of his domicile in the Community. Up to 1 August 1969 at the latest these licences will, for reasons of financial control, only be valid for imports and exports effected in the Member State issuing them. After that date these licences will be Community ones, i.e. they will be valid everywhere in the Community without restriction.

In order to facilitate exports of cereals and cereal products on the basis of quotations or prices ruling on the world market for cereals, the difference between such quotations or prices and Community prices may, if necessary, be covered by an export refund. Refunds are one of the most important means of regulating the EEC cereal market.

The policy governing the granting of refunds will exert a decisive influence on the level of producer prices in the Member States and will determine to what extend funds will have to be made available from the European Agricultural Guidance and Guarantee Fund to support producer prices. The refund will normally be the same throughout the Community but may vary with the destination of the export. The refunds are fixed at regular intervals through Management Committee procedure. During the periods in between the Commission may, where necessary, change the amounts of refund at the request of a Member State or on its own initiative.

The countries in the north of the Community have a particularly strong interest in exporting processed grain products. As a result of the regional differentiation of cereal prices, i.e. their derivation from prices in the areas having the largest deficit, the level of cereal prices is higher in the areas of main concentration of processing industries than in the areas having the largest surplus.

In order to obviate disturbances on the Community's cereal market, considerable importance therefore attaches to the special provisions on processing traffic adopted by the Council and to the fact that imports of raw materials for processing and subsequent exports of the finished products are exempt from levies. The standard procedure envisaged is to charge a levy on imports of the "raw material" cereals and grant a cash refund when the finished product is exported; this would take precedence over "contract processing traffic".

Acting on a Commission proposal, the Council may in individual cases, where this is essential to the smooth working of the common organization of the cereal market, completely or partly preclude recourse to the arrangements for inward processing traffic in respect of some products.

It was agreed in the Council that the market regulations for the single-market stage are to be applied in such a way that a balance is struck between exports of Community basic products for processing in non-member countries and imports of products from these countries for processing in the Community.

Taking stock of crops and the cereal trade situation on the internal market

Under the transitional provisions which have been in force so far and which, on 1 July, will be replaced by joint regulation of the market in cereals, the markets of the several member countries still differed considerably one from another. The main reason for this was that some countries were exporters and some importers of cereals. In an importing country with no cereal surplus of its own it is, for instance, easier to guarantee producer prices than in an exporting country which has surplus grain. Methods for making inventories of cereal stocks and arrangements for trading also varied on the basis of this distinction.

Now the markets are to be merged completely. It has become clear that this cannot be done in one single step. In trade within the Community, unlike external trade in cereals - where uniform measures are almost universally applicable - there are still a

Some of these exceptions go back to the decisions adopted by the Council on 15 December 1964 with reference to Italy and need not be discussed in any more detail here.

The essential features of the measures proposed for the internal market can be reduced to three points:

- (a) Arrangements to deal with the break in price continuity during the transition from one marketing year to the next;
- (b) Intervention measures:
- (c) A refund system.

Compensation may be paid in respect of stocks of wheat, rye and barley harvested in the Community, and for stocks of malt, on hand at the change-over from one year to the next.

Each year before 15 March the Council, acting on a Commission proposal, in accordance with the voting procedure laid down in Article 43(2) of the Treaty, determines the products, if any, for which this transitional compensation is paid and the quantities which qualify for compensation.

The compensation for each type of cereal must not exceed the difference between the target price for the last month of the old marketing year and the target price for the first month of the new year. Compensation is granted only if stocks exceed a specified minimum quantity.

Special arrangements have been made for malt. As the provisions governing compensation in the text of the regulation are optional, not obligatory, it may happen that the Council decides not to grant such compensation.

Malt from newly harvested grain cannot be used in the brewing industry until a very long time after the remaining grain can be used for consumption. An arrangement has therefore been made whereby the levy valid in the last month of the old marketing year remains in force during the first two months of the new marketing year provided no compensation payment has been decided upon. A refund can be granted in addition.

A refund on production is granted for maize and wheat other than durum which are used for the manufacture of starch and Quellmehl. This refund is needed to enable producers of starch and Quellmehl to compete with chemical products in respect of grain starch and potato starch and with grain and potato starch in respect of Quellmehl and maize groats and meal.

In some member countries beer is manufactured not only from malting barley but also from maize groats and meal. As the price level for maize is higher in the Community than on the world market, breweries manufacturing beer by this process are also in need of a refund on production of these commodities.

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The most important items for agricultural producers are doubtless intervention and the securing of the intervention price. In France, about 80% of the cereal crop has hitherto passed through two large co-operatives. Growers were also obliged to have an authorized storage agency handle the cereals they produced.

This procedure, if retained in the common market for cereals in its final stage, would involve discrimination against the other member countries where trade is handled freely through dealers. A sudden change-over to a free market system has, however, proved to be impossible. A compromise has been arrived at to the effect that all storage agencies which already have official status (cereal co-operatives and dealers), together with all processing plants (mills, realthouses and starch, maize and animal-feed manufacturers) and any other person who can show that he has sufficient storage capacity and the necessary technical equipment, may be authorized to buy and sell cereals. Evidence of technical qualification must be produced, however French farmers will then be able to offer their cereals to any authorized dealer or direct to processors as well as to the official storage agency. The same principle applies to trade in cereals between one member country and another. This will mean an end to discrimination in trade in cereals. The EEC Commission will regularly examine the effects of these arrangements.

Article 7(3) of the old basic Regulation No. 19 authorized "preventive intervention" on cereal markets, but some Member States challenged the admissibility of such action. Although this measure had already been implemented in France under the current market organization for cereals, the other member countries were not prepared to adopt this system.

This type of intervention in the cereal sector, at a level somewhat higher than the general intervention price level, is also to be permitted in the final stage of the common market in cereals. It is to be expected that France will again be the only country to use the facility. This would of course not be without its consequences on the regional differentiation of cereal prices in the Community and on the flow of cereals to dealers. The Council therefore decided, acting on a Commission proposal and applying the voting procedure laid down in Article 43(2) of the Treaty, to specify the conditions on which the intervention agencies are entitled to adopt special intervention measures designed to obviate substantial compulsory purchases in certain surplus areas of the Community.

The nature and scope of these measures will be determined by Management Committee procedure. Before the end of the first year of enforcement of the regulation, the Commission is to submit to the Council a report showing what the results have been of the implementation of the measures provided for and whether these should be amended or cancelled.

## Safeguard clause\_

It is quite conceivable that even at the single-market stage the safeguard clause will have to be invoked. If it is, the Commission must take a decision within twenty-four hours. The Council, on a proposal of the Commission and following the voting procedure provided for in Article 43(2) of the Treaty, will then lay down implementing provisions and decide in what cases and to what extent the Member States may resort to safeguard measures in the event of the markets being exposed to unforeseen disturbances.

## OILS AND FATS

As a step towards a single market for oils and fats, the Council adopted the following regulations at its session from 29 May to 1 June 1967:

- (i) A regulation fixing the norm prices and basic intervention prices for oilseeds in 1967/68;
- (ii) A regulation laying down criteria for determining the world market price for oilseeds and the frontier-crossing point;
- (iii) A regulation on aid in respect of oilseeds.

Taken as a whole, these three regulations are the most important element in the measures needed to institute a common organization of the markets in colza, rape and sunflower seed, as provided for in Regulation No. 136/66/CEE - the basic instrument in this field.

1. Although it had already adopted arrangements for norm prices and basic intervention prices in 1966, the Council at its last meeting thought it necessary to narrow the margin between norm price and basic intervention price and thus reduce price fluctuations on the Community markets.

For this reason, the basic intervention price was fixed at 19.65 u.a. and not at 19.25 u.a. as originally suggested in the Commission proposal. As in the decision taken in 1966, the norm price was fixed at 20.25 u.a. The resulting reduction in Community preference is not likely to impair intra-Community trade in oilseeds.

2. With regard to these new regulations now adopted by the Council, it must be pointed out that the arrangements under Regulation No. 136/66/CEE for seeds harvested and processed in the Community differ substantially from the EEC's other farm regulations in that provision is made for the common oilseed price to be lowered to the world market price by the granting of aid equalling the difference between the norm price and the world market price. For the calculation of the world market price the Council adopted criteria resembling those used for determining the cif price for other agricultural products which are subject to levies when

imported. However, to allow for irregularity of supplies and in world market prices, the Council made provision for any shortage of supply or absence of quotations to be balanced out. In such cases, the world market price is determined from the value of oil and oilcake produced from these seeds, allowance being made for processing costs.

Given the fluctuations of world market prices and the marketing stage at which aids are granted, aids should be specified at regular intervals, probably every week.

In compliance with the provisions of the basic regulation, the price fixed is adjusted according to the use to which the product is to be put - after certain conditions existing on the market have been taken into account - so that allowance is made for the way the prices of competing products may develop and above all for the fact that it may be in the economic interest of the industry to process either one or the other type of oilseed.

j. Under Regulation No. 136/66/CEE, the determining factor for the granting of aid is that the reeds must be harvested and processed in the Community. The Council has now further clarified this point by specifying that processing is to be understood to mean the extraction of oil by crushing. On practical grounds, the Member States are also at liberty to grant aid as soon as the oil mills take delivery of the seeds.

To make sure that aid is granted exclusively in respect of oilseeds grown in the Community, imports of all colza, rape and sunflower seed must be subjected to continuous supervision from their arrival in the Community until delivery to the oil mill. Any oilseed which upon delivery to the mill has not been supervised in this way is considered to have been grown in the Community. Oilseed from both the Community and non-member countries is inspected once again at the mill and must not then be marketed before processing. The amount of aid due for a given quantity of oilseed is calculated on the basis of the rate obtaining on the day of the said inspection. The Council has, however, made provision for aid to be determined in advance so as to facilitate the smooth working of the common market in oilseed. The Council has not stipulated that aid may be granted to the processing industries exclusively: it can also be claimed by other interested parties.

It has been decided by the Council that, until Community-wide measures are adopted for the examination of claims, the oilseed must be processed in the same member country where the claim has been filed. As long as such measures are lacking, the common market in oilseed cannot be considered absolutely free but is still subject to restrictions with regard to the filing of applications in other member countries and, consequently, also with regard to the quantities to be processed.

The Council has also decided that the regulation on aid in respect of oilseeds shall remain in force for one year only. After the year is over, the effects of the aid system will be

#### PIGMEAT

The aim of the proposal submitted by the EEC Commission to the Council on the establishment of a single market in pigmeat was to enable measures to be adopted to regulate production both of pigs for slaughter and of pedigree animals for breeding purposes. These measures were to be taken by the Council in pursuance of Article 43 of the EEC Treaty. They would be preventive in nature and designed to ensure, if possible, that the European Agricultural Guidance and Guarantee Fund is not called upon to disburse excessive sums by way of market support. On 15 December 1964, the Council had already invited the Commission to submit proposals regarding Community intervention on the pigmeat market and to comment on the advisability of Community intervention measures on the market in eggs and poultry.

Community arrangements for market intervention are to enter into force by 1 July 1967 at the latest.

In the EEC, production of pigs for slaughter rose from 43 million head in 1958 to some 53 million head in 1966. Pig-keeping is being increasingly affected by new forms of production and modern production methods, particularly in the traditional producer countries of the Community. From 1958 to 1966 consumption rose by 23.3% - an annual increase of about 3%.

Per capita consumption in the EEC went up from 19 kg in 1958 to some 23 kg in 1966, with Germany and France - the main consumer countries in the Community - showing the greatest increase. Almost half of all pigs were produced in Germany, where the supply of pigs for slaughter is expected to increase by some 1.5 million head this year. Owing to the wide divergences in production costs in the EEC, which are mainly due to the great variation in numbers of pigs reared (in the Netherlands, for instance, the number of pigs per farm doubled from twenty to forty head between 1960 and 1965, while in Italy only 3.5 pigs are kept per farm), it was extremely difficult for the Council to find the appropriate level of intervention for the Community which will not constitute an incentive to production. The Council arrived at an arrangement based on the following view of the pattern of intervention:

- (i) Fixing of a basic price roughly corresponding to the sluicegate price plus levy, which would equal the level of protection against imports from non-member countries;
- (ii) Determination of a maximum and a minimum purchase price at levels which can serve producers as a general guide to the extent to which producer prices are guaranteed; this does not, however, provide an absolute price guarantee and is not to have undesirable effects on production.

Lastly, the Council reached agreement that the purchase price for slaughtered pigs of standard quality must not be higher than 92% or lower than 85% of the basic price.

The basic price itself has been fixed at DM 294 per 100 kg slaughtered weight, and the maximum purchase price at DM 270 per 100 kg slaughtered weight.

Before 1 August each year the basic price for slaughtered pigs (carcasses or sides) is fixed, to become effective on 1 November of the same year; this price refers to a standard quality determined according to a Community classification.

This basic price must be calculated in such a way as to contribute to the stabilization of market prices without entailing structural surpluses in the Community.

If the arithmetic mean of slaughtered pig prices on representative Community markets falls to or below the basic price and is likely not to rise above that level, market support measures may be decided upon.

General rules governing measures to regulate production provided for in Article 2 of the new regulation are to be adopted in accordance with the procedure set out in Article 43(2) of the Treaty. These provisions cover the following steps:

"With a view to encouraging action by trade associations to facilitate the adjustment of supply to market requirements, the following Community measures may be adopted in respect of the products mentioned in Article 1:

- (i) Measures to improve the organization of production, processing and marketing;
- (ii) Measures to improve quality;
- (iii) Measures to establish short- and long-term forecasts on the basis of data on the materials and equipment employed;
- (iv) Measures to facilitate the assessment of market price trends for the products concerned."

In what is now the final form of the organization of the pigmeat market, the Council has, for the rest, kept to the tried and tested basic ideas and principles of the transitional regulation which has been in force in the Community since 1 August 1962. From 1 July 1967, as soon as the new regulation becomes effective, there will be only one uniform system for the whole of the Community governing price adjustment at the frontiers in respect of trade with non-member countries. The remaining obstacles to intra-Community trade will have been eliminated. The levies charged on imports from non-member countries will in future, as prescribed, be about the average of the levies imposed hitherto by the individual member countries on imports from outside the Community. For slaughtered pigs, the common threshold price plus levies will be DM 297 per 100 kg.

#### EGGS AND POULTRY

When the market organization for eggs and poultry was being reviewed, the main emphasis was again placed on measures intended to help adjust the volume of supply to market requirements and make sure that prices are such as will guarantee an adequate income to producers. The general provisions laid down by the Council are along the same lines as the joint steps to be taken for regulating the market in pigs and pigmeat. There are no arrangements for direct intervention on this market.

With regard to eggs, the Council has also adopted a resolution envisaging uniform marketing standards for the whole Community from 1 January 1968. The basis of these standards is the grading of eggs into three quality categories:

- A new-laid eggs (these absolutely fresh eggs need not be marked to indicate grade)
- B second-class or preserved eggs
- C eggs not of merchant quality, for processing by the food industry.

The Community standards will also be applied to imported eggs, whose origin must be marked on their containers.

The Community's rules with regard to standards are not to apply to:

- (i) Direct sales by producers to consumers provided the quantity sold does not exceed the personal requirements of the buyer;
- (ii) Producers' direct deliveries to markets open to authorized wholesalers only.

Conformity to standards will be supervised at all marketing stages by the authorities designated by the Member States.

From 1 July 1967, so that free trade in the Community is not impeded, eggs must not be subject to any compulsory marking other than that prescribed by quality and weight standards, i.e. marks indicating country of origin are prohibited.

The volume of production on EEC egg markets is very high. One third of total production in 1965 - 12 120 million eggs - came from Germany. Germany was also the member country with the biggest increase in production from 1964 to 1965 (8.3%), while production in the traditional egg-producing country, the Netherlands, fell appreciably.

In 1965 production in the Community as a whole reached 36 870 million eggs. This was 1.6% less than in 1964 but 4.6% more than in 1963.

Egg consumption has also increased substantially throughout the Community.

As for poultry, in contrast to eggs, the EEC is still in need of substantial imports, with the main import demand coming from Germany.

The most striking features of poultry production are the increase in stocks and the radical rationalization which has taken place, particularly in Germany and the Netherlands.

It is the consumer who has benefited most from this trend; in some cases poultry and eggs can now be bought at prices below those obtaining at the inception of the regulated agricultural markets in 1962. When all restrictions on the markets in livestock products are eliminated on 1 July 1967, the consumer will be able to derive still further advantages from the creation of the common market.

## FRUIT AND VEGETABLES

The Council has so far been unable to reach agreement on the co-ordination of the arrangements applied by the individual Member States to imports of fruit and vegetables from non-member countries. It has resolved to make every effort to arrive at a declaron in this field before 1 November 1967.

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The following clause has been incorporated in the regulations on cereals, oilseeds. eggs, poultry and pigmeat:

"Subject to provisions to the contrary in the regulations concerned, Articles 92 to 94 of the EEC Treaty shall be applicable to production of and trade in the commodities covered by these regulations. The Council agrees to continue as soon as possible the examination of the Commission proposal on aids."

# REDUCTION OF INTRA-COMMUNITY CUSTOMS DUTIES ON AGRICULTURAL PRODUCTS NOT COVERED BY A COMMON MARKET ORGANIZATION

The Council has accepted a proposal by the Commission to reduce customs duties on those products not yet subject to joint regulation in such a way that from 1 July 1967 such duties will stand at 25% of the rate obtaining on 1 July 1958.