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## ANNEX I

### **Regulation concerning the institution of a system of levies and the progressive establishment of a common organization of the markets in milk and dairy products**

(Proposal of the Commission to the Council of 7 May 1962)

#### Explanatory Memorandum

1. The attached draft regulation comprises a first set of provisions leading to the institution of a common policy in the dairy sector, in accordance with the provisions of Articles 38, 40 and 43 of the Treaty establishing the European Economic Community. In drafting it, the Commission has proceeded on the assumption that it will be adopted by the Council in time to be brought into operation as from 1 November 1962.

2. In view of the need to guarantee prices to the producer and to ensure the sale of the products by measures applied and financed in common, and having regard to the nature and scope of the methods followed by the national market organizations, it cannot be assumed that the aims of the common dairy policy can be achieved simply by co-ordinating the national market organizations and by applying common rules for competition.

3. The development of the common dairy policy must culminate in an integrated market between the Member States, having the characteristics of an internal market in that there is no longer any discrimination between producers or between consumers. This implies, pending the establishment of a common objective, a harmonization of the present national objectives with regard to the price of milk.

4. This policy must aim at a balance between production and outlets both within and outside the Community. In offering guidance and guarantees to producers consideration must be given to specialization according to economic structures and natural conditions in the Community. Hence the necessity for prices of milk

and dairy products to reflect differences in conditions of production and marketing.

5. Trade policy in respect of non-member countries, which is the indispensable counterpart to a common market policy, must at the same time meet the need to maintain trading relations and political and economic ties with non-member countries and the obligation to guarantee price stability at the level felt desirable for producers in the Community.

Having regard to the particular characteristics of the international trade in dairy products and the concern of the Community not to hinder its development, protection vis-à-vis non-member countries will in normal circumstances be limited to the imposition of a uniform system of levies. However, this will not apply to varieties of cheese for which the external customs duty is bound for such time as the terms of the binding are respected.

6. The formation of a single market must thus be preceded by a growing interpenetration of the national markets. In order that this interpenetration should not only be effective but also occur gradually and without discrimination throughout the Community, it is necessary to substitute for the multiplicity of national import systems a single system applied by agreed arrangements which will readily lend themselves to the establishment of a preference. This object can be attained by a system of intra-Community levies.

7. Such are the reasons for which the Commission's proposals include at the same time provisions concerning a system of prices and interventions and a system of levies. The systems are moreover closely

linked and the introduction of levies is conditional upon the adoption of a set of measures designed to give the price and intervention system a Community character.

The application of the provisions of the attached regulation will enable the Member States, progressively and without harmful consequences for their economy, to substitute for their present organizational measures a Community arrangement which offers to all interested parties the benefit of a free development of trade and the maintenance of price stability at a level consonant with the economic well-being of the Community.

8. The levy is intended to compensate for price differences between the importing and exporting Member States. Apart from certain details in the calculation of the levy, the system is applicable with regard to non-member countries as well as between Member States.

In trade between the Member States, the levies will be applied only for the period during which prices are being brought into alignment, and they will gradually be reduced, since their purpose is to level out the price differences which still exist between Member States and enable the internal price in an importing Member State to be maintained.

9. The levies will serve as a substitute for conventional measures of protection, ensuring the price stability felt desirable within the Community.

Consequently, with respect to both non-member countries and Member States (subject to the Protocol concerning the Grand Duchy of Luxembourg and special exceptions concerning trade with certain non-member countries), the levy system is incompatible with the maintenance of measures such as customs duties, charges with equivalent effect, or quantitative restrictions, and in intra-Community trade it also justifies abandonment of recourse to Articles 44 and 45 of the Treaty.

10. In intra-Community trade the levy system has the immediate effect of giving an advantage to exporting Member States which have the lowest prices, because it affords them a means of exporting on the basis of their domestic prices and no longer on the basis of the world market price.

This advantage, however, is not sufficient to ensure the expansion of trade between the Member States and it is therefore necessary to provide in addition a preference system.

This will consist in reducing the levy applicable between Member States by a standard amount designed to encourage trade and ensure its gradual development concurrently with the creation of the necessary conditions for the establishment of a single market. Should these aims not be attained, the amount of the abatement may be adjusted during the dairy-farming year.

11. The operation of the levy system would be adversely affected by certain aids, especially aids to exports. It is therefore necessary that the provisions of the Treaty which enable aids to be assessed and action to be taken against those which are incompatible with the Common Market be extended to aids which distort the working of such a system.

12. The levy system is based on the threshold prices for dairy products in the importing Member State and on the prices free-to-frontier in that State. A levy equal to the difference between these two prices makes up the difference between the price levels of the importing and exporting Member States.

When the threshold prices for dairy products in the Member States have been standardized as is provided for in Article 19, the aim to standardize the prices of dairy products at the same level will have been fulfilled and the levies will lapse.

As regards Emmenthaler cheese, on which the external customs duty has been bound in negotiations in GATT, levies will not be imposed as long as the exporting countries respect the minimum offer price laid down with the binding.

13. The prices of the exporting Member State, on which the levies are calculated, must be fixed on a comparable basis with the prices of the importing country. The exporter's costs in transporting the goods to the frontier must be taken into account. Moreover, the price must allow for any differences in quality between the products to which the threshold prices or the prices free-to-frontier apply.

The prices free-to-frontier must primarily be calculated on the basis of market prices.

If, for certain products, there are no market prices, the price free-to-frontier will be calculated on the basis of prices applicable to other dairy products. This is feasible, since into the prices of all dairy products there enter two components :

- a) a value for butter fat;
- b) a value for dry matter.

An average value for each of these components can be calculated. The average price of the product can then be calculated according to content of butter fat and dry matter.

14. Although in trade between the Member States aids which distort competition are prohibited, such a prohibition cannot be imposed as regards trade with non-member countries. Since in international trade exports of most dairy products are subsidized to an extent varying with the market situation, the prices free-to-frontier applicable to imports from non-member countries must be fixed on the basis of the lowest offer price.

15. The threshold prices of the importing Member States (Article 4) shall be so fixed as to permit a certain movement of market prices in that State. For products in respect of which interventions have taken place on the market, this may be done by fixing the threshold price at a price somewhat above the intervention price. This method is applicable to butter.

As regards other products, it is advisable in establishing threshold prices to take as a basis the position at present brought about by the policies of the Member States. These policies, which in many cases vary widely with respect to different dairy products, are most clearly expressed in market prices. Consequently, in fixing the threshold prices the basis must be market prices for dairy products.

For liberalized products it is sufficient to increase the average market prices by a small amount, roughly corresponding to the preference which Member States grant to each other. For non-liberalized products this increase must be greater.

The threshold prices must be known as far in advance as possible, so that the trade circles concerned may have a general view of market trends. It is proposed to fix these prices one year in advance.

16. Dairy products are in general exported at prices lower than those on the home

market. Consequently, it is necessary to allow the Member States to make refunds on exports.

Refunds on exports to Member States must in general be equal to those on exports to non-member countries. However, for quantities corresponding to its normal trade, the exporting Member State must be authorized to refund an amount corresponding to the difference between the price free-to-frontier of the importing Member State and the threshold price of that Member State. Otherwise, exporting Member States would lose in their traditional trade the advantages afforded them by the reduction of tariffs.

17. The prime object of a common policy for the milk market must be to balance supply with demand and to assure economically viable and well managed farms of a fair return for their dairy produce. A common target price must be fixed for milk ex farm. This target price must constitute the aim to be attained as concerns the average price to be paid for milk to farmers in the Community. During the transition period, the common target price for milk will serve as a basis for standardizing national target prices for milk and for approximating market prices for dairy products.

The standardization of national target prices for milk with a view to establishing a common target price must take place during the transition period. As the target prices for milk ex farm lie within a fairly close range, standardization should be attained by April 1966. It will begin on 1 November 1962 by the fixing of lower and upper limits for national target prices.

18. The prices of dairy products in the Community countries will be based on a price corresponding to the farm-gate target prices of milk. Thereafter, the prices of dairy products on the national markets will be aligned upon a price calculated on the basis of the common target price for milk ex farm. For each product these calculations will assume equivalent costs and yields.

The harmonization of market prices for dairy products is to be effected by approximating the national threshold prices to the price calculated as indicated above. In this process Community preference must be respected. It is desirable that it should take place in regular stages during the transition period.

19. In recent years it has been necessary to intervene on a large scale in the market for dairy products in the majority of the Member States, in order to balance supply and demand and at the same time to be able to pay dairy farmers the prices aimed at. During 1961 the Member States spent a total of about 400 million units of account for this purpose.

Price support measures necessary in this connection within the Community shall be taken on the butter market for the following reasons. On this market intervention is relatively easy; large quantities of butter can be disposed of at reduced prices because the elasticity of demand in relation to price is greater for butter than for most other dairy products; intervention on the butter market has a maximum effect in relation to outlay.

The national intervention prices for butter which are necessary for this purpose must be fixed, during the first year of operation, at a level corresponding to the national intervention prices applicable before the coming into force of the Regulation. These will be standardized during the transition period at a level such that the average proceeds from total sales of milk will correspond to the common target price for milk.

20. If the relevant authorities buy butter in quantities greater than is necessary to make up the seasonal deficit, the stocks should be disposed of in such a way as to cause the least disturbance to normal sales. There may be sales of melted butter, special transactions in cold storage butter or sales to particular categories of consumers, etc.

If, despite these interventions, it appears impossible to achieve a balance between supply and demand in dairy products on the basis of the target price payable to producers, the price of butter will be progressively reduced until this balance is

reached. The form in which this will be done will depend on technical possibilities with respect to the distribution of funds and on the necessity to use them in the most effective manner.

21. The present Regulation contains no provisions concerning trade in products under customs tariff No. 04.01 (milk and cream, fresh, not concentrated or sweetened). It is not possible to make such provisions while the situation concerning liquid milk and products made from fresh milk within the organization of the markets in milk and dairy products has not been settled. The following are the problems arising.

In the Member States, as in non-member countries, the prices of dairy products tend to lag behind the general movement of prices. However, the prices of liquid milk and of products made from fresh milk can be an exception to this rule, if price formation on the market for liquid milk and price formation for milk products are kept separate. This necessitates a special organization of the market for liquid milk.

The separation between the prices of liquid milk and the prices of milk for processing has been effected in numerous western countries and the Community also must be able to use this means as part of its common policy. Since in certain Member States it would first be necessary to create the technical conditions for setting up a corresponding organization for markets in liquid milk, a common regulation in this field can only be introduced gradually.

In general the markets in liquid milk are local and regional; apart from certain exceptions in frontier areas there is no international trade. The existing trade regulations will therefore be maintained until the common organization of the market in liquid milk enters into force.

22. The regulation concerning the financing of the common agricultural policy applies also to the milk market.

#### **Draft regulation concerning the gradual establishment of a common organization of markets in milk and dairy products**

*The Council of the European Economic Community,*

*Having regard to the provisions of the Treaty establishing the European Economic Community and particularly Articles 42 and 43 thereof;*

*Having regard to the proposal of the Commission;*

*Having regard to the opinion of the European Parliament; and*

*Whereas the operation and the development of the common market for agri-*

cultural products must be accompanied by the institution of a common agricultural policy, including a common organization of the markets established product by product;

*Whereas* the dairy sector is of special importance in the economy of the Community both as a regular source of income for producers and as a source of supply for processing and manufacture; and whereas for consumers milk and dairy products are among the most important items of diet;

*Whereas* trade in dairy products between the Member States is impeded by a number of obstacles, such as customs duties, charges with equivalent effect, quotas and other quantitative restrictions, the progressive abolition of which during the transition period would be governed, failing co-ordinating action by the institutions of the Community, by varying procedures and different timing; and whereas on the other hand a uniform frontier measure covering intra-Community trade will permit a progressive and parallel removal of barriers in all the Member States at a pace adapted to the gradual establishment of the common agricultural policy;

*Whereas* such uniform frontier measure, in place of the various national measures, must firstly ensure adequate support for the markets in dairy products in the Member States during the transition period, and secondly permit the progressive establishment of a single market by developing the free movement of goods within the Community;

*Whereas* these objects can be attained by means of a system of intra-Community levies corresponding to the difference between prices in the exporting Member State and the threshold prices of the importing Member State, designed to prevent disturbances on the market of a country where prices are relatively high caused by imports from a country where prices are relatively low;

*Whereas* the substitution of intra-Community levies for other measures which by virtue of the Treaty are due to be abolished during the transition period would be contrary to the principle of the progressive establishment of the Common Market if provision were not at the same time made for their gradual reduction;

*Whereas* this progressive reduction of levies depends upon the approximation and final

standardization of the threshold prices of dairy products;

*Whereas* new protective measures at the internal frontiers of the Community, affording guarantees to producers in Member States, are justified in relation to the principles of the Treaty only if they replace all other protective measures;

*Whereas* the system to be introduced must maintain the preference in respect of Member States which results from the application of the Treaty; and whereas, subject to a special regulation for the products on which customs duties have been bound under GATT, this requirement can be met by imposing on imports from non-member countries levies corresponding to the difference between world market prices and the threshold prices of the importing Member State as well as by a standard abatement of the intra-Community levy, fixed so as to permit the gradual development of trade within the Community;

*Whereas* the system of levies on imports from non-member countries affords guarantees to producers in the Member States and enables those States to dispense with all other protective measures;

*Whereas* the system of levies, in conformity with the aims of Article 45 of the Treaty, facilitates the development of intra-Community trade while affording guarantees to producers in the Member States, thus rendering that Article inapplicable;

*Whereas* the operation of the system of levies requires that the provisions of the Treaty enabling aids to be reviewed and action to be taken against those which are incompatible with the common market must be extended to aids which distort the mechanism of this system; and whereas the practice of adjusting the export price to the price in international trade may, subject to certain special conditions, be maintained where a Member State with relatively high prices exports to another Member State where prices are lower; and whereas, having regard to the fact that Member States have in recent years devoted to the dairy sector considerable amounts of public revenue totalling in 1961 some 400 million units of account, it is moreover necessary to provide aids in order to establish the balance between supply and demand in dairy products on the basis of the target price for milk ex farm;

Whereas in order that Member States may maintain their external trade in dairy products these States must be permitted to refund, upon exportation to non-member countries, the amount of the difference between prices in world trade and prices in the exporting Member State;

Whereas, in order to maintain for Community producers the necessary guarantees as regards their employment and standard of living, a target price for milk ex farm should be fixed annually in each Member State;

Whereas, in order to establish a single market it is necessary that the national target prices be gradually approximated and finally standardized at the level of a common target price fixed by the Council; and whereas the common target price must at the same time serve to establish the prices for dairy products on the basis of which the threshold prices will be standardized;

Whereas in order to avoid an undesirable fall in butter prices and consequently in the prices of other dairy products, it is necessary that the Member States fix an intervention price for butter; and whereas in order to establish a single market the national intervention prices must be standardized at a level such that the average proceeds from total milk sales corresponds to the common target price for milk ex farm; and whereas the public funds devoted to the milk sector will thus be used in the most economical manner;

Whereas there is a large volume of international trade in processed milk products, whilst milk for consumption fresh and products from fresh milk have only local or regional markets; and whereas milk for consumption fresh and products from fresh milk have a special importance for stabilizing the price of milk ex farm; and whereas it is necessary for this reason to adopt special solutions for trade in milk for consumption fresh and products from fresh milk by means of a separate regulation;

Whereas in order to facilitate the implementation of the proposed provisions it is necessary to lay down procedure for close co-operation between the Member States and the Commission within a Management Committee;

Whereas it is necessary that the common organization of the markets in milk and dairy products be fully established by the end of the transition period,

Has adopted the present Regulation:

### Article 1

1. In order to promote the development of the Common Market and of the common agricultural policy there shall be progressively established a common organization of the markets in milk and dairy products comprising a price system and a system of levies applicable in trade between the Member States as well as between Member States and third countries.

2. The common organization of markets in milk and dairy products shall extend to the following:

Common  
customs  
tariff No.

Description of goods

- |          |  |
|----------|--|
| a) 04.01 | Milk and cream, fresh, not concentrated or sweetened |
| b) 04.02 | Milk and cream, preserved, concentrated or sweetened |
| c) 04.03 | Butter   |
| d) 04.04 | Cheese and curds                                     |

### Article 2

1. Except as otherwise provided in paragraph 3 below, the amount of the difference between the price of a product from any exporting State supplied free-of-frontier to an importing Member State, determined in accordance with the provisions of Article 3, and the threshold price of the importing Member State determined in accordance with the provisions of Article 4, shall be levied on the import of products specified in Article 1, paragraph 2, b), c) and d). On imports from Member States the levy shall be reduced by a standard amount fixed in accordance with the provisions of Article 6.

2. Under the procedure laid down in Article 24, it may be stipulated that the levy calculated for a certain product in accordance with paragraph 1 (pilot product), or a percentage of this levy, shall at the same time be applicable to the other products mentioned in paragraph 1. For these products there shall be no require-



ment to fix prices free-to-frontier as provided for in Article 3, threshold prices as provided for in Article 4, or reference prices as provided for in Article 5.

3. On imports of Emmenthaler cheese (ex 04.04) from non-member countries the duties laid down in the customs tariff of the European Community shall be imposed in place of levies provided that the exporting countries maintain the corresponding minimum offer price. In this case, the levies on imports from Member States must be so fixed as to ensure the preference established by virtue of the second sentence of paragraph 1 above.

If any exporting country does not maintain the minimum selling price, the levy provided for in paragraph 1 shall be applied to imports from that country.

4. The prices free-to-frontier provided for in Article 3, the threshold prices provided for in Article 4, the reference prices provided for in Article 5 and the intervention prices provided for in Article 20 shall be fixed on the basis of comparable qualities determined in accordance with the procedure of Article 24. If comparable qualities do not exist, differences of quality shall be taken into account.

5. When the threshold prices fixed in accordance with the provisions of Article 4 shall have been standardized in accordance with Article 19 for one of the products mentioned in paragraph 1 above, levies shall no longer be applied to trade in these products between the Member States.

#### *Article 3*

1. On the import of products from a Member State, the prices free-to-frontier of the importing Member State referred to in paragraph 1 of Article 2, shall be determined on the basis of prices on the most representative markets of the exporting Member State for exports to the importing Member State concerned.

If in respect of certain products it is not possible to determine the prices free-to-frontier in accordance with the provisions of the foregoing paragraph, these prices shall be calculated on the basis of the prices of other milk products, account being taken of the difference between receipts from the various processed dairy products.

2. On the import of products from non-member countries the prices free-to-frontier of the importing Member States, referred to in Article 2, paragraph 1, shall be calculated, in respect of a frontier crossing point designated by each Member State, on the basis of the most favourable offers in international trade.

3. The Commission shall determine the prices free-to-frontier referred to in paragraphs 1 and 2 by criteria laid down in accordance with the procedure set out in Article 24.

#### *Article 4*

1. The threshold prices referred to in Article 2, paragraph 1, shall be fixed and published annually by the Member States before 1 March for the following dairy-farming year. However, these prices shall be fixed in the first instance before 15 October 1962 for the period 1 March 1962 to 31 March 1963.

2. The dairy-farming year shall run from 1 April to 31 March following.

3. The threshold price for fresh butter (ex 04.03) shall be fixed at a price higher by 0.15 units of account than the intervention price provided for in Article 20.

4. The threshold prices for the other products specified in Article 1, paragraph 2, b), c) and d), shall be fixed in relation to the reference prices established in accordance with Article 5:

i) At a level 3 % higher if on 1 January 1961 imports of these products were not subject to quantitative restrictions with respect to one or more countries, or if imports for the year 1961, although subject to quantitative restrictions from 1 January 1961, exceeded 20 % of national production;

ii) At a level 6 % higher in other cases.

#### *Article 5*

1. For the products specified in Article 1, paragraph 2, b) c) and d) with the exception of fresh butter, reference prices shall be calculated on the basis of the arithmetic mean of the wholesale prices ex producer at which purchases were made in the individual Member States during the year 1961.

2. In the calculation of the arithmetic mean, such adjustments shall be made as

are rendered necessary by the effect on prices, during the reference period, of any factors extraneous to the production and marketing of dairy products which may have seriously affected comparability with the prices of the previous year.

3. If for certain products it is not possible to establish reference prices in the manner referred to in paragraph 1, these prices shall be calculated on the basis of the prices of other dairy products, account being taken of the difference between receipts from the various processed dairy products.

4. The reference prices shall be fixed by the Council, acting by qualified majority on a proposal of the Commission.

#### *Article 6*

1. The standard amounts referred to in Article 2, paragraph 1, shall be fixed in such a manner as to promote the progressive and regular development of trade between the Member States until the establishment of the single market, having regard to availabilities on the markets of Member States of dairy products both home-produced and imported from other Member States. These amounts shall be fixed annually in accordance with the procedure set out in Article 24, by reference to criteria determined by the Council, on a proposal of the Commission, acting unanimously during the second stage and by qualified majority thereafter. They shall be fixed and published annually before 1 March for the following dairy-farming year. However, they shall be fixed and published in the first instance before 15 October for the period from 1 November 1962 to 31 March 1963.

2. If, during the dairy-farming year, intra-Community trade does not develop in the manner indicated in paragraph 1, the amounts shall be revised in accordance with the procedure set out in Article 24.

#### *Article 7*

1. The amounts of the levies shall be fixed by the Member States in accordance with the provisions of Article 2 and shall be communicated forthwith to the other Member States and to the Commission.

2. These sums shall be varied by the Member States according to variations in their determining factors. The criteria for varying the levies and the methods of

application thereof shall be decided in accordance with the procedure set out in Article 24.

Variations in the amounts of the levies shall be communicated forthwith to the other Member States and to the Commission.

3. The levies shall be collected by the importing Member State and shall accrue to that State.

However, where producers of the exporting Member State receive direct payment to offset the difference between the price obtained on the market and the target price provided for in Article 16 for milk ex farm, that portion of the levies which corresponds to these payments shall be refunded to the exporting Member State. The methods of application, and in particular the sums to be refunded, shall be determined in accordance with the procedure set out in Article 24.

#### *Article 8*

During the transition period, the Commission may authorize a Member State, at its request, to reduce the amounts of the levies which result from the application of Article 2, in so far as such action does not prejudice the interests of other Member States. The amount of the abatement must be the same in respect of Member States and non-member countries.

#### *Article 9*

1. All imports or exports of the products specified in Article 1, paragraph 2, *b)*, *c)* and *d)*, shall be subject to a licence issued by the Member State on application from the party concerned. The Member States shall keep the Commission informed of the quantities for which licences have been issued.

2. The Council, acting on a proposal of the Commission unanimously during the second stage and by qualified majority thereafter, shall decide the duration of validity of the licence.

3. The issue of an import licence shall be subject to the deposit of a surety, which shall be forfeit if importation does not take place within the term of the licence.

4. The methods of application of paragraphs 1 and 3 shall be decided in accordance with the procedure set out in Article 24.

### Article 10

1. In trade between Member States, as regards both import and export, the following shall be incompatible with the application of the present Regulation:

- i) The imposition of any customs duty or charge having equivalent effect;
- ii) The application of any quantitative restriction or measure having equivalent effect, save as otherwise provided in the Protocol concerning the Grand Duchy of Luxembourg;
- iii) Recourse to Article 44 of the Treaty.

It shall be deemed a measure having equivalent effect to a quantitative restriction, *inter alia*, to issue import or export licences only to a specified category of applicants.

2. The application of the present Regulation renders Article 45 of the Treaty inapplicable, as also any long-term agreements or contracts concluded by virtue of the said Article which are in effect at the date on which the present Regulation comes into force.

### Article 11

1. Subject to the provisions of Article 2, paragraph 3, the application of the present Regulation to trade with non-member countries shall entail the abolition of all customs duties or charges having equivalent effect on imports from non-member countries.

2. Except as otherwise provided in the Protocol concerning the Grand Duchy of Luxembourg, the application of the present Regulation to trade with non-member countries shall entail the abolition of all quantitative restrictions or measures having equivalent effect, save for any derogation decided upon by the Council on a proposal of the Commission by unanimous vote during the second stage and by qualified majority thereafter.

It shall be deemed a "measure having equivalent effect" to a quantitative restriction, *inter alia*, to issue import or export licences only to a specified category of applicants.

### Article 12

As from the application of the present Regulation to trade, and subject to the provisions of Articles 13 and 21 thereof, Articles 92, 93 and 94 of the Treaty shall

be applicable to aids granted by States or out of State resources which directly or indirectly have the effect of bringing the prices of the products specified in Article 1, paragraph 2 *b*), *c*) and *d*) below the prices which served directly or indirectly as the basis for calculating the levies.

### Article 13

1. A Member State which is entitled under the present Regulation to apply levies with respect to another Member State may refund on exports to that State an amount equal to the refund granted on exports to third countries under the conditions set out in paragraph 5 below. In any such case the levy imposed by the importing Member State shall be equal to that imposed with respect to non-member countries in accordance with the provisions of the present Regulation, less the standard amount referred to in Article 2, paragraph 1.

2. However, in respect of quantities corresponding to normal trade, and also in respect of the products specified in Article 2, paragraph 3, an exporting Member State shall be authorized to refund an amount equal to the difference between the price of the product delivered free-to-frontier of the importing Member State, determined in conformity with the provisions of Article 3, paragraph 1, and the threshold price of the importing Member State, this difference being increased by the standard amount referred to in Article 2, paragraph 1. If in respect of a given product recourse is had to Article 2, paragraph 2, this same amount or, according to the relationships of the levies, a percentage of the amount applicable to the pilot product may, however, be refunded.

3. In the case of exports of surplus production of the Grand Duchy of Luxembourg to a Member State where prices are lower, the refund shall be equal to that calculated in conformity with the provisions of paragraph 2.

4. The Council, acting by qualified majority on a proposal of the Commission, shall determine, concurrently with its decisions concerning the approximation of prices, any amendments to be made to the provisions of paragraphs 1, 2 and 3.

5. In order to enable exports to be made to non-member countries at world prices, the difference between the said prices and

those obtaining in the exporting Member State may be covered by a refund.

6. The exporting Member State shall periodically make known to the other Member States and the Commission the quantities exported and the amount of the refunds granted.

7. The methods of application of paragraphs 1, 2, 3, 5 and 6 shall be determined in accordance with the procedure laid down in Article 24.

#### *Article 14*

Derogations from the provisions of the preceding Articles which are necessary in order to avoid deflection of trade due to differences in levies as between Member States or as between Member States and non-member countries shall be decided upon in accordance with the procedure laid down in Article 24.

#### *Article 15*

1. If, as a result of the application of the measures relating to the gradual establishment of a common organization of the markets in milk and dairy products, these markets in one or more of the Member States should, by reason of imports, suffer or be threatened with serious disturbances likely to jeopardize the attainment of the objectives set out in Article 39 of the Treaty, the Member State or States concerned may, during the transition period, take the necessary safeguard measures concerning imports of the products in question.

2. The Member State or States concerned shall notify the other Member States and the Commission of such measures not later than at the date of their entry into force.

The Member State or States applying such measures shall make arrangements to ensure that goods in transit are not affected thereby; if the frontier is closed a period of grace of not less than three days shall be allowed. The Member States must be prepared to open negotiations immediately with a view to temporary arrangements to prevent excessive or avoidable loss to exporters. These arrangements shall be notified without delay to the other Member States and to the Commission.

On the basis of the provisions of paragraph 1, and being concerned not to raise

the level of protection between the Member States, the Commission, after consulting the Member States through the Management Committee provided for in Article 24, shall decide by emergency procedure within a time-limit of four working days reckoned from the date of the notification referred to in the first sub-paragraph above whether the measures shall be retained, amended or abolished. The Commission may also decide as to measures to be applied by the other Member States.

The decision of the Commission shall be notified to all the Member States and shall take effect immediately.

3. Any Member State may refer to the Council the decision of the Commission within a time-limit of three working days reckoned from the date of its notification. The Council shall meet without delay. It may, on the basis of the provisions of paragraph 1, and with the object of not raising the level of protection between the Member States, amend or annul by qualified majority the decision taken by the Commission.

Any safeguard measure affecting trade between the Member States shall be applied simultaneously if not earlier to trade with non-member countries, the principle of Community preference being observed.

#### *Article 16*

1. The Member States shall fix each year before 1 March, and in the first instance before 1 March 1963, a target price for milk (ex 04.01) ex farm. This price shall be valid for the following dairy-farming year. It shall be communicated to the Commission and to the other Member States.

2. The Council, acting unanimously on a proposal of the Commission, shall determine before 1 November 1962 for the following dairy-farming year the lower and upper limits of the target price referred to in paragraph 1.

#### *Article 17*

1. The Council, acting on a proposal of the Commission unanimously during the second stage and by qualified majority thereafter, shall annually decide, and in the first instance before 1 February 1963, a common target price for milk (ex 04.01)

ex farm. During the following dairy-farming year, this target price shall serve as the basis for harmonizing the national target prices for milk ex farm, as provided for in Article 18, and for approximating the market prices for dairy products, as provided for in Article 19.

2. The Council, acting on a proposal of the Commission unanimously during the second stage and by qualified majority thereafter, shall decide the criteria for fixing the common target price for milk ex farm.

Without prejudicing the aims of the common agricultural policy set forth in Article 39 of the Treaty, which include ensuring a fair standard of living for the agricultural population, these criteria must be designed to encourage specialization according to economic structures and natural conditions in the Community, so that the future common target price may be fixed on the assumption of efficiently managed and economically viable undertakings within the Community and with a view to a proper relationship between the prices of different products.

#### *Article 18*

During the transition period, differences between the target prices for milk (ex 04.01) ex farm fixed by the Member States in pursuance of Article 16, paragraph 1, shall be diminished so that a uniform target price for all Member States shall be established by 1 April 1966.

The Council, acting on a proposal of the Commission unanimously during the second stage and by qualified majority thereafter, shall decide annually before 1 February, and in the first instance before 1 February 1964, the measures which the Member States shall take for the dairy-farming year beginning on the following 1 April with a view to harmonizing target prices.

#### *Article 19*

1. In order to bring into line the market prices for the products specified in Article 1, paragraph 2, *b)*, *c)* and *d)*, the threshold prices fixed in conformity with the provisions of Article 4 shall during the transition period be standardized.

2. For fresh butter (ex 04.03), the threshold prices shall be gradually standardized *pari passu* with the standardization

of the national intervention prices which is provided for in Article 20, paragraph 4.

3. For the other products specified in Article 1, paragraph 2, *b)*, *c)* and *d)*, the threshold prices shall be brought into alignment and standardization at a level calculated on the basis of the common target price for milk. This calculation shall be made for each product on the assumption of standard costs and yields. Account must also be taken of the difference between receipts for various dairy products. The calculation shall be made in accordance with the procedure laid down in Article 24. Prices shall as far as possible be brought into alignment by regular stages. The preference flowing from the second sentence of paragraph 1 of Article 2 shall be respected.

4. The Council, acting on a proposal of the Commission unanimously during the second stage and by qualified majority thereafter, shall decide annually before 1 February and in the first instance before 1 February 1963, the measures which the Member States shall take for the following dairy-farming year with a view to harmonizing threshold prices for dairy products.

#### *Article 20*

1. Before 1 March each year, the Member States shall fix an intervention price for fresh butter (ex 04.03) applicable during the following dairy-farming year. This intervention price shall be fixed in the first instance before 15 October 1962 for the period 1 November 1962 to 31 March 1963. It shall be communicated to the other Member States and to the Commission. The criteria for intervention by the Member States shall be fixed in accordance with the procedure laid down in Article 24.

2. The intervention price to be fixed by the Member States before 15 October 1962 shall correspond to the weighted average of the prices at which intervention has taken place in the Member State concerned during the period 1 September 1961 to 31 August 1962 in respect of fresh butter of the same quality and composition as that for which the intervention price is to be fixed.

3. The Council, acting on a proposal of the Commission unanimously during the second stage and by qualified majority thereafter, shall establish criteria by which the intervention price may be modified.

4. The national intervention prices shall be brought into alignment and, at latest by the end of the transition period, shall be standardized at a level such that the average receipts from the total sale of milk may correspond to the common target price for milk ex farm to be fixed in pursuance of Article 17. The Council, acting on a proposal of the Commission unanimously during the second stage and by qualified majority thereafter, shall fix each year before 1 February, and in the first instance before 1 February 1963, the measures which the Member States shall take for the following dairy-farming year in order to attain this object.

#### *Article 21*

1. If the relevant authorities buy at intervention prices quantities of fresh butter in excess of the quantities necessary to make good the seasonal deficit, these quantities must be disposed of in such manner as to cause the least possible disturbance of normal sales. The detailed arrangements for this purpose, more especially those which concern intra-Community trade, shall be decided in accordance with the procedure laid down in Article 24.

2. If, despite intervention on the butter market, it is not possible to establish a balance between supply and demand in dairy products on the basis of the target price to the producer, the price of butter shall be lowered until this balance is achieved. The Council shall take the necessary decisions in accordance with the procedure of Article 43 of the Treaty.

#### *Article 22*

The Council, acting on a proposal of the Commission, unanimously during the second stage and by qualified majority thereafter, may take in respect of the products specified in Article 1, paragraph 2, such measures by way of derogation from the present Regulation as shall allow for any special circumstances affecting such products.

#### *Article 23*

1. There shall be established a Management Committee for milk and dairy products (hereinafter called "the Committee") composed of representatives of the Member States under the chairmanship of a representative of the Commission.

2. Within the Committee, the votes of Member States shall be weighted as laid down in Article 148, paragraph 2, of the Treaty. The chairman shall not vote.

#### *Article 24*

1. Where the present Regulation expressly provides for the application of the procedure set out in the present Article, the chairman shall refer the matter to the Committee, either on his own initiative or at the request of the representative of a Member State.

2. The representative of the Commission shall submit a draft of the measures proposed to be taken. The Committee shall render its opinion on these measures within a time-limit fixed by the chairman according to the urgency of the matter under consideration. The Committee shall act by a majority of twelve votes.

3. The Commission shall decide upon measures which shall be immediately applicable. However, if they are at variance with the opinion rendered by the Committee, the measures shall at once be communicated by the Commission to the Council. In such case, the Commission may defer for a maximum period of one month from the date of this communication the application of the measures it has decided upon.

The Council, acting by a qualified majority, may take a different decision within a time-limit of one month.

#### *Article 25*

The Committee may examine any other question raised by its chairman either on his initiative or at the request of the representative of a Member State.

#### *Article 26*

At the end of the transition period, the Council, acting by qualified majority on a proposal of the Commission, shall decide in the light of experience whether the provisions of Article 24 shall be maintained or amended.

#### *Article 27*

1. The Member States shall take the necessary measures to adjust their laws, regulations and administrative practices so that the provisions of the present Regulation may be effectively applied as from 1 November 1962.

2. If, at the time of entry into force of the present Regulation, a Member State guarantees a price for a limited quantity

only, it shall make these adjustments without prejudice to the provisions of paragraph 1, in such a way that the provisions of the present Regulation may be observed in this matter also at latest by the end of the transition period.

*Article 28*

The provisions of the present Regulation other than those of Articles 16, 17, 18 and 22 shall not be applicable to the products specified in Article 1, paragraph 2, a), which will be the subject of a special Regulation.

*Article 29*

The present Regulation shall come into force on the day following its publication

in the official gazette of the European Communities. However, the date for bringing into operation the trading system established by the present Regulation is fixed at 1 November 1962.

If transitional arrangements are necessary, they shall be determined in accordance with the procedure laid down in Article 24, if possible before 1 September 1962.

The Council shall make before 1 September 1962 the decisions referred to in Article 5, paragraph 4, in Article 6, paragraph 1 and in Article 9, paragraph 2, and before 1 November 1962 the decisions referred to in Article 17, paragraph 2 and in Article 20, paragraph 3.

The present Regulation shall be binding in all its parts and directly applicable in all Member States.

## ANNEX II

### Regulation concerning the gradual establishment of a common organization of the beef market

(Proposal of the Commission to the Council of 7 May 1962)

#### Explanatory Memorandum

1. The attached draft regulation comprises a first set of provisions introducing a common policy in the beef sector, in accordance with the provisions of Articles 38, 40 and 43 of the Treaty establishing the European Economic Community. In drafting it, the Commission has proceeded on the assumption that it will be approved by the Council in time to be brought into operation on 1 November 1962. These provisions, which will need to be supplemented as concerns the financing of the common agricultural policy and the creation of executive and advisory bodies, have as their object to lay the foundations of a common organization of the market for beef and make it fully effective within a period of about four years. These time-limits have been prescribed on account of the special conditions of the beef sector referred to in paragraph 19 below.

2. Within the framework of Article 39 of the Treaty, the Commission, having borne in mind the specific needs of this sector, has sought to create conditions which will check fluctuations in price formation and ensure reasonable prices for producers, for the processing industry and for consumers.

3. A common policy in the beef sector designed to serve this aim requires the establishment of a common form of organization which will go beyond the co-ordination of the various national forms of market organization and the application of common rules of competition.

4. The development of this common policy must culminate in an integrated market among the Member States, having the characteristics of an internal market in that there is no longer any discrimination between producers or between consumers.

This policy must aim at a balance between production and marketing within and outside the Community, imports and exports being taken into account.

5. In view of the particular characteristics of this sector and more especially of its close relationship with the production of milk products, it appears possible to achieve these aims principally by standardizing conditions of competition for countries outside the Community and by providing a limited amount of protection to the various stages of production and processing. The establishment of a system of customs duties and of certain complementary measures with regard to non-member countries fulfils this requirement while in normal circumstances enabling recourse to other means of protection to be abandoned.

6. The introduction of such a system means that the measures at present in force in Member States must on the adoption of the present Regulation be reviewed. In intra-Community trade, the system, which is of a temporary character, will make it possible to replace the many different national import systems by a single system, of which the means of application, having been agreed in common, can easily be adapted in order to establish a preference. The system constitutes the instrument by which the interpenetration of the national markets, which must prepare the way for the single market, will be able effectively to be carried out in a gradual way and to be operated without discrimination within the Community.

7. If the means afforded the Community by the present Regulation for the single market stage are not sufficient to achieve the aims of the Treaty, the system provided by this Regulation will need to be complemented by Community measures of



direct or indirect intervention on the markets. It is with this object in view that the measures of intervention still applied within the national market organizations will have progressively to be co-ordinated. The Community structure in which these measures will be integrated will offer all concerned the benefit of a free development of trade and the maintenance of price stability at a level consonant with the economic well-being of the Community.

8. The establishment of the system envisaged for the single market stage calls for the creation of the following conditions and the application of the following means :

i) The conditions under which beef is produced in the Community countries are very different from those in other countries owing to differences of climate, farm structures and costs of feeding. These are the principal differences which are reflected in selling prices and which must be made up.

ii) A common policy seeking :

to maintain beef production and more especially to encourage the production of top-grade qualities;

to support farm incomes;

to contribute to the lessening of pressure in the milk sector;

to contribute to stability at the stage of production and at the stage of sale and consumption;

to avoid a diversity of measures with respect to price formation for different kinds of meat;

will be pursued by fixing guide prices for some kinds of meat, the level of which will be determined with these objects in view.

iii) The common customs duty does not entirely meet the need to compensate for differences in conditions of production which are reflected in guide prices on the one hand and world prices on the other. In order that the latter prices should not cause or threaten to cause serious damage to Community markets, it is necessary to provide a sluice-gate price for the principal types of meat. The sluice-gate price will be so fixed that on adding to it the effect of customs duties the selling prices are in line with the guide prices. As soon as selling prices, free to frontier in the Community, of meat imported from non-member countries fall below the sluice-gate price, an additional sum will be levied.

iv) For some other meat products such as offal and prepared or preserved beef, it is more convenient to apply a system of import certificates having a limited validity, the issuing of which can be suspended in cases when prices within the Community come under strong pressure. This system will equally apply to the import of frozen meat because world trade in this meat is subject to fluctuations which are less linked to production than is the case with trade in other kinds of meat.

9. Concurrently with the sluice-gate price, Community interventions in internal markets can be made at the single market stage, provided that the Council agrees on the desirability of the intervention measures before the end of the preparatory stage.

10. It is necessary that the Community should retain its outlets on the world market. To this end, exports to non-member countries will give rise to a refund.

11. Because at the single market stage intra-Community trade will be freed from all restrictions and because the measures to facilitate exports from the Community will be in the nature of action in the common interest, it will be proper — as far as concerns the necessary financial means — to proceed on the basis of the regulations made by the Council on the financing of the common agricultural policy.

12. The following paragraphs set out the appropriate measures for gradually attaining the single market system.

In proposing these measures the Commission has sought to apply as fully as possible during the preparatory period the basic principles of the system envisaged for the single market stage, as regards both intra-Community trade and trade with non-member countries.

13. In studying means of applying these principles, the Commission was first obliged to consider the present situation on the national markets in the Community.

When seeking a formula to promote greater uniformity in the policies of the Member States with respect to their partners and to non-member countries and to the commercial relations between them, the Commission felt what it should first take into account the special situation of the beef trade of the Member countries in relation to that of non-member countries.

From the entry into force of a system governing these commercial relations it will take as a starting point the prices of meat as formed in Member States. It proposes to derive from these prices provisional national guide prices, differentiated for the principal kinds of meat (Art. 2). These guide prices are to be considered as the resultant of all such measures taken up to the present time under national policies as are consistent with the objectives mentioned above. In order not to reflect a merely temporary rise or fall but to be representative of the average market prices to which beef production in each of the States is geared, the guide prices must be established in relation to quotations over the two years preceding the institution of the system.

14. A comparison of the situation in the Community with that in non-member countries, shows that beef prices in all the Community countries are much higher than world prices.

15. As regards live cattle, fresh meat and chilled and frozen carcasses, whole, half or quarter, the proposed system provides for the application of national customs duties, which, being at present within a fairly narrow range, will gradually be unified into a common external tariff (Art. 3).

16. The role of these customs duties with respect to the general objectives of the common policy for this sector is somewhat limited. Prices within the Community may fall appreciably in consequence of imports from non-member countries. Therefore sluice-gate prices for imports from non-member countries as described above in connection with the single market stage, will provisionally be applied on a national basis. As the preparatory stage proceeds, these sluice-gate prices will also be unified (Art. 4).

17. Imports of offal and processed, preserved or frozen beef will not only be subject to customs duties but will also require import certificates, so that efforts to secure fair prices for other kinds of beef may not be frustrated (Art. 5).

The conditions of issue of the certificates are set out above.

18. The trading system set up in relation to non-member countries will place the

beef production of the Community in a position to meet the demands made upon this sector by the agricultural policy and enable commercial relations between the Member States to be regulated.

19. On the whole the countries of the Community are net importers of beef. Some Member States have limited amounts available for export, but only in certain qualities. Moreover, beef prices, especially for those qualities which form the bulk of national production, do not show wide discrepancies. A freer system for beef is not therefore likely to increase the flow of trade. For this reason the Commission proposes to liberalize intra-Community trade, applying the customs duties now in force for the products concerned (Art. 6).

These are also the underlying considerations of the proposal to limit the preparatory stage to a period of about four years and to fit into this period the reduction of customs duties between Member States (Art. 6) as well as to bring the duties applicable to non-member countries into line with the common external tariff and to bring the provisional national guide prices into line with the common guide price (Art. 2, para. 3, and Art. 3).

20. In exceptional circumstances it will be permissible for Member States to take safeguard measures subject to the general practice already adopted by the Council in other regulations (Art. 13).

Furthermore the regulation provides for the possibility of intervention on the national market in order to bring market prices more into line with guide prices (Art. 7).

21. Intervention will be justified when prices fall below the guide price. If the market prices within a Member State and at the same time the offer prices — including customs duties — of other Member States are below the price which in that State justifies intervention, it will hardly be admissible to import meat from other States on these terms. In such circumstances, the importing State is authorized to add a levy equal to the difference between the offer price and the intervention price.

22. With respect to products other than those for which guide prices are to be fixed, the Commission does not deem it

necessary to provide means of protection other than customs duties, in view of the rate of these duties and of the provisions concerning primary materials entering into products of this nature.

23. The system proposed will supersede national measures such as quotas, special charges and minimum prices. Its adoption implies moreover that administrative obstacles must be eliminated as well as certain forms of intervention on national markets which can hinder the functioning of this system. The execution of long-term agreements or contracts concluded pursuant to Article 45 of the Treaty must also be suspended, since these agreements or contracts are liable to hinder the development of Community policy, in particular by introducing a number of bilateral provisions into a uniform and non-discriminatory system (Art. 9 and 14).

24. The system envisaged in the present Regulation, taking account of price dif-

ferences, involves the abolition of aids which according to the relevant provisions of the Treaty are incompatible with the Common Market (Art. 11). However, since the system makes permanent provision for imports, similar possibilities for exports must also be afforded, if only to permit the maintenance of certain currents of trade with non-member countries. The Commission, therefore, proposes that refunds be granted on exports to these countries, of an amount depending on the movement of prices in the Member State concerned and on the world market (Art. 12). With regard to exports to other Member States, the Commission sees no need for special provisions since market prices are within a sufficiently narrow range.

25. Financial arrangements relating to refunds and, where appropriate, to interventions will be made in accordance with the provisions laid down by the Council at its 60th session in January 1962 (Art. 20).

#### **Regulation concerning the gradual establishment of a common organization of the beef market**

*The Council of the European Economic Community*

*Having regard to* the provisions of the Treaty establishing the European Economic Community, and particularly Articles 42 and 43 thereof;

*Having regard to* Regulation No. 25 on the financing of the common agricultural policy and particularly Article 8 thereof;

*Having regard to* the proposal of the Commission;

*Having regard to* the opinion of the European Parliament;

*Whereas* the operation and development of the Common Market for agricultural products must be accompanied by the institution of a common agricultural policy including in particular a common organization of agricultural markets established product by product;

*Whereas* the production of beef constitutes a substantial factor in agricultural income and it is therefore essential to ensure

an adequate return on such production; whereas it is in the interest both of producers and of processors and consumers to mitigate price fluctuations as far as possible; whereas the objective must be to attain a balance between supply and demand for beef within the Community, taking account of imports and exports;

*Whereas* trade in agricultural products between the Member States is impeded by a number of obstacles, namely customs duties, charges having equivalent effect, minimum prices, quotas and other quantitative restrictions, the progressive abolition of which during the transition period would be governed, failing co-ordinating action by the Institutions of the Community, by varying procedures means and different timing; whereas on the other hand a uniform frontier measure covering intra-Community trade will facilitate a progressive and parallel reduction of barriers in all Member States.

*Whereas* such uniform frontier measure in place of all the national measures must firstly ensure adequate support for the

agricultural markets of Member States, and secondly permit the progressive creation of a single market by enabling the free movement of goods to develop within the Community;

*Whereas* these objects can normally be achieved by the imposition of a customs duty because beef prices in the Member States do not vary greatly and the amounts available for export are relatively limited; whereas it is nevertheless necessary to provide for the possibility of adding to this customs duty a supplementary amount when the importing Member State is impelled to intervene on its own market;

*Whereas* the substitution of these measures for other measures which by virtue of the Treaty are destined to disappear during the transition period would be contrary to the principle of the progressive establishment of the Common Market unless provisions were not at the same time for their progressive abolition;

*Whereas* the introduction of new measures of protection at the internal frontiers of the Community, affording guarantees to producers in Member States, is justified in relation to the principles laid down in the Treaty only if they replace all other protective measures;

*Whereas* the system to be introduced must permit the maintenance in favour of the Member States of the preference which results from the application of the Treaty; whereas this requirement can be satisfied by the imposition of customs duties on imports from non-member countries and by the addition of a supplementary amount or by a suspension of imports when the offer price of imports from non-member States becomes abnormally low, these arrangements replacing all other protective measures;

*Whereas* this system, in conformity with the aims of Article 45 of the Treaty, facilitates the development of intra-Community trade while affording guarantees to producers in Member States and thus renders that article inapplicable;

*Whereas* the operation of this system requires that the provisions of the Treaty which enable aids to be reviewed and action to be taken against those which are incompatible with the Common Market shall be extended to aids which have the effect of distorting the machinery of this system;

*Whereas* in order to safeguard the participation of Member States in world trade

in beef, these States must be permitted, on exportation to non-member countries, to make payments compensating for the difference between prices within and outside the Community;

*Whereas* the practice in processing traffic whereby trade between Member States in processed products incorporating imported primary products is conducted on the basis of world prices for such primary products is incompatible with the application of the system envisaged;

*Whereas* in order to ensure for producers in the Community a fair return for beef production and in order to palliate the difficulties existing in the milk products sector, it is necessary annually to fix guide prices in each Member State for the categories of beef which are the most important in the formation of prices;

*Whereas* for the gradual establishment of the single market it is necessary that these guide prices shall progressively approximate to a common guide price;

*Whereas* in order to give producers a guarantee that market prices will remain at a level as close as possible to the level of the guide prices it is necessary to provide for the possibility of intervention on the markets of Member States;

*Whereas* in order to facilitate the implementation of the provisions envisaged, it is necessary to provide for co-operation between the Member States and the Commission within a Management Committee;

*Whereas* the situation in the beef sector in the Member States and the above-mentioned measures will permit the complete establishment of a common organization of markets in this sector at the end of a period of four years,

*Has adopted the present Regulation :*

#### *Article 1*

In order to ensure the progressive development of the Common Market and the common agricultural policy, a common organization of the markets in the beef sector shall be gradually established, including a system of customs duties and certain supplementary price support measures applicable to trade between Member States as well as between Member States and non-member countries in the following products :

Common Customs Tariff No.	Description of goods
a) 01.02 A II	Live animals of the bovine species other than those for blood stock breeding.
02.01 A II	Meat of domestic bovine animals.
b) ex 02.01 B II	Offals of domestic bovine animals.
ex 02.06 C	Meat and edible meat offals of the bovine species, salted, in brine, dried or smoked.
ex 05.04	Guts, bladders and stomachs of animals of the bovine species, whole and pieces thereof.
ex 15.02	Unrendered fats of bovine cattle; tallow (including "premier jus") produced from those fats.
c) ex 16.01	Sausages and the like, of meat, meat offals or animal blood, containing beef or beef offals, excluding those containing pigmeat or pig offal.
ex 16.02 A II	Other prepared and preserved meat or meat offal containing liver of bovine animals but excluding those containing pig liver.
ex 16.02 B II	Other prepared and preserved meat or offal not elsewhere specified containing beef or beef offals, excluding those containing pigmeat or pig offal.

#### Article 2

1. For certain categories of products referred to in Article 1 *a)*, a guide price shall be determined for each Member State on the basis of the arithmetical average of the prevailing wholesale prices in that Member State and in particular at the same stage of the wholesale trade:

- i) for comparable qualities;
- ii) during the two years preceding the entry into force of the present Regulation;
- iii) on the representative market or markets.

2. In calculating the arithmetical average referred to in paragraph 1, adjustments shall be made which are rendered necessary:

- i) by the effect on prices, during the reference period, of any factors which have seriously distorted the comparison between the prices noted for the two reference years;
- ii) by the effect of internal taxes upon the prices of these products.

3. The guide prices shall annually be brought more closely into line so that they attain a common level throughout the Community not later than 1 April 1966.

4. The Council, acting by qualified majority on a proposal from the Commission, shall specify the categories of products for which a guide price is to be fixed. It

shall determine these prices, acting in accordance with the same procedure, each year before 1 February for the year beginning on the following 1 April. However, the first fixing of guide prices shall be done before 1 October 1962 for the period from 1 November 1962 to 31 March 1963.

#### Article 3

Subject to the provisions of Article 24 of the Treaty, each Member State shall apply with respect to the importation from non-member countries of the products referred to in Article 1:

i) until 1 April 1964, the customs duties established in conformity with the provisions of Article 23 (1), *a)* and *b)* of the Treaty;

ii) from 1 April 1964, a duty reducing by 60 % the difference between the rates actually in force on 1 January 1957 and that of the common customs tariff;

iii) from 1 April 1966 the duty of the common customs tariff.

#### Article 4

1. In order to prevent imports of the products referred to in Article 1 *a)* from non-member countries causing of threatening to cause serious damage to internal markets, the Council, acting by qualified majority on a proposal of the Commission, shall fix each year before 1 February for the year beginning the fol-

lowing 1 April a sluice-gate price for each Member State and for each of the said products, account being taken of the level of the guide prices and the customs duties imposed by virtue of Article 3. However, the first fixing of the sluice-gate prices shall be done before 1 October 1962 for the period from 1 November 1962 to 31 March 1963.

2. If the selling price of imports free-to-frontier falls below the sluice-gate price, the difference between this selling price, free-to-frontier, and the sluice-gate price shall be made up by a levy.

However, this levy shall not be applied with respect to non-member countries which are willing and able to guarantee that on imports from their territory the price applied will not be lower than the sluice-gate price and that deflection of trade will be avoided.

3. The method of fixing the amount of the levies referred to in paragraph 2 shall be determined in accordance with the procedure laid down in Article 17. Such levies shall be determined and collected by the importing Member State. The Member State which takes this measure shall immediately notify thereof the other Member States and the Commission. The measures to be taken in common by the Member States shall be determined in accordance with the procedure laid down in Article 17.

#### *Article 5*

1. All imports from non-member States of frozen beef ex 02.01 A II, as well as the products specified in Article 1, *b*) and *c*) shall be subject to the presentation of an import certificate issued by the Member State on the request of the party concerned. The Member States shall regularly notify the Commission of the quantities in respect of which certificates have been issued.

The issue of a certificate shall be subject to the deposit of security for the undertaking to import during the period of validity of the certificate, which deposit shall be forfeit if the goods are not imported within that time-limit.

The methods of application of the present paragraph, in particular the duration of the validity of the import certificates, shall be determined in accordance with the procedure laid down in Article 17.

2. If one or more of the markets for the products referred to in Article 1 should suffer or be threatened with serious disturb-

ance owing to imports from non-member countries, in particular should the authorities with power to intervene be impelled to make substantial purchases on the market for the said products, the issue of import certificates may be suspended with respect to non-member countries, subject to possible exceptions for certain particular destinations, until the disturbance or threat of disturbance has subsided. The conditions of application of the present paragraph shall be determined by the Council acting by qualified majority on a proposal of the Commission.

#### *Article 6*

1. Subject to the provisions of Article 15 of the Treaty, each Member State shall, with respect to intra-Community trade in the products referred to in Article 1, impose the customs duties applicable with respect to other Member States at the date of entry into force of the present Regulation.

The progressive elimination of these customs duties shall take place in accordance with the following time-table:

i) On 1 April 1963 a first reduction shall be made bringing the customs duties down to 55 % of the basic duty referred to in Article 14 (1), of the Treaty;

ii) On 1 April 1964, 1965 and 1966 the basic duties shall be successively reduced by 15, 20 and 30 %.

2. However, if for one of the products specified in Article 1 a Member State had at the date of entry into force of the Treaty suspended the collection of a customs duty on imports from other Member States, it shall be authorized to collect a duty equal to the customs duty applied to imports from non-member countries on 1 January 1962 reduced by 30 %.

This duty shall be progressively eliminated in accordance with the time-table prescribed in paragraph 1, but substituting for the basic duty referred to in Article 14 (1) of the Treaty the customs duty imposed on imports from non-member countries on 1 January 1962.

#### *Article 7*

1. If a Member State is impelled to intervene on its own market by taking measures to avert a substantial fall in prices, such measures must be of a nature not to impede the application of the present Regulation.

Any Member State which has the intention of taking such measures shall previously communicate them to the Commission. The Commission may address to this Member State any relevant observation after consultation with the Member States through the Management Committee provided for by Article 16.

The Commission shall also ensure that these measures are applied with due regard for the need to promote their progressive co-ordination on a Community level.

2. On a proposal of the Commission, the Council, in accordance with the procedure laid down in Article 43 of the Treaty and not later than three years after the entry into force of the present Regulation, shall decide as to the desirability of Community measures of intervention on the market and the methods by which these measures shall be applied at the single market stage. These measures must have the aim of contributing, to the extent desirable and possible, to the stabilization of producer and consumer prices.

#### *Article 8*

If a Member State, in accordance with the provisions of Article 7 (1), intervenes on its own market, it is authorized until 1 April 1966 to collect when importing from another Member State a levy of which the amount shall be equal to the difference between the price which occasioned the intervention and the import price including customs duty.

The amount of the levy shall be fixed by the importing Member State in accordance with criteria determined by the procedure laid down in Article 17.

#### *Article 9*

1. In trade between Member States, as regards both import and export, it shall be incompatible with the application of the present Regulation for a Member State :

- i) to impose any customs duty other than those prescribed by the present Regulation, or any charge having equivalent effect;
- ii) to apply any quantitative restriction or measure having equivalent effect, subject to the provisions of the Protocol concerning the Grand Duchy of Luxembourg;
- iii) to have recourse to Article 44 of the Treaty.

2. The application of the present Regulation to trade between the Member States

shall render inapplicable Article 45 of the Treaty as well as any long-term agreements or contracts concluded by virtue of the said Article which are still in effect at the date of entry into force of this system.

3. In trade between the Member States it shall be incompatible with the present Regulation for one Member State to export to another Member State products referred to in Article 1 in the manufacture of which there have been incorporated products referred to in the said Article which have not been subject to the customs duties and levies imposed in the exporting Member State or which have benefited from a total or partial drawback of the said customs duties or levies.

#### *Article 10*

1. The application of the present Regulation to trade with non-member countries shall entail the abolition of any customs duties on imports from non-member countries other than the duties prescribed by the present Regulation, as well as of any charge with equivalent effect on these imports.

2. The application of the present Regulation to trade with non-member countries shall entail, subject to the provisions of the Protocol concerning the Grand Duchy of Luxembourg, the abolition of all quantitative restrictions on imports from non-member countries, except as otherwise decided by the Council acting by a qualified majority on a proposal of the Commission.

#### *Article 11*

As from the entry into force of the present Regulation, Articles 92, 93 and 94 of the Treaty shall apply to production of and trade in the products set out in Article 1.

#### *Article 12*

1. On exportation to a non-member country of any of the products set out in Article 1 a Member State may make a refund of an amount determined in relation to the movement of prices in the exporting Member State and on the world market.

2. The conditions of application and in particular the amount referred to in paragraph 1 shall be determined in accordance with the procedure set out in Article 17.

### *Article 13*

1. If, as a result of the application of the measures relating to the gradual establishment of a common organization of the beef market, this market in one or more of the Member States should, by reason of imports, suffer or be threatened with serious disturbances likely to jeopardize the attainment of the objectives set out in Article 39 of the Treaty, the State or States concerned may, during the transition period, take the necessary safeguard measures concerning the import of the products in question.

2. The Member State or States concerned shall notify the other Member States and the Commission of such measures not later than at the date of their entry into force.

The Member State or States applying such measures shall make arrangements to ensure that goods in transit are not affected thereby; if the frontier is closed, the period of grace allowed for goods in transit must not be less than three days. They must be prepared to begin negotiations immediately with a view to temporary arrangements to prevent excessive or avoidable loss to exporters. These arrangements shall be notified without delay to the other Member States and to the Commission.

On the basis of the provisions of paragraph 1 and with the aim to avoid raising the level of protection between Member States, the Commission, after consulting the Member States through the Management Committee provided for by Article 16, shall decide by emergency procedure within a time-limit of four working days reckoned from the date of the notification referred to in the first sub-section above whether the measures shall be retained, amended or abolished. The Commission may also decide as to measures to be applied by the other Member States.

The decision of the Commission shall be notified to all the Member States and shall take effect immediately.

3. Each Member State may refer to the Council the decision of the Commission within a time-limit of three working days reckoned from the date of its notification. The Council shall meet without delay. It may, on the basis of the provisions of paragraph 1, and with the aim to avoid raising the level of protection between the Member States, amend or annul by a qualified majority the decision taken by the Commission.

4. Any safeguard measure affecting trade between the Member States shall at the latest be simultaneously applied to trade with non-member countries, the principle of Community preference being observed.

### *Article 14*

The Member States shall take steps to adapt their laws, regulations and administrative practices so that the provisions of the present Regulation may effectively be applied as from 1 November 1962.

### *Article 15*

On a proposal of the Commission, the Council, acting unanimously during the second stage and by qualified majority thereafter, may take in respect of the products referred to in Article 1 any measures derogating from the present Regulation so as to meet any special circumstances affecting such products.

### *Article 16*

1. There shall be established a Management Committee for Beef, hereinafter called the "Committee", composed of representatives of the Member States and presided over by a representative of the Commission.

2. Within the Committee, the votes of the Member States shall be weighted as laid down in Article 148 (2) of the Treaty. The Chairman shall not vote.

### *Article 17*

1. In cases where the present Regulation expressly provides for the application of the procedure laid down in the present Article, the matter shall be referred to the Committee by its chairman, either on his own initiative or at the request of the representative of a Member State.

2. The representative of the Commission shall submit a draft of the measures to be taken. The Committee shall render its opinion on these measures within a time-limit fixed by the Chairman according to the urgency of the matter under consideration. It shall act by a majority of twelve votes.

3. The Commission shall adopt measures which are immediately applicable. However, if they are at variance with the opinion rendered by the Committee, the measures shall at once be communicated



by the Commission to the Council. In such case, the Commission may defer for a maximum of one month from the date of this communication the application of the measures it has decided upon.

The Council, acting by qualified majority, may take a different decision within a period of one month.

#### *Article 18*

The Committee may consider any other question raised by its chairman, either on his own initiative or on the request of a representative of a Member State.

#### *Article 19*

At the end of the transition period, the Council, acting by qualified majority on a proposal of the Commission, shall decide in the light of experience whether to maintain or amend the provisions of Article 17.

#### *Article 20*

Regulation No. 25 concerning the financing of the common agricultural policy shall apply to the market for beef.

#### *Article 21*

The present Regulation shall come into force on the day following its publication in the official gazette of the European Communities. However, the date for bringing into operation the trading system established by the present Regulation is fixed at 1 November 1962.

If transitional arrangements are necessary, they shall be determined in accordance with the procedure laid down in Article 17, if possible before 1 October 1962.

The present Regulation shall be binding in all its parts and directly applicable in each Member State.

## ANNEX III

### Regulation on the progressive establishment of a common organization of the rice market

(Proposal of the Commission to the Council of 7 May 1962)

#### Explanatory Memorandum

1. The Council of the EEC, in its Resolution of 20 December 1960, expressed the opinion that a system of levies could, in respect of certain agricultural products, serve as a Community instrument to facilitate transition towards the single market stage, and that such a system could in the first place be applied to cereals, and thus to rice.

In conformity with this Resolution, the Commission, in the proposal for a common policy in the rice sector which was adopted on 10 July 1961, followed the principles by which it was guided when drawing up the proposals of 30 June 1960 concerning a common organization of the market in cereals.

Naturally, therefore, the Regulation providing for the progressive establishment of a common organization of the rice market is largely on the same lines as that for cereals and reproduces in form and substance a number of the provisions contained therein.

The rice market, however, presents certain special features and some problems must be treated in a manner suited to the requirements of the sector. For this reason the Commission did not include rice among the other cereals when drawing up the Regulation submitted to the Council on 30 May 1961.

2. Rice is produced in only two of the Member States and there are no barriers to trade in rice in the other four Member States except in the Federal Republic of Germany, where a customs duty is imposed on paddy rice and milled rice. It is therefore feasible to set up in the four non-producer Member States a market in rice

and broken rice having the characteristics of a single market. This will make it possible to provide for the fixing, in the four Member States in question, of a common threshold price (Article 3), a single c.i.f. price (Article 4) and a uniform levy on imports from third countries (Article 2).

Since these Member States do not impose customs duties or other frontier measures with equivalent effect, they may properly continue to enjoy complete freedom in the organized rice market as regards imports of rice and broken rice from another Member State (Article 2), save that in the case of the Federal Republic a special measure is proposed relating to the import of milled rice (Article 21).

Further, the provisions which govern the granting of refunds on exports by producer Member States take account of the fact that the markets of non-producer Member States are considered, in the case of rice and broken rice, as a single market (Article 15).

3. The rice trade, both in the Community and in the outside world, is concerned with processed rice rather than rice in the husk (paddy rice), so that the threshold price may appropriately be fixed for rice in the form in which it is chiefly imported, i.e. husked rice (Article 3). This necessitates a table of equivalence (Article 7). The table will make it possible to take into consideration, when determining the c.i.f. price and the price free-to-frontier, supplies not only of husked rice but also of rice at other stages of processing or even paddy rice. It will also permit adjustment of the levy in order to take account of the quantity of basic material entering into the imported product and the differences

in yield in the processing of different categories of rice.

4. The criteria applied when first fixing the threshold price for rice in the producer Member States and the common threshold price in the non-producer Member States cannot be the same in both cases because the market situations are different, as are the objects to be attained during the first year of operation of the levy system.

In the case of the producer Member States, it would seem reasonable to fix a threshold price such that the national product can be sold throughout the territory of each producer Member State (Article 3). This will be achieved by ensuring that, on the market of the trading centre furthest from the areas of production, the selling price of imported rice shall not be lower than that of home-grown rice.

In the case of non-producer Member States, the criteria adopted when first fixing the common threshold price are limited in their effect to stabilizing the price of rice in relation to the world market prices. The levy being calculated on the basis of the most favourable price on the world market, imports from non-member countries will be subject to a levy from the first year (Article 18).

During the transition period, the threshold prices will be brought into line step by step with the decisions of the Council concerning the approximation of prices (Article 19). Before 1 July 1969, the Council must determine the method of fixing the single threshold price for rice which will apply throughout the Community (Article 22).

5. The concentration of rice production within small areas, the necessity for fixing guaranteed prices only for unprocessed rice, and the fact that the market in paddy rice does not have the same characteristics as that in other cereals are the main reasons for adopting, in respect of rice only, an intervention price at production level (Article 17). This price is the same for each producer Member State and is applicable to paddy rice. However, as the intervention price applies to common round rice, correcting factors are needed to allow for differences, due to differences in quality, in the market value of other categories of paddy rice.

6. The decisions of the Council concerning the alignment of prices are of two

kinds (Article 19). With respect to the producer Member States, the Council determines the measures they are to apply in the matter of the intervention price. The threshold price of the two producer Member States being fixed in relation to the intervention prices, when the latter prices are brought into line the threshold prices will be brought into line also. With respect to the non-producer Member States, the Council fixes each year a single threshold price applicable in these four Member States.

The Council's decisions thus have a two-fold effect. In the first place, they will narrow the gap between the intervention prices of the two producer Member States and the gap between their threshold prices fixed in relation to the intervention prices. In the second place, they will narrow the gap between these threshold prices and the single threshold price applicable in the non-producer Member States, so that at the single market stage one threshold price will apply throughout the Community.

7. Because the Regulation concerning the financing of the common agricultural policy is applicable to the market in other cereals, it is proper to provide for its application also to the market in rice (Article 26).

However, the disposal of the surpluses which may accumulate in producer Member States will still be, to a decreasing extent during the transition period, the concern of these Member States. This being so, it is proper to allow the producer Member States the right to limit the financial burden resulting from the organization of the market in rice provided for by the present Regulation, on condition that the means employed are not incompatible with the other provisions of the Regulation. This preoccupation may be met by limiting the price guarantee to a certain quantity of paddy rice only (Article 20).

8. In order to stabilize the price of broken rice on the markets of Member States, it is proposed to fix a threshold price for this product in each producer Member State and a single threshold price applicable in the non-producer Member States. The threshold price for broken rice will be fixed in a constant relationship, identical for all Member States, with the threshold price for rice.

## Regulation on the progressive establishment of a common organization of the rice market

*The Council of the European Economic Community,*

*Having regard to the provisions of the Treaty establishing the European Economic Community and particularly Articles 42 and 43 thereof;*

*Having regard to Regulation No. 25 on the financing of the common agricultural policy and particularly Article 8 thereof;*

*Having regard to the proposal of the Commission;*

*Having regard to the opinion of the European Parliament; and*

*Whereas the operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy, including in particular a common organization of agricultural markets established product by product;*

*Whereas the production of rice is of special importance to the agricultural economy of certain Member States;*

*Whereas trade in agricultural products between the Member States, and more particularly between producing Member States, is impeded by a number of obstacles, such as customs duties, charges with an equivalent effect, quotas and other quantitative restrictions, the progressive abolition of which during the transition period would be governed, failing co-ordinating action by the institutions of the Community, by varying procedures and different timing; and whereas, on the other hand, a uniform frontier measure covering intra-Community trade will permit a progressive and parallel removal of barriers in all the Member States at a pace adapted to the gradual establishment of the common agricultural policy;*

*Whereas such uniform frontier measure, in place of the various national measures, must firstly ensure adequate support for the agricultural markets of the producing Member States during the transition period, and secondly permit the progressive establishment of a single market by developing the free movement of goods within the Community;*

*Whereas these objects can be attained by a system of intra-Community levies corresponding to the difference between the prices in exporting and importing Member States, designed to prevent disturbances on the market of a country where prices are*

*relatively high caused by imports from a country where prices are relatively low;*

*Whereas the substitution of intra-Community levies for other measures which by virtue of the Treaty are due to be removed during the transition period would be contrary to the principle of the progressive establishment of the Common Market if provision were not at the same time made for their gradual reduction;*

*Whereas this gradual reduction of levies will depend, as regards rice and broken rice, on the approximation of prices; and whereas, on the other hand, as regards rice starch it is appropriate to divide the levy into one component corresponding to the difference between the prices of the primary material and one component representing protection for the processing industry, as well as to provide for the progressive and automatic reduction of this second component;*

*Whereas, although the existing situation in the producing Member States justifies the replacement of all former protective measures by a new protective measure, which in its turn will later be abolished, the situation in the non-reproducing Member States, by reason of the fact that up to the present there have been few obstacles to trade in rice and broken rice, justifies, with certain reservations, the immediate establishment of a single market for these products;*

*Whereas the system to be introduced must maintain the preference in respect of Member States which results from the application of the Treaty; and whereas this requirement can be met by the institution of levies on imports from non-member countries, in place of any other protective measures at the frontier, such levies to correspond to the difference between prices on the world market, on the one hand, and those in the importing producer Member State or on the single market between non-producer Member States on the other, as well as by a standard abatement of the intra-Community levy fixed so as to permit the gradual development of trade in rice produced within the Community;*

*Whereas the levy system, in conformity with the aims of Article 45 of the Treaty, facilitates the development of intra-Community trade while affording guarantees to producers in the Member States, thus rendering that Article inapplicable;*

Whereas the operation of the levy system requires that the provisions of the Treaty enabling aids to be reviewed and action to be taken against those which are incompatible with the Common Market must be extended to aids which distort the mechanism of this system; and whereas in the case of exports from a producer Member State where prices are high to another producer Member State or to the single market, it must be permissible under certain conditions to grant a refund making exports possible;

Whereas the practice in processing traffic whereby trade between the Member States in processed products incorporating imported primary products is conducted on the basis of the world prices of those primary products is incompatible with the application of the levy system;

Whereas in order to maintain for producers in the Community the necessary guarantees in respect of employment and standard of living, it is appropriate to fix annually in each producing Member State an intervention price for rice, being the price at which the competent authorities in the Member States must buy the rice offered to them;

Whereas the link between the levy system and this price system may be provided by fixing a threshold price for the importing producer Member State; and whereas the intra-Community levies and those in respect of third countries will be fixed on the basis of this price in such a way that the selling price of imported rice in its various forms may not adversely affect the price of home-grown rice;

Whereas in order to establish a single market by the end of the transition period it is necessary to bring the threshold price of the producer Member States progressively into line with that of the single market between non-producer Member States and, at the same time, to bring into line the intervention prices of producer Member States; and whereas it is thus necessary that the difference between the threshold price of each of the producer Member States and the common threshold price shall not be increased; and whereas to this end it is necessary to fix for each producer Member State an upper limit of the intervention price, the level of which shall regulate the level of the threshold price;

Whereas in order to facilitate the implementation of the proposed provisions it

is necessary to lay down procedure for close co-operation between the Member States and the Commission within a Management Committee;

Whereas it is necessary that the common organization of the markets in the cereals sector be fully established by the end of the transition period;

has adopted the present Regulation :

#### Article I

1. With a view to ensuring the progressive development of the common market and the common agricultural policy, a common organization of markets in the rice sector shall be gradually established, comprising a price system and a levy system applicable to trade between the Member States as well as between Member States and third countries.
2. The common organization of the market in rice shall apply to the following :

	<i>Common Customs Tariff No.</i>	<i>Description of Goods</i>
a)	10.06 A	Rice in husk or husked but still enclosed in pericarp
	10.06 B	Whole grain ground to remove pericarp, whether or not polished or glazed
b)	10.06 C	Broken rice
c)	ex 11.08 A III	Rice starch

3. In this regulation the general term rice has reference to any of the products comprised under paragraph 2 a) above; the term paddy rice denotes rice in husk; the term husked rice denotes whole grain husked rice but with pericarp, and milled rice denotes whole grain rice ground to remove pericarp, whether or not polished or glazed.

4. A Member State which produces paddy rice is described as a producer Member State.

## TITLE I — THE LEVY SYSTEM

### Article 2

1. On imports of rice or broken rice from a non-member country, there shall be levied an amount equal to the difference between :

i) the threshold price of the importing producer Member State or the common threshold price applicable in the importing non-producer Member States, which shall be fixed in accordance with the provisions of Article 3, and

ii) the c.i.f. price determined in accordance with the provisions of Article 4.

However, the amount levied on imports of the products referred to in Article (2) *a*), other than husked rice, shall be adjusted by reference to a table of equivalence drawn up in accordance with the provisions of Article 7 (1) and (3).

2. On imports of rice or broken rice into a producer Member State from another Member State, there shall be levied an amount equal to the difference between :

i) the threshold price of the importing Member State fixed in accordance with the provisions of Article 3, and

ii) the price free-to-frontier of the product from the exporting Member State, fixed in accordance with the provisions of Article 5, if the imports are from a producer Member State, or the common threshold price if the imports are from a non-producer Member State.

However, the amount levied on imports of products referred to in Article 1 (2) *a*), other than husked rice, shall be adjusted by reference to the table of equivalence drawn up in accordance with the provisions of Article 7 (1) and (3).

If the rice has been grown in a Member State or if the broken rice has been produced by the processing of rice grown in a Member State, the levy shall be decreased by a standard amount fixed in accordance with the provisions of Article 6.

This levy shall be progressively reduced, in step with the alignment of the prices of rice, so that it shall fall to zero when a common threshold price shall have been established for the Community.

3. On the import of rice or broken rice into a non-producer Member State from another Member State no levy shall be imposed.

4. On the import of rice starch from Member States or from third countries, a levy shall be imposed comprising a variable component equal to the amount of the levy applicable to the primary material from which the starch was produced and a fixed component representing a measure of protection for the processing industry. These components shall be determined in accordance with the provisions of Article 9. The fixed component shall be reduced as between Member States by two-fifteenths each year after the first year of operation of the levy system.

### Article 3

1. Threshold prices shall be fixed for rice and for broken rice. These threshold prices shall be effective from 1 October.

2. The threshold price for rice shall be determined with respect to round grain (common) husked rice of an identical standard of quality for each Member State. It shall be fixed in accordance with the following conditions :

*a*) The threshold price applicable in the non-producer Member States shall be a common threshold price, fixed by the Council in accordance with the provisions of Articles 18 and 19.

*b*) In each producer Member State, the threshold price for rice shall be determined on the basis of the intervention price for paddy rice referred to in Article 17. This price shall be converted for husked rice by reference to the table of equivalence referred to in Article 7, and increased by 5 %. There shall also be added the standard amount referred to in Article 6 and the transport and marketing costs determined under the most favourable conditions from the growing area to the most remote marketing centre. This threshold price shall be increased by an amount equal to the monthly increase, if any, of the intervention price.

The producer Member States shall fix the threshold price each year before 1 June, and in the first instance before 1 October 1962. They shall notify the Commission of this price forthwith. If it has not been fixed in accordance with the criteria prescribed, it shall be revised within one month in accordance with the procedure laid down in Article 23.

3. The threshold price for broken rice shall be equal to the threshold price for rice less an identical percentage for all the Member States, corresponding to the average ratio which during the year 1961 existed in the Member States between the price of husked rice and that of broken rice. This percentage shall be determined in accordance with the procedure laid down in Article 23. The threshold price shall be fixed each year before 1 July, and in the first instance before 1 October 1962, in the following manner :

a) The threshold price applicable in the non-producer Member States shall be a common threshold price fixed in accordance with the procedure laid down in Article 23.

b) The threshold price applicable in producer Member States shall be fixed by these States. If it has not been fixed according to the criteria prescribed, it shall be revised within one month in accordance with the procedure laid down in Article 23.

#### Article 4

1. The c.i.f. price for rice shall be fixed for round grain (common) husked rice, on the basis of the lowest export prices for paddy rice, husked rice and milled rice from third countries whose exports are of the requisite standard of quality. These prices shall be adjusted in accordance with the table of equivalence provided for in Article 7 and with differences in quality in relation to the standard for which the threshold price is fixed. For non-producer Member States the prices shall be those noted for products shipped to a North Sea port and for each producer Member State those noted for products shipped to a port designated by such State.

2. However, if the rice exported by a non-member country is not of the requisite standard of quality, this price shall be replaced, but only for the shipment concerned, by a price determined in relation to the other price, if the price so determined is lower than the price fixed in accordance with the provisions of paragraph 1.

3. The c.i.f. price for broken rice shall be fixed on the basis of the lowest world market prices as noted for rice shipped to the ports referred to in paragraph 1.

4. The prices referred to in this article shall be determined by the Commission.

The criteria applied in determining these prices as well as the manner of application of this article shall be fixed in accordance with the procedure laid down in Article 23.

#### Article 5

1. The price of rice from an exporting Member State delivered free-to-frontier to an importing Member State shall be determined for round grain (common) rice, husked, on the basis of the representative prices, for the exports concerned, of paddy rice, husked rice and milled rice in the exporting Member State, adjusted in accordance with the table of equivalence provided for in Article 7 and with differences in quality by reference to the standard for which the threshold price is fixed.

2. The price free-to-frontier of broken rice shall be determined on the basis of the representative prices for the exports concerned in the exporting Member State.

3. The prices referred to in this article shall be fixed by the Commission, applying criteria determined in accordance with the procedure laid down in Article 23.

#### Article 6

1. The standard amounts mentioned in Article 3 shall be determined in such a manner as to promote the progressive and regular development of trade between the Member States until the establishment of the single market, having regard to availabilities on the markets of Member States of rice and broken rice both home-produced and imported from other Member States.

They shall be determined annually, by the procedure laid down in Article 23 and in accordance with criteria adopted on a proposal of the Commission, by the Council, acting unanimously during the second stage and by qualified majority thereafter. They shall be published before the beginning of the marketing season.

2. If, during the marketing season, intra-Community trade does not develop in the manner indicated in paragraph 1, the amounts referred to in the said paragraph shall be revised in accordance with the procedure laid down in Article 23. In this case, a new fixing of the threshold price shall take place in the producer Member States in accordance with the procedure laid down in Article 3 (2) b) and (3) b).

#### Article 7

1. The table of equivalence shall set out conversion coefficients between husked rice, on the one hand, and, on the other, paddy rice or milled rice at the various stages of processing referred to in the table. These coefficients shall be determined in the light of the following factors :

a) The quantity of the primary product necessary to obtain one unit of the product in question;

b) The differences in yield from the processing of different categories of rice.

2. For the purposes of Articles 3, 4 and 5, the conversion coefficients referred to in paragraph 1 shall, moreover, be determined on the basis of processing cost less the value of the by-products.

3. The table of equivalence and the manner of application thereof shall be determined in accordance with the procedure laid down in Article 23.

#### Article 8

The following shall be fixed in accordance with the procedure laid down in Article 23 :

a) The standard of quality of round grain (common) rice, husked, being uniform for all Member States, for which the threshold price is fixed;

b) The coefficients required for the adjustments referred to in Articles 4 (1) and 5 (1) relating to differences in quality of round grain (common) rice, as well as differences in quality between round grain (common) rice and other categories of rice.

#### Article 9

1. The variable component of the intra-Community levy or of the levy in respect of non-member countries imposed on 100 kilos of rice starch shall be equal to the amount of the levy applicable on the day of importation to 152 kilos of broken rice from the exporting Member States or from non-member countries, leaving out of account the standard amount referred to in Article 6.

2. The fixed component of the levy on rice starch shall be the same for all the Member States; it shall be equal to 15 % of the average price recorded during the year 1961 both on imports and exports of rice starch in all the Member States; it shall be determined in accordance with the procedure laid down in Article 23.

#### Article 10

1. The amounts of the intra-Community levies and those in respect of non-member countries shall be calculated by the Member States in accordance with the provisions of Article 2 and shall be communicated forthwith to the other Member States and to the Commission.

2. These amounts shall be varied by the Member States according to fluctuations in their determining factors. The criteria for varying the levies and the methods of application thereof shall be determined in accordance with the procedure laid down in Article 23.

Variations in the amounts of the levies shall be communicated forthwith to the other Member States and to the Commission.

3. The levies shall be collected by the importing Member States and shall accrue to that State.

4. The arrangements necessary in order to avoid the deflection of trade which might result from a difference in the amounts of the levies between Member States or between Member States and non-member countries shall be adopted in accordance with the procedure laid down in Article 23. They may include the introduction of a certificate of origin.

#### Article 11

1. All imports and exports of the products specified in Article 1 (2) shall be subject to an import or export licence issued by the Member State on application from the party concerned. The Member States shall keep the Commission informed of the quantities for which licences have been issued.

2. An import licence for rice and broken rice shall be valid from the date of issue until the end of the third month following that in which it was issued. The issue of a licence shall be subject to the deposit of surety for importation within the term of the licence, the said surety being forfeit if the importation does not take place within such time-limit.

However, the provisions of the present paragraph shall not be applicable to trade between non-producer Member States.

3. On a proposal of the Commission, the Council, acting unanimously during the



second stage and by qualified majority thereafter, shall adopt any necessary amendments to the provisions of paragraphs 1 and 2.

4. The details for implementing the present article, in particular the duration of the validity of an import licence for rice starch and the exceptional cases where that duration may be extended, shall be determined in accordance with the procedure laid down in Article 23.

#### *Article 12*

1. The amount of the levy imposed in respect of member and non-member countries shall be that which is applicable on the day of importation.

2. However, with respect to imports of rice and broken rice from non-member countries, the levy effective on the day of application for a licence, adjusted according to the threshold price effective on the proposed date of importation, shall, if so requested by the party concerned when applying for the licence, be chargeable on a consignment imported within the period specified in the application. In such case, the licence shall be valid only for this period, and a premium or an abatement as may be appropriate, fixed at the same time as the levy, shall be applied thereto.

3. The scale of the premiums or abatements shall be determined by the Commission in accordance with criteria laid down by the Council, on a proposal of the Commission, acting unanimously during the second stage and by qualified majority thereafter. The details for implementing this article, in particular the exceptional cases where the duration of the validity of import licences may be extended, shall be determined in accordance with the procedure laid down in Article 23.

#### *Article 13*

1. In trade between Member States and between Member States and non-member countries, as regards both import and export, the following shall be incompatible with the levy system :

- i) The imposition of any customs duty or charge having equivalent effect;
- ii) The application of any quantitative restriction or measure having equivalent effect;
- iii) In trade between Member States only, recourse to Article 44 of the Treaty.

It shall be deemed, inter alia, a "measure having equivalent effect" to a quantitative restriction to confine to a specified category of applicants the issue of import or export licences.

2. Subject to the provisions of Article 15, any export from one Member State to another of the products specified in Article 1 (2) shall be incompatible with the application of the intra-Community levy system :

- a) If such products have not borne the levies applicable to them in the exporting Member State or have enjoyed total or partial drawback of such levies; or
- b) If there has entered into their manufacture or previous processing any products specified in Article 1 (2) which have not borne the levies applicable to them in the exporting Member State or have enjoyed total or partial drawback of such levies.

3. The application of the intra-Community levy system shall render Article 45 of the Treaty inapplicable as also any longterm agreements or contracts concluded by virtue of the said Article which are in effect at the date on which this system is introduced.

4. On a proposal of the Commission, the Council, acting unanimously during the second stage and by qualified majority thereafter, may decide on exceptions to the abolition of quantitative restrictions and measures with equivalent effect in trade with non-member countries.

#### *Article 14*

1. As from the introduction of the levy system, and subject to the provisions of Article 15 below, Articles 92 to 94 of the Treaty shall be applicable to aids granted by States or out of State resources which :

- a) Have the effect directly or indirectly of bringing the prices of rice or broken rice below the prices which directly or indirectly served as a basis for calculating the levy, or
- b) Directly influence the relation between the prices of rice starch and the market prices for the primary products from which it is manufactured.

#### *Article 15*

1. If the price free-to-frontier of rice or broken rice exported from a producer Member State is higher than the thresh-

old price of an importing producer Member State or than the common threshold price applicable in non-producing Member States, the exporting Member State may grant a refund on the exports under the conditions set out in *a)* and *b)* below.

Notwithstanding the provisions of Article 5, for the purposes of the present paragraph the price free-to-frontier of a product exported to a non-producer Member State shall be determined as for a product delivered free-to-frontier to the non-producer Member State whose frontier is nearest to the production areas.

*a)* In respect of exports from a producer Member State to a non-producer Member State, the amount of the refund shall be equal to the difference between the price free-to-frontier of the product from the exporting Member State and the threshold price of the importing Member State. However, for the export of the products specified in Article 1 (2) *a)* other than husked rice, this amount shall be adjusted by means of the table of equivalence drawn up in accordance with the provisions of Article 7 (1) and (3).

If the rice was grown in a Member State or if the broken rice was produced from rice grown in a Member State, this amount shall be increased by the standard amount referred to in Article 6.

*b)* On exports from a producer Member State to another producer Member State, the amount of the refund shall be equal to that stipulated for exports to non-member countries in accordance with the provisions of paragraph 2. In this case the importing Member State shall collect the amount of the levy imposed in respect of non-member countries, less the standard amount referred to in Article 6, if the rice has been grown in a Member State or if the broken rice is produced from rice grown in a Member State.

2. In order to permit the export of rice and broken rice to non-member countries, the difference between the prices of the exporting Member State and world market prices may be covered by a refund.

3. On exports of rice starch to Member States or to non-member countries, the exporting Member State may grant a refund equal to the variable component of the levy which would in appropriate circumstances be applicable to imports of rice starch from the Member State to which the export is made or from non-member countries.

4. The details for implementing the present article and in particular the conditions under which refunds may be fixed in advance shall be determined in accordance with the procedure laid down in Article 23.

#### Article 16

1. If, as a result of the application of the measures relating to the gradual establishment of a common organization of the rice market, this market in one or more of the Member States should, by reason of imports, suffer or be threatened with serious disturbances likely to jeopardize the attainment of the objectives set out in Article 39 of the Treaty, the State or States concerned may, during the transition period, take the necessary safeguard measures concerning the import of the products in question.

2. The Member State or States concerned shall notify the other Member States and the Commission of such measures not later than at the date of their entry into force.

The Member State or States applying such measures shall make arrangements to ensure that goods in transit are not affected thereby; if the frontier is closed, the period of grace allowed for goods in transit must not be less than three days. They must be prepared to begin negotiations immediately with a view to temporary arrangements to prevent excessive or avoidable loss to exporters. These arrangements shall be notified without delay to the other Member States and to the Commission.

On the basis of the provisions of paragraph 1 and with the aim to avoid raising the level of protection between Member States, the Commission, after consulting the Member States through the Management Committee provided for by Article 16, shall decide by emergency procedure within a time-limit of four working days reckoned from the date of the notification referred to in the first sub-section above whether the measures shall be retained, amended or abolished. The Commission may also decide as to measures to be applied by the other Member States.

The decision of the Commission shall be notified to all the Member States and shall take effect immediately.

3. Each Member State may refer to the Council the decision of the Commission within a time-limit of three working days reckoned from the date of its notification. The Council shall meet without delay. It may, on the basis of the provisions of para-

graph 1, and with the aim to avoid raising the level of protection between the Member States, amend or annul by a qualified majority the decision taken by the Commission.

If a Member State which has taken the safeguard measures referred to in paragraph 1 refers the matter to the Council, the decision of the Commission shall be suspended. This suspension shall terminate ten days after the said decision has been referred to the Council if the Council has not by then modified or annulled it.

4. Any safeguard measure affecting trade between the Member States shall be applied simultaneously if not earlier to trade with non-member countries, the principle of Community preference being observed.

5. If, after the end of the transition period, Community markets in the products specified in Article 1 suffer or are threatened with serious disturbance by reason of imports from third countries, and especially if the intervening authorities are impelled to make large purchases on the paddy rice market, the issue of import licences in respect of non-member countries may be suspended, subject to possible exceptions in the case of particular destinations, until the disturbance or threat of disturbance has subsided.

The conditions for the application of the present paragraph shall be determined on a proposal of the Commission by the Council acting in accordance with the voting procedure laid down in Article 43 of the Treaty.

## TITLE II — THE PRICE SYSTEM

### *Article 17*

1. Each of the producing Member States shall fix annually a single intervention price for paddy rice. This price shall be fixed for round grain (common) rice, of a standard of quality identical for the Member States, delivered to the intervening authority. The intervention price shall be determined before the sowings and shall become effective at the beginning of the marketing season on the following 1 October.

However, it shall be determined before 1 October 1962 for the marketing season beginning on that date, and before 1 May 1963 for the marketing season beginning 1 October 1963.

2. The producing Member States shall draw up during eight consecutive months of each season a monthly table of the intervention price, account being taken of the cost of storage and interest, the first increase taking place on 1 December.

3. Throughout the marketing season, the intervening authorities of the Member States shall be required to buy the paddy rice offered to them. They may, moreover, intervene on the paddy rice market throughout the marketing season, in particular by purchases, at any time that the market situation so requires.

These authorities may buy only at the intervention price, adjusted, however, to take account of differences in quality with

reference to the standard for which the intervention price is fixed.

4. The details for implementing the present article shall be determined in accordance with the procedure specified in Article 23, in particular:

- i) the standard of quality of round grain (common) paddy rice for which the intervention price is fixed;
- ii) the amounts of the monthly increases;
- iii) the correcting factors applied in order to take account of differences in quality between round grain (common) rice as well as difference in quality between round grain (common) rice and other categories of rice.

### *Article 18*

1. For the marketing season beginning on 1 October 1962, the Council, acting unanimously on a proposal of the Commission, shall fix before 1 September 1962:

a) In respect of each producing Member State, the upper limit above which the intervention price may not be fixed. This limit shall be fixed for each Member State at a level corresponding to the actual price received by the producer at the beginning of the 1961-1962 marketing season for round grain (common) paddy rice of the standard of quality for which the intervention price is fixed;

b) In respect of non-producing Member States, the level of the common threshold

price. This shall be equal to the average price of husked rice imported into non-producing Member States during the last twelve months for which statistics are available.

#### *Article 19*

1. During the transition period, differences between the threshold prices and differences between the intervention prices fixed by virtue of the present Regulation shall gradually be reduced so that a single threshold price and a single intervention price shall exist at the end of the said period.

2. On a proposal of the Commission, the Council, acting unanimously during the second stage and by qualified majority thereafter, shall determine:

a) Before 1 April 1963, the price measures which must be applied by the producing Member States during the marketing season for rice beginning 1 October 1963, and the common threshold price applicable during the same period;

b) Each year before 1 July, but in the first instance before 1 September 1963, the price measures which must be applied by the producing Member States during the marketing season for rice sown the following year, and the common threshold price applicable during the same period.

3. In deciding upon the measures referred to in paragraph 2, the Council shall be guided principally by the experience gained and by certain criteria.

These criteria shall be determined, in the first instance before 1 January 1963, by the Council on a proposal of the Commission, acting unanimously during the second stage and by qualified majority thereafter.

Without prejudicing the aims of the common agricultural policy laid down in Article 39 of the Treaty, which include ensuring a fair standard of living for the agricultural population, these criteria must be designed to satisfy the quality requirements of consumers and encourage specialization according to economic structures and natural conditions in the Community, and thus to lead to the determining of the future threshold and intervention prices of the Community on the assumption of rational and economically viable cultivation within the Community and a proper relationship between the prices of the various products.

#### *Article 20*

The producing Member States may maintain or introduce provisions to limit the financial burden resulting from the organization of the rice market by offering the price guarantee referred to in Article 17 in respect of a specified quantity only.

The Council shall consider before 1 July 1965, on a proposal of the Commission, the advisability of amending the provisions of the foregoing paragraph; it shall, if thought fit, make amendments thereto, acting unanimously during the second stage and by qualified majority thereafter.

### TITLE III — GENERAL PROVISIONS

#### *Article 21*

1. The Member States shall take all measures in order to adapt their laws, regulations and administrative practices so that the provisions of the present Regulation may be effectively applied as from 1 October 1962. In particular they shall have abolished by this date any measure which compels producers to deliver their production to the intervening authorities.

2. If, in a non-producing Member State, on the entry into force of the present Regulation, a customs duty is applicable to imports of milled rice which is higher than that on husked rice, this Member State may impose:

a) On imports of milled rice from non-member countries, an additional levy equal, during the first year of operation of the levy system, to the difference between, on the one hand, the amount of the customs duty applicable to imports from non-member countries at the date of entry into force of the present Regulation which on average would have been imposed on imports of milled rice from the said source during the year 1961 and, on the other, the levy fixed in accordance with the provisions of Article 2. This additional levy shall be reduced by two-fifteenths per year from the first year of operation of the levy system;

b) On imports of milled rice from Member States, a levy equal, during the first year

of operation of the levy system, to the amount of the customs duty applicable between Member States at the date of entry into force of the present Regulation which on average would have been imposed on the imports of milled rice from the said source during the year 1961. This levy shall be reduced by two-fifteenths per year from the first year of operation of the levy system.

It shall be a condition for imposing the levy on imports from member countries that the additional levy be imposed on imports from non-member countries.

#### *Article 22*

1. On a proposal of the Commission, the Council, acting unanimously during the second stage and by qualified majority thereafter may, in respect of each of the products specified in Article 1 (2) take measures by way of derogation from the provisions of the present Regulation so as to take account of any special circumstances affecting these products.

2. The Council, acting in accordance with the procedure laid down in Article 43 of the Treaty, shall, at the latest by 1 July 1969, make adjustments to the provisions of the present Regulation so as to permit the establishment of a common intervention price, a common method for determining threshold prices and a common rate of levy on imports from third countries.

#### *Article 23*

1. In the cases for which the provisions of the present Regulation expressly provide for application of the procedure laid down in the present article, the Management Committee for cereals, instituted by Article 25 of Regulation No. 19 concerning the gradual establishment of a common organization of the market in cereals, hereinafter called "The Committee", shall be convened by its chairman either on his own initiative or at the request of the representative of a Member State. The provisions laid down in Article 25 of the Regulation under reference concerning the Committee shall be applicable.

2. The representative of the Commission shall submit a draft of the measures proposed to be taken. The Committee shall render its opinion on these measures within a time-limit fixed by the chairman according to the urgency of the matters

under consideration. It shall act by a majority of twelve votes.

3. The Commission shall adopt measures which shall be immediately applicable. However, if they are at variance with the opinion rendered by the Committee, the measures shall at once be communicated by the Commission to the Council. In such case, the Commission may defer for a maximum period of one month from the date of this communication, the application of the measures it has decided upon.

The Council, acting by qualified majority, may take a different decision within one month.

#### *Article 24*

The Committee may examine any other question raised by its chairman either on his own initiative or at the request of the representative of a Member State.

#### *Article 25*

At the end of the transition period, the Council, acting by qualified majority on a proposal of the Commission, shall decide in the light of experience whether to maintain or amend the provisions of Article 23.

#### *Article 26*

1. Regulation No. 25 concerning the financing of the common agricultural policy shall apply to the market in rice.

2. The annex to Regulation No. 19 concerning the gradual establishment of a common organization of the market in cereals is amended as follows:

Under heading 11.08 A: starches, the sub-heading III: rice starch shall be deleted.

#### *Article 27*

The present Regulation shall come into force on the day following its publication in the official gazette of the European Communities.

However, the date for bringing into operation the levy system established by the present Regulation is fixed at 1 October 1962.

If transitional arrangements are necessary, they shall be determined in accordance with the procedure laid down in Article 23.

The present Regulation shall be binding in all its parts and directly applicable in each Member State.