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The European Economic Community's Common Agricultural Policy and Its Impact on U.S. Exports

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Since January 1962, the EEC has gradually created a common market for agricultural produce in addition to the common market for industrial products. Establishing a common market for agricultural produce has been much more difficult than creating a common market for manufactures, because agriculture has been highly protected in each of the six EEC countries. The Rome Treaty recognized the political necessity of protecting the agricultural sector in the European Economic Community. Therefore, it provided for a Common Agricultural Policy which would substitute a Community-wide system of protecting farm incomes for the existing widely divergent national systems. If the current controversy over financing is resolved, the Common Agricultural Policy will be fully effective in July 1967. The Common Agricultural Policy gives full protection to the Community farmer from foreign competition: the United States and other non-EEC countries are reduced to the status of residual suppliers.

U.S. agricultural exports to the EEC averaged less than $1.0 billion during the 1950's, but in 1964 and 1965 they grew to around $1-1/4 billion. In contrast with U.S. agricultural exports to many other parts of the world, agricultural exports to the EEC consist almost entirely of commercial sales--sales which can be lost as the result of protectionist policies on the part of the EEC.

It is the purpose of this paper to describe the development of the EEC's Common Agricultural Policy to date and to assess its impact on U.S. agricultural exports. The conclusion reached is that the immediate impact has been relatively small, but that there might be a very substantial impact on U.S. grain exports if the Common Agricultural Policy becomes fully effective.

I. Evolution of the Common Agricultural Policy

The Common Agricultural Policy has emerged through a series of crises. The latest one, which began six months ago, is still unresolved. The first crisis occurred at the end of 1961 when France refused to agree to the EEC moving into the second stage of the common market for industrial products unless an agricultural policy was initiated at the same time. Virtually no progress had been made in establishing the Common Agricultural Policy from the time the Rome Treaty went into effect on January 1, 1958.

This first crisis over agriculture was resolved in a heated negotiating session ending January 14, 1962 when the Six agreed on the core of the Common Agricultural Policy: a set of detailed market regulations for six of the major commodities produced in the Common Market (grains, pork, poultry, eggs, fruits and vegetables and wine). The market regulations attempt to stabilize farm income by maintaining high, uniform prices throughout the Community with a price support program. Imported foreign produce is subject to a variable levy in order to eliminate any competitive advantage that foreign products may have; surplus production is to be exported--subsidized as necessary. Domestic price-support expenditure is to be borne by the EEC, financed in part from the levies on agricultural imports from outside the Community.

The initial market regulations went into effect on July 30, 1962. Subsequently, regulations have been adopted for rice, beef, veal, and dairy produce. The existing regulations govern about 83 per cent of the Community's agricultural production.

The grain market regulations adopted in 1962 created a uniform system for supporting grain prices, but they did not establish Community-wide grain prices. Whether grain prices should be unified near the high German price level or near the low French level and how soon this common price should come into effect precipitated a second crisis. It was resolved in December 1964 when the Six agreed upon common grain prices to be effective July 1, 1967. Although a number of difficult issues still had to be resolved, the grain-price unification decision made possible the entry of the Common Agricultural Policy into full force by mid-1967, some two and a half years ahead of schedule.

The key issue which remains now that agreement has been reached on grain-price unification is the problem of financing the Common Agricultural Policy. The Community is committed to absorbing, collectively, the cost of price support activities and the expense of subsidizing the export of official stocks of agricultural commodities acquired as the result of market intervention. To this end, the EEC Council of Ministers created the European Agricultural Guidance and Guarantee Fund in January 1962 at the same time it agreed upon the first set of market regulations. However, the operations and financing of this Fund were agreed upon only for the three years ending June 30,1965.

Under the interim financial arrangements, the Fund has reimbursed member countries for eligible outlays. The Fund's total outlays in 1963-64 were only $66 million (figures for 1964-65 are not yet available), but after the Common Agricultural Policy becomes fully effective its outlays are expected to exceed $1.0 billion. France is believed to have been the major beneficiary under the interim financial arrangements.

The Fund's financial resources have come from assessments on the six EEC governments. These are based partly on net agricultural imports and partly on a special burden sharing key.

In March 1965, the EEC Commission proposed that, in due course, the Common Agricultural Policy should be financed independently of assessments on member countries. The Commission suggested that all tariff receipts, on non-argicultural as well as agricultural commodities, should be passed on to the Community as a whole rather than retained by the individual member nations.

France objected to this proposal very strongly and broke off negotiations over the financial proposals with the other member EEC countries on July 1. Although the problem of financing the Common Agricultural Policy set off the current crisis, the real issue has not been the actual details of the financing scheme but the independence of the EEC Commission and the substitution of weighted majority rule for unanimity for most decisions made by the Council of Ministers. The French Government, in general, would like to see the power of the Commission diminished. In regards to the Commission's financial proposals, France fears that should the Commission develop a large, independent source of revenue the Common Market would move further away from being an association of independent states and more towards being a political unit of its own.

France has agreed to participate in a Council of Ministers meeting outside Brussels in mid-January (without the EEC Commission being present, as has been customary). Whether this meeting will end the six-month deadlock of financing remains to be seen.

In the following section of this paper, the structure of the Common Agricultural Policy is examined in some detail. This section is followed by a commodity-by-commodity analysis of the impact of the Common Agricultural Policy on U.S. exports. A detailed chronology of the Common Agricultural Policy is given in Appendix A.

II. The Common Agricultural Policy

A. The Market Regulations

The general principles of all the market regulations are similar. Their objective is to stabilize farm income by maintaining high, uniform prices throughout the Community with a price support program. Imported foreign produce is subject to a variable levy in order to eliminate any competitive advantage that the foreign product may have; surplus production is to be exported--subsidized as necessary. Domestic price-support expenditure is to be borne by the EEC, financed in part from the levies on agricultural imports from outside the Community.

Grain market regulations.--The heart of the CAP market regulations is the set of regulations governing the marketing of grain. Nearly half of the EEC cropland is planted in grains, and grain prices are a major determinant of the price of cattle, poultry, dairy products and pork. Also, the grain market regulations, being among the first adopted by the EEC, have served as a model for subsequent regulations. It will be useful, therefore, to examine these regulations in some detail.

At the time the grain market regulations were adopted, two stages were envisaged for the substitution of Community-wide support prices for the national support prices prevailing in each of the individual countries. The first step was taken on July 30, 1962, when a uniform system of supporting national prices was adopted. Since then, each country has continued to support grain prices at different levels, but the technique of regulation has been the same for all six countries. The second step, the establishment of uniform support prices, is scheduled for July 1, 1967.

At the present time, grain producers in each country are protected from foreign competition through a system of variable levies. These levies are calculated on the basis of a threshold price established for each country. The threshold price is equal to a national target price (the domestic support price) plus an amount to cover costs of shipments from the frontier to an internal distribution point at which the target price is calculated. For imports from other member states, a discount (known as the montant forfaitaire) is allowed from the threshold price whose purpose is to give Common Market producers an advantage over third country producers. The variable levy is then applied to equate the delivered price of the imported grain to the threshold price. To a German grain dealer, then, the cheapest source of grain would be from domestic production, since the domestic market price is actually supported at a level 5 to 10 per cent below the target price. The next cheapest source would be from other Common Market producers, as they enjoy a price advantage over third-country producers equivalent to the montant forfaitaire.

These relationships are illustrated in Chart 1. The target price in Germany (G) stands higher than both target prices in other EEC countries, France in particular, (A) and world market prices (J). However, the threshold price to member states (D) is lower than the threshold price to third countries (H) by a standard amount (the montant forfaitaire) (E). The intra-Community levy (C) can be varied to absorb the difference in the French free-to-frontier price (B) and the threshold price to member states (D); the levy to outside producers (I) can be varied to keep the delivered price of foreign grain equal to the threshold price to third countries (J). When grain-price unification takes place, the French and German target prices (A) and (G) will become equal, intra-community levies will be eliminated, and the threshold price to third countries will be the same for all six EEC countries.

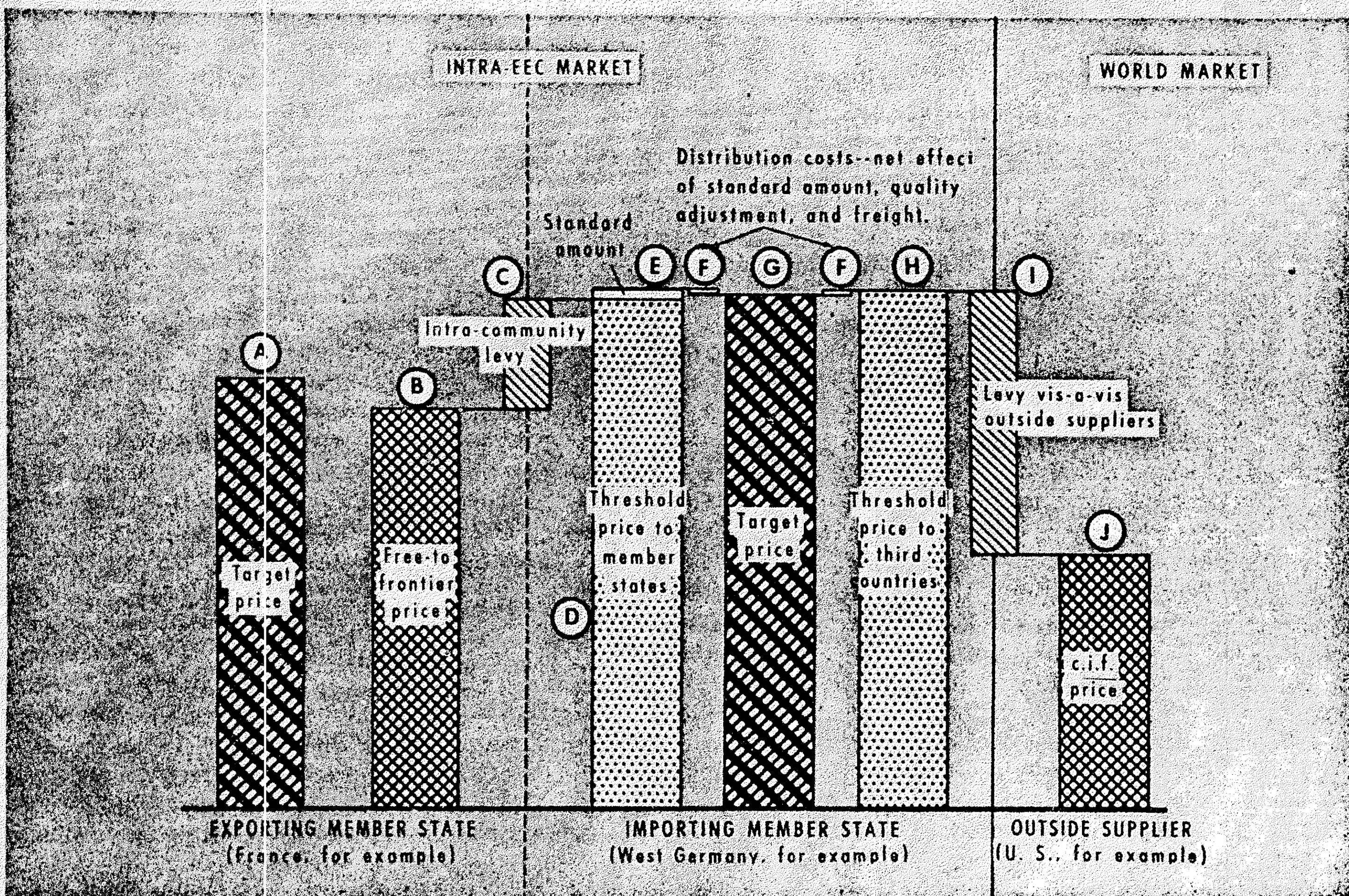
The grain market regulations permit member countries to subsidize exports to countries outside the EEC in order to make them competitive on world markets. At the present time, national governments are reimbursed in part for both subsidizing exports and for supporting grain prices at the intervention price by the Agricultural Guidance and Guarantee Fund (see the discussion of financing the CAP, below).

Pork, poultry and eggs.--The purpose of these regulations, which went into effect on July 30, 1962, along with the market regulations for grains, is to protect Community producers from competition of non-EEC countries arising from differences in the cost of feed grains and in grain-animal conversion ratios. During the transition period, the variable levy system of protection is being applied to products of EEC countries as well, since feed-grain prices currently differ among The Six.

The mechanics of protection differ slightly from those for grains. Prices of pork, poultry and eggs are not supported by the individual governments, and so there are no target prices. In place of a target price for each commodity, there is a sluice-gate price. This is a minimum import price, a price below which imported goods would "dislocate" the domestic market. If the price at the border of imported goods is below the sluice-gate price, a variable levy absorbs the difference. Intra-Community sluice-gate prices are lower than those set for imports from outside the Community in order to give preference to Community producers. As with grains, EEC countries may subsidize exports of pork, poultry and eggs to countries outside the Community, and they are reimbursed in part for these expenses from Community funds.

Whereas a common market for grains will be established by each country adopting the same target price for grains, a common market will be established for pork, poultry, and eggs simply by removing the existing intra-Community levies on imports from other EEC countries. This move will take place when grain prices are unified. At that time the only difference in production costs among The Six not related to efficiency, the cost of feed grains, will have been removed.

Chart 1. How The EEC Grain Levy System Works



Source: U.S. Department of Agriculture, Foreign Agriculture, September 14, 1964, p. 5.

Other Commodities.--The market regulations for other commodities currently governed by the Common Agricultural Policy differ only in detail from those already described. Regulations on rice came into effect on September 1, 1964. Only France and Italy grow rice; the other four EEC countries import all their rice supplies. During the transition period, the four non-producing countries have a common threshold price and a common external tariff. However, the threshold price to France and Italy is reduced by the montant forfaitaire to give producers in these countries a competitive advantage. At the present time, France and Italy set their own target and threshold prices (with the approval of the EEC Council of Ministers). A common market for rice will be created when France and Italy can agree on a common target price which will be acceptable to the non-producing countries.

The dairy product regulations, which came into force on November 1, 1964, consist of two parts, those controlling fluid milk and those governing trade in manufactured milk products, such as butter and cheese. Manufactured dairy products are protected in much the same manner as poultry; variable levies insure that the price of imported products will be maintained above the price of domestic products. Also, the Community subsidizes exports to countries outside the EEC so as to restrict supplies on the Community market.

Fluid milk prices are supported by government market intervention through a system of target prices, which at the present time differ among The Six. Fluid milk does not enter into international trade, but milk prices affect the price of butter, cheese and other manufactured dairy products which are traded internationally. Therefore, the establishment of common target price for milk is a prerequisite for a common market in milk products just as the Common price for grains is a prerequisite for a common market in pork, poultry, and eggs.

The objective of the beef and veal market regulations, which also came into effect on November 1, 1964, is to encourage Community production of beef for slaughter rather than for milk and to encourage the raising of calves to maturity for beef rather than using them as veal. This is to be accomplished through raising minimum import prices of beef, but the EEC countries are reluctant to push up prices as rapidly as the EEC Commission believes is desirable.1/

1/ The EEC Commission sought a sharp increase in beef prices for the 1965-66 marketing year, but the Council of Ministers established the minimum price range at $57.50 to $61.25 per 100 kilos. The Council earlier had undertaken not to bring the price range below $60.00 per 100 kilos. See: The Financial Times, February 25, 1965, p. 5.

The market regulations for fruits and vegetables and for wine which went into effect in mid-1962 are unique in that they did not have the very protectionist feature characteristic of the market regulations described above. These regulations merely aimed at creating a common market by gradually adopting uniform quality standards and eliminating quantitative restrictions and minimum prices on intra-Community trade. However, Italy, the Community's major grower of fruits and vegetables, insisted that the EEC's barriers against third-country fruit and vegetable imports be strengthened as a condition to agreeing on grain-price unification (see below). Consequently, the Council of Ministers approved a variable system of protection on May 13, 1965 which took effect on July 1, 1965.1/

Market regulations have been proposed but not yet adopted for the following commodities: vegetable oils and oilseeds, sugar, and tobacco.

B. The Grain-Price Unification Decision

In mid-1964, it seemed possible that no further progress would be made in achieving the Common Agricultural Policy than establishing market regulations effective for the transition period. The EEC Commission did propose a grain-price unification scheme in November 1963, (known as Mansholt Plan), and the Council of Ministers did pledge to agree on grain-price unification before April 15, 1964. However, the Council could not reach an agreement in April and postponed making a decision until early June. In June, the Council again postponed its deadline, this time until mid-December. Walter Hallstein, President of the EEC Commission, then wrote a bitter letter of protest to each of the Ministers of Foreign Affairs of The Six Professor Randall Hinshaw, writing at this time, observed that:

> ". . . general agreement on Community food prices has thus far been impossible to achieve, and the lack of agreement has, in fact, threatened the very existence of the Common Market. Meanwhile, matters have proceeded, in the main, very much as if there were no common agricultural policy."2/

1/ The basic regulation agreed upon in 1962 allowed member countries to suspend imports or to subject them to a compensatory tax if the EEC markets were disturbed (or threatened with a disturbance) by low-priced imports from outside Community. Now it is no longer necessary to prove "disturbance"; imported fruits and vegetables are subject to a compensatory tax automatically if the actual selling price of foreign merchandise falls below the established reference price of EEC merchandise (the average price of EEC produce during the past three years). See: U.S. Department of Agriculture, Foreign Agricultural Circular, "Common Market Reference Prices for Deciduous Fruits," October 1965.

2/ Randall Hinshaw, The European Community and American Trade, New York: Praeger, 1964, p. 151.

The controversy centered on the level at which grain prices would be unified and on the arrangements for financing the Common Agricultural Policy. France, while most anxious to complete the CAP, was reluctant to agree to the level of prices proposed in the Mansholt Plan since these prices were higher than those prevailing in France. (See Table 1.) Italy also found the proposed feed-grain prices unacceptably high. Germany, under pressure from its farmers, was equally insistent that it could not reduce its relatively high prices. Belgium and the Netherlands, on the other hand, found the Mansholt Plan acceptable.

Interim regulations for financing the CAP had been adopted effective July 1, 1962. Although they were intended to cover only the three years to June 1965, Italy and Belgium wanted them modified as a condition for accepting the grain-price unification. Italy, the EEC country with the lowest per capita income, was already making the largest contribution while France was receiving the bulk of the benefits.

A decision was reached on December 15 when Germany capitulated from its position on prices and when France, Germany, and the Netherlands agreed to modify the interim financial regulations to ease the burden on Italy and Belgium. The German decision to accept grain-price unification at a level well below the then current domestic prices was based upon recognition that Germany would benefit very much from free trade in manufactures and that concessions to France on agriculture were a necessary quid-pro-quo.

The grain-price unification agreement is a complex one, involving four different elements:

(1) Uniform basic target prices for grains are to come into effect on July 1, 1967. The wheat price will be closer to the French than to the German 1964-65 target price; rye and barley prices will be close to the averages of the French and German prices. Under this agreement, Italy will experience a sharp rise in feed-grain prices. Wheat prices in the Netherlands and Belgium will be reduced, but feed-grain prices will be raised. (See Table 1.)

(2) Intra-Community trade barriers on grains will be eliminated. At the same time trade barriers on pork, poultry and eggs, will be removed, because these commodities are considered "processed grain products."

Table 1. Common Market Target Prices for Wheat and Feed Grains
(In dollars per metric ton)

	Uniform Target Prices		National Basic Target Prices, 1964-65						
	Adopted Dec. 15, 1964; Effective July 1, 1967	Mansholt Proposal Nov. 1963	France	Netherland	Belgium	Italy	Luxembourg	Germany	World Mkt. Price 1/
Soft wheat	106.25	106.25	100.22	104.83	104.60	113.60	117.00	118.88	61.75
Durum wheat	125.00	125.00	117.26	-	-	143.20	-	-	75.50
Rye	93.75	93.75	81.79	74.59	83.60	-	108.00	108.12	57.75
Barley	91.25	92.50	83.00	82.32	89.00	72.22	89.00	103.00	54.10
Corn	90.62	93.75	89.93	-	-	69.12	-	-	59.70

Source: Hans G. Hirsch, "The Uniform Grain Price in the European Community," Foreign Agricultural Trade of the United States, February 1965, p.6.

1/ C.i.f. price, Rotterdam, July 1, 1964.

(3) Special financial benefits were granted to Italy, Germany, and Luxembourg to compensate them for the reduction in farm income which will occur after grain-price unification becomes effective.[1] The Six also agreed to renegotiate the market regulations on fruits and vegetables to give additional protection to Italian produce.

(4) The Community will reimburse member Governments for their entire expenditure on price support and for export subsidies on grains, pork, poultry, and eggs, starting July 1, 1967. Only part of these expenditures are reimbursed under the interim arrangements.

C. The Financing Problem

The Community is committed to absorbing collectively the cost of subsidizing exports to countries outside the EEC and the expense of supporting the market price of grains and some other commodities by direct market intervention. Interim arrangements were made for the three years July 1962 through June 1965, but no agreement could be reached during the extensive meetings held in June 1965 either on how to finance the CAP when the single-market stage is ultimately reached for all products or during the remainder of the transition period. A complete impasse was reached in the early hours of July 1. Later in July, the Commission's original proposals were modified, but negotiations have still not been resumed.

The interim arrangements.--In January 1962, at the same time as it agreed upon the first set of market regulations, the EEC Council of Ministers created the European Agricultural Guidance and Guarantee Fund. The Fund is divided into two sections, a Guarantee Section and a Guidance Section. Three-quarters of the Fund's budget is made available to the Guarantee Section and one-quarter to the Guidance Section. The Guarantee Section reimburses member countries for subsidizing exports and intervening in their domestic markets. The Fund is to absorb member countries expenditures for these purposes gradually, reimbursing 1/6 of their payments in 1962-63, 1/3 in 1963-64 and 1/2 in 1964-65. The bulk of the Guarantee Sections' expenditures ($50 million in 1963-64) has been devoted to

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1/ The Community will pay $414 million to these three countries between July 1967 and June 1970. Also, Italy's contributions to the Community for financing the CAP will be reduced and Belgium will be exempted from making an additional contribution because of this special benefit granted to Italy. In order to ease the transition for Italy to higher feed-grain prices, Italy will be permitted to maintain a threshold price for barley and corn below the new Community prices for two years after they become effective. Italy will also be permitted to maintain a higher price for durum wheat.

Table 2. European Agricultural Guidance and Guarantee Fund: Expenditures, 1962-63 (Actual) Through 1964-65 (Budget)
(Millions of dollars)

	1962-63	1963-64	Budget 1964-65
Guarantee Section			
A. Restitution for subsidies on exports to third countries			
Grains	21.3	37.5	58.8
Pork	0.1	4.3	4.4
Eggs	0.4	0.7	1.1
Poultry	0.2	0.5	0.7
Total	22.0	43.0	65.0
B. Intervention on the domestic market (grain-price support)	5.2	6.9	12.0
Total (A and B)	27.2	49.9	77.0
Guidance Section	9.0	16.6	25.7
Total Fund	36.2	66.5	102.7

Source: EEC Commission, Avant-Projet de Budget de la Communaute pour l'Exercise 1965. Years begin July 1.

Table 3. Contributions of Member Countries to the European Agricultural Guidance and Guarantee Fund, 1962-63 and 1963-64

	1962-63		1963-64	
	Share (per cent)	Amount ($ million)	Share (per cent)	Amount ($ million)
Belgium	7.9	2.9	8.2	5.5
Luxembourg	0.2	0.1	0.2	0.1
France	28.0	10.1	25.5	16.9
Germany	28.0	10.1	29.0	19.3
Italy	28.0	10.1	28.0	18.6
Netherlands	7.9	2.9	9.1	6.0
Total	100.0	36.2	100.0	66.5

Source: EEC Commission, Avant-Projet de Budget de la Communaute pour l'Exercise 1965. Years commencing July 1.

subsidizing grain exports and for supporting grain prices in domestic markets. (See Table 2.)

The purpose of the Guidance Section is to improve the efficiency of agricultural production and marketing by subsidizing capital improvements. Germany and Italy, the EEC countries whose agricultural sectors are the most unproductive, expect to receive the bulk of the benefits under this arrangement. The Fund's subsidy can amount to 25 per cent of the cost of each project, but Fund participation requires that the beneficiaries must contribute at least 30 per cent of the cost.

Member Governments have been reimbursed for eligible expenditures under the Guarantee Section after the close of the year ending June 30, and the necessary revenue has been raised by assessments upon the member states according to a burden-sharing formula. In 1962-63, assessments were based upon a scale agreed upon in Article 200(1) of the Rome Treaty, but for the following two years, part of the assessment was based upon the "net imports" of agricultural produce from outside the Community. The contributions of the Six for the first two years of the Fund's operation are set forth in Table 3.

To what extent each country has been a net contributor or beneficiary to the Fund is not publicly known. However, since France is the Community's largest grain producers and exporters it is clear that France has been the major benefactor under the Common Market's agricultural financial arrangements, Italy and Germany appear to have been the largest net contributors.

The EEC Commission's Proposals.--In March 1965 the EEC Commission set forth detailed proposals for financing the Common Agricultural Policy after the interim arrangements established in mid-1962 expired. The Commission envisaged a permanent system of financing which would come into effect on July 1, 1967, and a continuation of the current interim system, with some modifications, until that time.

The controversy over the Commission's proposals has centered around its plan for financing the CAP when a single market stage is reached. The Fund would have its expenditures approved in advance of the financial year rather than reimburse member states for expenditures already made as was done under the interim arrangements. The European Parliament would play a larger role and the Council of Ministers a lesser role in preparing the budget than at the present time. Also, the Community would receive its resources directly rather than rely on contributions from member governments. After July 1, 1967, all the receipts from agricultural levies would be turned over to the Community; and, starting in 1968, each country would contribute part of its custom duties on all imports (non-agricultural as well as agricultural) to the Fund: 1/5 in 1968, 2/5 in 1969, 3/5 in 1970, 4/5 in 1971 and 100 per cent after January 1, 1972.

Although implementing the Common Agricultural Policy is expected to cost about $1.0 billion in 1970 (as contrasted with $67 million in 1963-64), the receipts from the common external tariff plus the agricultural levies are expected to be sufficiently greater than this amount to pay all the EEC expenses in addition to the CAP. Any surplus revenue may be repaid to the member states. This proposal for financing these AGGF in the single market would make the EEC Commission financially independent of the member governments.

Before the Council of Minister's meeting in late June, France had opposed those features of the financing proposals which tended to extend the supra-national character of the EEC; that all receipts from the common external tariff of the EEC should be turned over to the Community and that the role of the European Parliament should be elevated. During the negotiating sessions, France appeared willing to negotiate on the matter of pooling tariff receipts, but discussions collapsed over the more political questions.

France broke off negotiations in the early hours of July 1 on the grounds that the other five members of the EEC had failed to make good on promises to France given in January 1962 and in December 1964. In early 1962, France had agreed to enter the second stage of the transition period if the other countries would agree by that time on the outlines of the Common Agricultural Policy. One feature of the regulations adopted then was that the financing of agriculture be agreed upon before the expiration of the interim arrangements (June 30, 1965). The French government has also maintained that it agreed upon grain-price unification in December 1964 on the understanding that the financing of agriculture be arranged before June 30, 1965. France's contention was that the EEC Commission, supported by the other five member governments, was now introducing new conditions (e.g., expanding the role of the European Parliament) upon France for agreeing to financial arrangements. The other countries, however, insisted that extending the expiring financial arrangements and controlling proposed expenditures were so related that they must be discussed together. France, therefore, refused to enter into a "marathon" session after June 30 such as was done when earlier critical deadlines were missed. On July 6, the French Permanent Representative to the EEC was called back to Paris, and the French delegation to the EEC Commission was ordered to boycott all Committee meetings concerned with increasing economic union..

In view of the strong French reaction to its initial proposal, the Commission modified its suggestions. The amended financial plan was submitted to the Council of Ministers in the latter part of July even though France boycotted the meeting. The Commission suggested the transitional period be extended until 1970 if arrangements for completing the Common Agricultural Policy were not finished by the end of 1965. However, the Commission recommended that the original schedule be adopted if all the remaining market regulations were agreed upon and if at least commitment is made to establish uniform market prices for all regulated commodities by 1967. The proposed timetables for Community assumption of member country eligible expenditures on export subsidies and market intervention are as follows:

	1965-66	1966-67	1967-68	1968-69	1969-70
Original timetable	2/3	5/6	all	all	all
Extended transitional timetable	3/5	7/10	4/5	9/10	all

During the extended transitional period, the Fund would be financied by member country contributions. Part would be in proportion to each country's net imports of agricultural commodities in the base year 1963-64, and part would be according to a fixed burden-sharing key.1/ Between 1965-66 and 1969-70, the component based on net imports would increase and the component based on the burden-sharing formula would decrease. These two components of the member states' contribution would be as follows:

	1965-66	1966-67	1967-68	1968-69	Jul-Dec. 1969
According to fixed key	75	70	65	60	55
Proportional to net imports in 1963-64	25	30	35	40	45

1/ The proposed key is as follows: Belgium, 8.9%; France, 31.0%; Germany, 31.0%; Italy, 20%; Luxembourg, 0.2%; the Netherlands, 8.9%.

The proportion of the total contributions made to the Fund would, therefore, be as follows:

	1965-66	1966-67	1967-68	1968-69	Jul-Dec. 1969
Belgium	8.51	8.38	8.30	8.22	8.13
Germany	32.45	31.92	32.07	32.22	32.37
France	30.59	27.66	27.11	26.55	26.00
Italy	18.00	21.95	22.27	22.60	22.93
Luxembourg	0.21	0.21	0.21	0.21	0.21
The Netherlands	10.24	9.88	10.04	10.20	10.36
Total	100.00	100.00	100.00	100.00	100.00

In the amended financial plan, the Commission continued to maintain that by 1960 the Community's expenditures should be financed from its own resources. As far the controversy over giving the European Parliament more budgetary powers, the Commission has made no further statement since its original proposal.

The French Government reaction to this compromise plan was to ignore it and focus its attack on the EEC Commission itself. In a speech before the French National Assembly on October 20,1/ Mr. Couve de Murville, the French Foreign Minister, took exception to the manner in which the EEC Commission has (in France's opinion) attempted to force its views of Community policy upon the member countries. The role of the Commission should be one of finding a common ground of agreement among The Six on questions they themselves have raised rather than proposing new policies for the member's consideration. Also, France does not want the Council of Ministers to make decisions by majority rule after January 1, 1966, as is scheduled.

The French Foreign Minister's speech was made three days before a scheduled EEC Council of Ministers' meeting (which France did not attend). The Five invited France to attend a special meeting in Brussels to discuss the Common Market crisis, and they expressed their desire to resume negotiations on agricultural finance.2/ It was not until after the French presidential election that France agreed to attend such a meeting to be held in Luxembourg on January 17 and 18.

1/ The speech is reprinted in Le Monde (Paris) October 22, 1965.
2/ The Times (London) October 27, 1965.

There is no indication of when the impasse on financing will be broken. However, financing the CAP during the year 1965-66 will need to be decided upon before next June, as member countries are reimbursed at the close of the fiscal year for eligible expenditures. Since France was the major beneficiary under the interim financial arrangements and will continue to be under their proposed extension, there is this advantage to France to arrive at some solution.

III. Impact on U.S. Agricultural Exports[1/]

The United States has a market of about $1.3 billion for agricultural produce in the European Common Market. About one-third of these exports are of products subject to variable levies established under the Common Agricultural Policy, and grains comprise the bulk of this group. (See Table 4.) No attempt is made here to quantify the future impact of the CAP on U.S. exports. Rather an assessment is made of the individual markets as to whether the CAP will in itself reduce U.S. exports and whether the reduction will likely be small or substantial.

Wheat and feed grains.--Two years experience with the variable levies of the transition period has not resulted in a significant shift in EEC purchases away from non-Community sources of supply.[2/] The montant forfaitaire, which was supposed to give Community producers a competitive advantage over third-country growers, has not been sufficiently large to make it worthwhile for many importers to sever existing trade connections.[3/] However, the EEC is tending towards self-sufficiency in wheat, even though the Common Agricultural Policy is not yet fully effective. The wheat market regulations will accelarate this trend after grain-price unification. It is likely that the level of prices agreed upon in December 1964 would stimulate EEC grain production to such an extent that both the EEC's wheat and feed grain import requirements are greatly reduced.

1/ This section is based, to a large extent, on L. B. Krause, "The European Economic Community and American Agriculture" in U.S. Congress, Joint Economic Committee, Factors Affecting the United States Balance of Payments (1962), pp. 107-33, and the testimony of Charles S. Murphy, Under Secretary of Agriculture in Hearings on the Balance of Payments - 1965, before the U.S. Senate Committee on Banking and Currency, March 16, 1965.

2/ The sharp fall in U.S. wheat exports from 1961-62 to 1962-63 shown in Table 2 was due to the recovery of European wheat production from the poor harvests in 1960-61 and 1961-62.

3/ Wheat flour exports, however, have fallen steadily since mid-1962. In 1963-64 they were only about 1/3 of the per-CAP level. (See Table 4.)

Table 4. U.S. Agricultural Exports to the European Economic Community, Fiscal years 1960-61 through 1964-65 1/
(In millions of dollars)

	1960-61	1961-62	1962-63	1963-64	1964-65
Commodities subject to variable levies					
Feed grains	196.5	271.4	274.3	278.2	377.7
Rye grains	2.3	9.2	24.2	8.1	1.8
Rice, milled	11.4	17.2	13.0	15.6	9.8
Wheat grain	114.0	114.4	38.8	91.1	35.4
Wheat flour	19.7	17.2	10.2	7.8	5.2
Lard	2.7	3.0	2.3	2.2	1.0
Pork, excl. variety meats	0.6	0.4	0.4	10.2	0.5
Poultry and eggs	35.1	65.9	30.2	35.8	31.3
Total	382.2	498.8	393.4	449.0	462.7
Other Commodities					
Cotton, excl. linters	265.7	157.1	86.8	191.1	127.3
Fruits and vegetables	60.4	80.8	96.0	88.4	88.2
Soybeans	118.5	147.0	163.8	193.9	200.1
Tallow	28.4	32.3	22.9	32.7	35.2
Tobacco, unmanufactured	86.8	104.5	103.1	105.7	104.1
Variety meats	15.0	16.8	18.1	26.3	32.5
Vegetable oils, expressed	29.8	18.4	13.3	29.6	41.5
Other	113.9	129.0	171.9	216.1	279.0 p/
Total	718.5	685.8	676.2	883.8	907.9
Total, E.E.C.	1,100.8	1,184.6	1,069.6	1,332.8	1,370.6 p/

Source: U.S. Dept. of Agriculture, Foreign Agricultural Trade of the United States.

1/ Details may not add to totals owing to rounding.
p/ Preliminary.

Production of wheat and feed grains increased sharply during the 1950's, and a further increase in output is expected in the 1960's as the result of improved farm productivity. (See Table 5.) At the present time, some 70 per cent of EEC farms are less than 25 acres in size, and it takes 12 men on European farms to do the work of one man on an American farm.1/

EEC grain requirements are increasing, reflecting the growth of meat consumption. Human grain requirements did not increase during the 1950's and are not expected to expand in the 1960's despite the increase in population. However, as meat consumption has risen along with the growth of per capita income, there has been an increasing demand for more feed grains. Animal feed requirements rose from 17.8 million metric tons in 1950-52 to 30.5 million metric tons in 1957-59, and they are expected to rise to 43.5 million metric tons by 1970 assuming that per capita income rises by 5 per cent per annum. (See Table 5.) On this calculation and without taking into account the impact of price changes resulting from the grain price unification decision, EEC net import requirements in 1970 would be 10 million tons, about the same as in 1950-52. However, the Community's import requirements would be almost entirely for coarse grains, whereas in 1950-52 wheat imports exceeded coarse grain imports.

The effect of the grain-price unification decision on these projections is a matter of controversy. The bulk of the EEC's grains are produced in France which will experience a rise in all grain prices under the grain-price unification decision. In spite of the fact that it is technically possible to bring 3.7 million acres into production, the EEC Commission has expressed the view that grain-price unification "will only encourage the use of the relatively small reserves now fallow or uncultivated. . . . Cuts in land used for pasture and forage in favor of grains are largely determined by beef and milk prices. The relation of these prices to grain prices would also not be favorable to increased grain production."2/ The EEC Commission claims, therefore, that the Community will continue to require net imports of 10 million tons.

There are three grounds for questioning the EEC Commission's reasoning on this point. First, implementation of the grain-price decision will raise the market price for feed-grains both absolutely and relatively to the price of wheat. (See Table 1, p. 10.) This will lead to higher costs of animal husbandry and in turn will

1/ Speech by Sicco L. Mansholt at Des Moines, Iowa, February 11, 1965.
2/ EEC Information Service, Common Market Farm Report, No. 16, December 31, 1964.

Table 5. Supply Balance for Wheat and Course Grains, Av. 1950-52 1957-59 and Projections for 1970
(In millions of metric tons)

	1950-52 Av.			1957-59 Av.			1970 5% Income Growth			1970 3-4% Income Growth		
	Wheat	Course Grains	Total	Wheat	Course Grains	Total	Wheat	Course Grains	Total	Wheat	Course Grains	Total
Supply												
Production	19.1	20.0	39.1	24.9	25.5	50.4	30.2	33.2	63.4	30.2	33.2	63.4
Change in stocks	-0.6	-	-0.7	0.6	-0.3	0.3	-	-	-	-	-	-
Net imports	5.5	4.4	9.9	1.3	7.6	8.9	-	10.0	10.0	-	8.4	8.4
Total	24.0	24.3	48.3	26.8	32.9	59.7	30.2	43.2	73.4	30.2	41.6	71.8
Uses												
Animal feed	1.1	16.7	17.8	4.6	25.9	30.5	8.1	35.4	43.5	7.9	34.0	41.8
Human food	20.4	3.9	24.2	20.0	2.8	22.7	19.9	2.6	22.5	20.1	2.6	22.8
Other	2.5	3.8	6.3	2.2	4.2	6.6	2.2	5.1	7.3	2.2	5.0	7.2
Total	24.0	24.3	48.3	26.8	32.9	59.7	30.2	43.2	73.4	30.2	41.6	71.8

Source: E.E.C. Commission, Etudes No. 10, Le Marché Commun des Produits Agricoles: Perspectives 1970.

inhibit the growth of meat consumption and the demand for feed grains. Secondly, the projected rise in the price for grains received by the French farmer is very sharp. Prices received by French farmers for wheat, therefore, will rise by about 20 per cent since they will be relieved of certain taxes that must be paid when grains are sold to the French Government under current price support programs.1/ Though the market price will go up by only 6 per cent, it thus seems reasonable to expect that some French grazing land will be brought under cultivation and the Community's net grain import requirements will be reduced below the present forecast of 10 million metric tons. Finally, French farmers might be able to cultivate wheat land more intensively if the financial incentive is sufficiently high.

An immediate impact of the CAP wheat regulations, therefore, will be a more rapid decline in U.S. wheat exports to the Common Market than otherwise would have taken place. Depending upon what the EEC does with any surplus wheat it might grow, there may be some important secondary effects on U.S. grain exports as well. The Community can either denature the French soft wheat and use it as animal feed or subsidize sales to foreigners. What will be done wi depend on the relative costs of denaturing wheat and subsidizing exports. To the extent that wheat is used as animal feed, U.S. exports of feed grains to the Common Market will be reduced. To the extent that wheat is exported under subsidies, U.S. wheat sales will be displaced in third markets.

A limited EEC demand for hard wheat will remain. The soft wheat grown in Europe makes inferior bread unless blended with the hard wheat grown in North America. However, owing to high price of imported hard wheat under the grain-price unification decision, only the minimum requirement for blending purposes will be purchased. It is not likely that the U.S. will share in this market as the Canadian "Manitoba No. Two" wheat is regarded as superior for this purpose; and furthermore, the U.S. consumes nearly all that is produced of this higher quality wheat.2/

Therefore, we can conclude that after the new grain-price levels have been in effect for a few years, U.S. wheat exports to the Common Market may well be negiligible. As for feed grain exports, a U.S.D.A. study made in 19623/ estimated that if EEC prices had been unified in 1958 at the average of the French and German level,

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1/ In 1963-64, the French minimum intervention price (at Chartres) for wheat was F42.79 per quintal while the minimum price received by producers was only F39.16 per quintal.

2/ Krause, op. cit., p. 126.

3/ Elmer W. Learn, "Long-Term Effects of Common Market Grain Policies," Foreign Agricultural Trade of the United States, January 1963.

U.S. exports would fall nearly 60 per cent by 1970. Since prices are scheduled to be unified at a level somewhat above the average German-French price level, this estimate may understate the potential loss of U.S. grain exports to the Common Market.

However, it is possible that the large planned increase in French grain prices will not take place. The French Minister of Agriculture, Edgar Pisani, has already called for a revision of ". . . the December 15 price agreement, which is a compromise, in order to adapt it to objective reality."1/ In particular, Pisani fears that the higher wheat price will give an "illusion of profitability" to farming land not presently under cultivation and stimulate the production of wheat, a grain which France must presently subsidize in order to export outside the EEC.

Even if the prices agreed upon last December do go into effect, they might not result in a large increase in revenue by French grain farmers. The French authorities are concerned with the inflationary impact of higher grain prices, and they are reported to be considering imposing additional taxes and social security payments on grain farmers to absorb the windfall income resulting from the present grain-price unification agreement.2/ If such taxes are levied, the projected increase in producer prices, of course, will not be as large as otherwise.

If the grain-price levels agreed upon in the December 15 Council meeting are lowered, then the U.S. feed-grain exports to the EEC will not fall as much as they would if the projected prices actually come into effect in mid-1967. However, U.S. wheat exports to the EEC are expected to end within a decade even without the Common Agricultural Policy.3/ However, if the projected unified grain-price levels are lowered U.S. wheat exports will taper off more gradually than they would have otherwise.

Poultry and egg.--The rise and fall of U.S. chicken exports to the EEC (mainly Germany) is a dramatic example of how the Common Agricultural Policy can injure U.S. exports to the EEC. From 1956-57 to 1961-62 chicken exports to the EEC rose from about $1.0 million to nearly $50 million. However, between 1961-62 and 1964-65, chicken exports fell to about $12 million. (See Table 6.)

This sharp decline in U.S. chicken exports is entirely due to the height of the variable levy imposed on this product under the Common Agricultural Policy. Before the EEC poultry market regulations took effect in June 1962, the German import duty on frozen chicken was 4 cents per pound (about 15 per cent).

1/ Address by Edgar Pisani to the Centre Chrétien des Patrons, January 20, 1964. Reported in Agra-Europe (Paris), January 28, 1965.
2/ Handelsblatt (Dusseldorf), March 25, 1965.
3/ See: Krause, op. cit., p. 126.

Table 6. U.S. Exports of Poultry and Eggs to the European Economic Community (In millions of dollars)

	1960-61	1961-62	1962-63	1963-64	1964-65
Broilers and fryers	16.5	38.2	13.1	12.7	7.0
Stewing chickens	6.1	10.9	4.4	7.8	4.6
Turkeys	5.3	9.2	7.9	9.6	12.8
Canned poultry 1/	1.3	1.7	1.6	3.0	3.9
Other	5.9	5.9	3.2	2.7	3.0
Total	35.1	65.9	30.2	35.8	31.3

Source: U.S.D.A., Foreign Agricultural Trade of the United States.
1/ The tariff on canned poultry is bound under G.A.T.T. at 21 per cent ad valorem.

Table 7. German Poultry Imports by Country of Origin, Selected Years

	Value ($ millions)			Percentage Share		
	1956	1961	1963	1956	1961	1963
EEC						
Belgium-Lux.	0.1	2.0	6.0	0.4	1.8	5.1
France	--	--	8.8	--	--	7.4
Italy	--	0.1	0.1	--	0.1	0.1
Netherlands	13.6	33.1	43.3	52.7	29.4	36.5
Total EEC	13.7	35.2	58.2	53.1	31.3	49.1
U.S.A.	0.7	35.8	22.6	2.7	31.8	19.0
Denmark	2.9	27.6	24.4	11.2	24.5	20.6
Hungary, Poland, and other	8.5	14.0	13.3	33.0	12.4	11.3
Total	25.8	112.6	118.5	100.0	100.0	100.0

Source: Germany Statistisches Bundesamt, Aussenhandel.

By June 1963 it rose to 9.7 cents, and in February 1965 it stood at 14.7 cents, about 60 per cent of the c.i.f. price.1/ The impact of this rise in tariffs can be seen by the changing shares in the German poultry market, which accounted for the bulk of U.S. poultry exports to the EEC, (figures for chicken alone are not available). In 1961, the United States supplied 32 per cent of German poultry imports. (See Table 7.) After the tariff increases, the U.S. market share fell to 19 per cent, and the EEC suppliers recaptured their lost market shares (with Belgium and France sharing the benefits along with the Netherlands). At the same time U.S. sales in Austria and Switzerland fell from $6.9 million in 1961 to $3.9 million in 1963 as a result of competition with Danish poultry displaced from the EEC and, to a lesser extent, with Dutch poultry exported under a subsidy.

U.S. exports of dried and frozen *eggs* have likewise fallen as the result of the Common Agricultural Policy. Between 1961 and 1963, egg exports dropped by $1.3 million to $2.2 million.

While the Common Agricultural Policy has reduced U.S. chicken and egg exports to the Common Market, the short-run outlook for *canned poultry* and *turkey* is good. In contrast with the decline of U.S. chicken exports to the EEC, turkey exports expanded from $5 million in 1960-61 to $13 million in 1963. Canned poultry is exempt from the variable levy system of protection as the EEC duty of 21 per cent is bound in GATT, and these exports are expected to continue to grow until EEC fresh and frozen poultry prices come down.

Other variable levy products.--The U.S.D.A. does not expect the Common Agricultural Policy to have a significant effect on U.S. exports of pork, as EEC imports requirements are determined by a cyclical pattern in the production of pork. In the fiscal year 1963-64 pork exports to the EEC totalled $10.2 million as contrasted with $0.4 million in each of the two previous years. (See Table 4.)

Fresh fruits and vegetables became subject to variable levies in July 1965 following the May 13 decision by the Council of Ministers. (See p. 8 above.) The EEC duties on most U.S. fresh fruit and vegetable exports are bound in GATT, but prospects are uncertain for about one-third of U.S. exports of these products.

1/ The variable levy was raised as Danish exporters were forced to cut prices in order to sell chicken which formerly was sold in Germany in other European markets (Switzerland in particular).

United States exports of dairy products to the Common Market are not significant, although exports of powdered skim milk used to feed calves in the production of quality veal have increased from $1.5 million in 1960 to $6.4 million in 1963. If the EEC Council of Ministers selects a common target price for milk that is above the French and Dutch levels (as seems likely at this time), milk output in the EEC should expand. 1/ Even without an increase in producer prices in these countries, Community milk output is expected to rise as a result of improved farming technique. Since Community consumption of milk and dairy products is not expected to rise, it is possible that the small but growing market for U.S. products in the EEC will be eliminated.

The rice market regulations which came into effect in September 1964 threatens the small, but steady, U.S. market in the EEC. In 1961, the U.S. met about 40 per cent of the imports required by Germany, Belgium-Luxembourg and the Netherlands (see Table 8). Italy and France (the only EEC rice-producing countries) supplied only 14 per cent of the other EEC countries.

Protected by a variable levy, Italy and France are expected to supplant American and other non-EEC supplies in so far as they can meet Community demands. In the few months since the rice regulations went into effect, U.S. exports of milled rice fell, and they are expected to continue to decline. Brown rice sales have increased because they duty on brown rice has been reduced temporarily. However, when the duty is restored sales are expected to fall sharply.

Table 8. Rice Imports by EEC Countries other than France and Italy, 1961
(In millions of dollars)

	EEC	U.S.A.	Other	Total
Germany	2.9	7.0	4.9	14.8
Netherlands	0.8	2.3	4.2	7.3
Belgium-Lux.	0.1	1.7	3.3	5.1
Total	3.8	11.0	12.4	27.2

Source: O.E.C.D., Statistical Bulletin, Series C, Foreign Trade by Commodities.

1/ R. E. Anderson, "EEC Now Applying Common Dairy Regulations," Foreign Agriculture, February 22, 1965, p. 6.

Fixed-Tariff Commodities.--Soybean and soybean meal exports are in demand as a high-protein feed for livestock. U.S. sales of soybeans to the Common Market rose from $147 million in 1961-62 to $194 million in 1963-64, and some experts believe that it is possible for the value of soybean and other oilseed exports to the EEC to double in the next decade. 1/

However, soybeans compete with peanut products produced by EEC Overseas Associated Territories in Africa, and U.S.D.A. experts fear the EEC will seek a world commodity agreement on fats and oils to limit Common Market imports of soybeans and soybean meal. At the present time, these products enter the EEC duty-free. But the prospects of such an agreement being negotiated in the near future are considered small.

Vegetable oils are subject to duties, and the prospects for U.S. exports are considered poor. Duties on all vegetable oils are bound in GATT, but they are sufficiently high to give EEC mills an incentive to crush imported oilseeds. It is possible that the association of new African states such as Nigeria with the EEC may worsen the U.S. trading position.

Tobacco will be subject to EEC market regulations in the near future. Even without this market regulation, Greek and Turkish tobacco will enter the EEC duty-free. The U.S.D.A. feels that the United States will, at best, only be able to maintain its present volume of tobacco exports in spite of the fact that the United States produces a lighter leaf which is more desirable for cigarettes.

The outlook for other fixed-tariff commodities is good. Cotton enters the EEC duty-free under GATT arrangements. Variety meats have a fixed duty of around 20 per cent bound in GATT, and the EEC demand for U.S. produce is expanding. The Common Market shows no indication of becoming self-sufficient in tallow and hides and skins, and the duties are either zero or low on these products.

IV. Concluding Observations

The European Economic Community has advanced towards a common market for agricultural products in spite of a slow start. The grain-price unification decision of December 15, 1964 made it possible to complete common market arrangements not only for grains but for grain-processed products (pork, poultry, and eggs) effective July 1, 1967, two-and-a-half years ahead of the original timetable. In order to complete the Common Agricultural Policy, the EEC must agree on unified prices for milk, beef and veal, and rice. When this is done, a common market will exist for 85 per cent of EEC produce. Also, market regulations for vegetable oils and oilseeds, sugar and tobacco must be adopted.

1/ Learn, op. cit., p. 20.

The immediate problem, of course, is to break the deadlock in the discussion of financing the Common Agricultural Policy, and this cannot be done until France ends its boycott of the EEC Council of Ministers' meetings. France is not so much concerned with the mechanics of the proposed financing scheme as with the growing supra-natural character of the EEC Commission. No progress was expected on this issue before the French presidential election. It is hoped that negotiations will be resumed following the special mid-January meeting in Luxembourg.

As the Common Agricultural Policy takes form, it becomes apparent that it will have adverse effects on the countries which now supply the EEC with agricultural produce. The EEC has made a decision to raise farm incomes and stabilize farm prices by supporting farm prices at levels generally higher than those prevailing on world markets. In the United States, farm price support programs are combined with production controls in an attempt to limit the output of commodities in excess of domestic demand. But the EEC Common Agricultural Policy incorporates no restrictions on supply whatsoever. Goods which cannot be sold in the Community are to be offered on world markets, subsidized as much as necessary in order to make them competitive. The Common Market is thus completely removed from price competition in agriculture; the United States and other third-country producers will become strictly residual suppliers.

The Common Agricultural Policy has to date had only a small overall impact on U.S. exports to the EEC. In 1963-64, the second year in which the grain, pork, poultry and egg market regulations were in effect, U.S. exports of chickens and eggs were about $20 million below the pre-CAP level. In the absence of the variable levy system of protection, it is likely that U.S. exports of these commodities would have gone up. Also as a result of the EEC's policies, chicken and egg exports to Austria and Switzerland have declined. Wheat flour exports to the EEC have fallen by about $12 million in the first two years of the CAP. Had there been no Common Agricultural Policy, U.S. exports of agricultural produce in 1963-64 might have been roughly $50 million higher than they actually were in this period.

The main impace of the Common Agricultural Policy will come after the grain-price unification decision is effective. The $40 million to $100 million EEC market for U.S. wheat is expected to disappear gradually even if there would be no Common Agricultural Policy as the EEC is expected to become self-sufficient in wheat. Because of the CAP, this market will be cut off much more abruptly than otherwise. The decline in U.S. exports of feed-grains will be more gradual as feed-grain requirements are increasing rapidly within the Community. But higher prices to French producers are expected to both stimulate production and restrict consumption, putting a brake on the growth of feed-grain import requirements. Available studies suggest that after the grain price unifications decision has been in effect for a decade, U.S. exports of feed grains ($278 million in 1963-64) may fall by as much as $175 million.

The Common Market is expected to increase markedly its purchase of U.S. soybeans and soybean meal which are needed as animal feed and which are imported duty free. It is possible that soybean exports will expand by about the same amount as exports of grains and other variable levy commodities decline. U.S. total earnings from agricultural exports to the Common Market, therefore, may not decline from recent levels of around $1-1/4 billion per annum; but in the absence of the Common Agricultural Policy they might have been expected to increase steadily.

APPENDIX A

Chronology of the EEC Common Agricultural Policy

1958

January 1	The Rome Treaty became effective.

1962

January 14 — After France refused to agree to the transition to the second stage of the EEC unless the Common Agricultural Policy was initiated, the Council of Ministers, following 140 hours of negotiations, decided:

(1) To accept market regulations proposed by the EEC Commission for wheat and coarse grains, pork, poultry, eggs, fruits and vegetables, and wine.

(2) To invite the Commission to prepare market regulations on beef and veal, sugar, and dairy produce.

(3) To create a European Agricultural Guidance and Guarantee Fund to finance the Common Agricultural Policy.

July 30 — Community regulations on cereals, pork, poultry, eggs, fruits,and vegetables, and wine came into effect.

November 14-15 — The Council of Ministers created the Standing Committee on Agricultural Structures to coordinate national policies for improving agricultural productivity.

1963

November 5 — The EEC Commission submitted a proposal to the Council of Ministers for unifying grain prices in mid-1964 (the Mansholt Plan).

December 23 — The Council of Ministers after a "marathon session";

(1) Pledged that it would adopt uniform grain prices before April 15, 1964 and to have them come into effect in the 1964-65 marketing year;

(2) Accepted market organization proposals for rice, beef and veal, and dairy produce and pledged to agree on a Community policy for fats and oils by November 1, 1964;

(3) Agreed on how to finance the Agricultural Guidance and Guarantee Fund through June 1965;and

(4) Agreed that negotiations on agricultural produce in the Kennedy Round should be carried out by the EEC Commission for the Community as a whole.

<u>1964</u>

<u>April 15</u> After a protracted negotiating session, the Council failed to reach an agreement on grain-price unification. The issue was deferred until the June 1-3 Council session.

<u>June 3</u> The Council again failed to agree on grain-price unifications and set back its deadline for reaching a decision until December 15. It requested the EEC Commission to submit a new proposal; the Commission refused.

<u>June 5</u> Walter Hallstein, President of the Commission, wrote a letter to the Ministers of Foreign Affairs of each EEC country protesting the failure of the Council to honor its commitment of December 23, 1963 to unify grain prices effective with the 1963-64 marketing year.

<u>September 1</u> Market regulations for rice became effective.

<u>November 1</u> Market regulations for dairy products and for beef and veal became effective.

<u>December 15</u> The Council of Ministers reached an accord on grain-price unification:

(1) Grain prices would be unified, effective beginning with the 1967-68 marketing year.

(2) At the same time intra-Community levies will be eliminated for pork, poultry and eggs.

(3) Special compensations payments would be made to Germany, Italy and Luxembourg. As a further aid to Italy, the marketing regulations on fruits and vegetables would be revised.

(4) The Agricultural Guidance and Guarantee Fund would absorb the entire cost of financing the Common Agricultural Policy regarding cereals, pork, poultry, eggs, fruits and vegetables after July 1, 1967.

1965

May 13 The Council of Ministers revised the market regulations for fruits and vegetables to increase the protection given Community producers, effective July 1, 1965.

July 1 France broke off negotiations on the financing of the Common Agricultural Policy.

July 6 The French permanent representative to the EEC was recalled to Paris, and the French delegation to the EEC was ordered to boycott all meetings concerned with advancing the European Economic Community.