'The decision taken by the "Six" in Brussels' from Le Monde (16 December 1964)

Caption: On 16 December 1964, the French daily newspaper LeMonde describes the main measures set out in the agreement reached by the Six with regard to the unification of cereals prices with effect from 1 July 1967.

Source: Le Monde. dir. de publ. BEUVE-MÉRY, Hubert. 16.12.1964, n° 6 196; 21e année. Paris: Le Monde. "La décision des Six à Bruxelles", auteur:Fabra, Paul , p. 2.

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The decision taken by the ‘Six’ in Brussels

Five points of agreement

Brussels, 15 December. — The agreement reached by the Six on Tuesday morning concerns not only cereals prices but also the compensation that will be paid to farmers whose prices have dropped, the financing of the common agricultural policy, the organisation of the market in fruit and vegetables, and egg, poultry and pigmeat production.

Cereals prices

As of 1 July 1967, a single market for cereals will be established. Base target prices set for the most deficient area — Duisburg — will serve to calculate the applicable prices in each of the Community regions. The way in which regionalisation of prices will function was also the subject of an agreement.

The base target prices will be as follows:

1. For wheat: DEM 425 per tonne, or FRF 52.45 per quintal.

2. For durum wheat (used to manufacture semolina): DEM 500 (FRF 61.71). The prices actually paid by producers will be higher: DEM 580 (FRF 71.13), which corresponds to current Italian prices. The difference between DEM 580 and 500, the market price, will be covered by a subsidy paid by the European Agricultural Guidance and Guarantee Fund (EAGGF), a subsidy similar to the *deficiency payment* in English agriculture that was strongly criticised two years ago. The foreseeable consequence will no doubt be a strong incentive for durum wheat production, especially since new seeds have recently been discovered, which should enable current yields to be at least doubled.

3. For maize: DEM 362.5 per tonne (FRF 44.58 per quintal). But it was agreed that Italian importers would be subsidised so that Italy could continue to buy the maize it needs outside the country at a significantly lower price. For the first operating year, this price will be only DEM 320, through the workings of the following system:

(a) Italian importers will be able to deduct DEM 30 per tonne from the import levy over a five-year period from 1967 to 1972;

(b) as regards maize imports from third countries, the levy will be reduced even further, by DEM 12.5 during the 1967–1968 marketing year, and by DEM 10 during the following two marketing years.

So as not to create distortion of competition, it has been agreed that Italian maize exported to other countries of the Community should bear a duty equal to the amount of the subsidy in the form of a levy reduction granted to Italian importers.

A separate provision will be applied to French producers in the Toulouse region.

4. For barley: DEM 365 per tonne (FRF 44.90 per quintal). A system similar to the one for maize is planned for Italy. Similarly, separate provisions have been approved to assist Bavarian producers, although it seems that, for a few years, they might also benefit French producers who sell their barley to German breweries.

5. For rye: DEM 375 per tonne (FRF 46.12 per quintal). A separate provision has also been approved for German producers, providing for a DEM 10 price increase per tonne of rye used in foodstuffs for human consumption.

Two important remarks:

It was decided that all prices would be set in European currency units, i.e. in dollars. The consequence is that, if a country were to devalue its currency, it would automatically have to increase its cereals prices by a percentage equal to the amount of the devaluation. Such a measure is likely to make a currency operation practically impossible. Is this the first step towards the monetary union of the Six?

It is, of course, understood that the single prices were set only for the year 1967. Subsequently, the Six will have to set prices for the entire Community each year.

Moreover, between now and 1 July 1966, they will be able to review the prices set for 1967 in order to take account of any changes in the economic situation that may have occurred in the meantime. In fact, the Germans would have liked to index cereals prices to the Community's general price and cost index, but they were disappointed.

Financial compensation measures

The three countries that will have to lower their prices, Germany, Luxembourg and Italy, will receive financial compensation from the Community which will enable them to reimburse their farmers who suffer losses from the new price-fixing.

The Mansholt Plan provided for an entire system — incorporating Community farm aid plans — in order to maintain financial compensation at the same level until 1970, after which year it should at all events come to an end. The idea of Community plans was rejected; as a result, the financial compensation will be strongly degressive.

For Germany, it will amount to DEM 560 million for the 1967–1968 marketing year, DEM 374 million for the 1968–1969 marketing year and only DEM 187 million for the 1969–1970 marketing year. Note that the total amount is only half of what was initially set out in the Mansholt Plan. It is true that German farmers were promised considerable financial aid from the Bonn Government.

For Italy, the compensation will amount to DEM 260 million for the 1967–1968 marketing year and DEM 176 million and DEM 88 million respectively for the following two marketing years. The amounts thus allocated to Italy had been calculated by the Hallstein Commission, based in large part on the fact that Italian durum wheat producers would suffer a significant loss. But, in the end, there will not be any loss because of the subsidisation system that was set up at the last minute. Mr Mansholt explained that the compensation, while initially established on the basis of careful economic calculations, was ultimately justified for mainly political reasons.

It is understood that the compensation will be charged to a special section of the EAGGF, in respect of which the financing will be broken down as follows (Article 200 of the Treaty of Rome): 28 % payable by Germany, 28 % by France, 28 % by Italy, 7.9 % by the Netherlands, 7.9 % by Belgium and 0.2 % by Luxembourg.

Protection of the European markets in fruit and vegetables

At present, the only protection that the fruit and vegetable producers of the Community enjoy against competition from third countries is through *ad valorem* customs duties. That amounts to saying that production is that much lower when international prices have dropped. It is true that the Community regulation on the market in fruit and vegetables provides for the possibility of compensatory taxes being levied in the event of weakening global market prices, but these taxes do not come into play automatically.

The Italians would like a 'sluice-gate price' system to be adopted for fruit and vegetables, with the aim of making the collection of a compensatory tax obligatory and automatic if need be. The Commission has been asked to submit proposals to help achieve this. Let us not forget that Italy currently supplies 15 % of the Community's citrus fruit and that it is seeking in particular to secure an increased Community preference for its products which face competition from Spain and North Africa.

Financing the common agricultural policy

The decisions taken with regard to the financing of the common agricultural policy are not all directly related to the Mansholt Plan, but they were taken at the request of the various countries in order to restore some kind of balance in the negotiations. Three decisions were taken:

(1) Italy's contribution to EAGGF funding will not exceed 18 % of the Fund's total resources for the 1965–1966 marketing year and 22 % for the 1966–1967 marketing year. Previously, the Italian contribution had been capped at 28 %.

(2) The Hallstein Commission has been asked to submit proposals so that the EAGGF may intervene on the markets of a certain number of products: fruit and vegetables in particular (to satisfy the Italians), sugar (to satisfy the French), durum wheat, and so on.

(3) After 1 July 1967, the cost of all the refunds (subsidies) paid to European cereals exporters will be borne by the EAGGF (although they should not have been so covered until 1970, the initial date on which the transitional period was to end). At present, the EAGGF bears only half of the costs relating to these refunds.

In actual fact, this measure is by no means new: the Financial Regulation, which was adopted on 14 January 1962 and created the EAGGF, already included a provision that, from the moment when the single market for agricultural products was established, all export refunds would be charged to the Community budget. The decision that was taken simply draws the conclusion from the fact that the single market for cereals will be established on 1 July 1967, i.e. two and a half years ahead of schedule. However, after the stir caused by the affair of exports to China, it turns out that, in this domain, what goes without saying would go better if said.

(4) The Commission has been asked to submit proposals that enshrine another principle incorporated in the Financial Regulation: the transfer to the Community budget of financial 'levies' made on imports. This last point was, like the previous one, accepted at France's request.

To understand the scope of these decisions, we need to remember that, during the first half of next year, important negotiations will once again have to take place among the Six with a view to supplementing and clarifying the Financial Regulation. The Commission has already submitted a draft resolution on the subject which disregards the following main problems that need to be solved:

(a) Determine what will be the applicable regime with regard to both the origin of the resources allocated to the EAGGF and to the extent of the costs that the Fund will bear for the period from 1 July 1965 until the establishment of the single market for agricultural products (i.e. 1967 for cereals and 1970 for other agricultural products for which no earlier date had been determined).

— Origin of the resources: *the guideline followed by the negotiators in 1962 was that, when the single market was established, the revenue from levies ought to be the main source of revenue for the EAGGF. But now it is thought that, when the single market is established, the revenue from levies ought to cover approximately half of the EAGGF's costs. In other words, the six countries will have to pay in some way for the savings they make by securing supplies from outside the Community at low prices. But it was impossible to ask the major importing countries straightaway to provide an excessive share of the Fund's resources. That is why it was agreed that only one part (one-fifth for the current marketing year, 1964–1965) of national contributions to the EAGGF would be calculated on the basis of net imports. The rest, i.e. four-fifths, is allocated among the Six in accordance with the Treaty breakdown: 28 % for France, 28 % for Germany, and so on.*

But the importing countries had managed to secure that, at all events, their contribution would be limited for the first three years (1962 to 1965) to a certain percentage of the Fund's total resources. The ceiling had been set at 31 % for Germany, 28 % for Italy and 13 % for the Netherlands. France feels that such capping goes against the very principle of the common agricultural policy. During the forthcoming negotiation *round, it will, therefore, strive to have the ceilings abolished as quickly as possible or, at least, to prevent them from continuing after the transitional period.*

— Percentage of costs borne by the EAGGF: *the Fund currently bears three-sixths, that is to say half of the costs (export refunds, market interventions). When the single market is established, it will have to bear all the costs. But what will be the percentage borne during the intervening years: 1966, 1967, etc.? There is no provision for this in the regulation of 14 January 1962.*

(b) Plan what EAGGF revenue and expenditure will be when the single market is established. It is not a matter of filling a gap in the Financial Regulation — it is explicit as it is — but of determining the conditions for applying the principles that have been set out in the Regulation.

France has already managed to get the Commission to submit proposals so that the cost of all the refunds to cereals exporters will be borne as of 1967. In this way, our country hopes to have the idea accepted that the single market should be deemed to have been established as of 1967 for all agricultural production.

Worthy of note: during the discussions, the Germans and Dutch, straying from their traditional opposition on this subject, showed themselves to be more or less amenable to the idea that the total amount of the levies should be paid into the Community budget as of 1 July 1967 (for levies on cereals imports, at all events). The remarks made in this respect by the delegates from Bonn and from The Hague may be explained by their desire not to let the ceiling on the Italian contribution continue at the low level determined (18 % and 22 % for the next two marketing years).

In conclusion, the impact of the various measures determined by the Special Council of Ministers of the Six must involve at least the tripling of Community agricultural expenditure, starting in 1967.

The EAGGF funds for the current financial year are 107 million dollars.

Free movement of eggs, poultry and pigmeat

As of 1 July 1967, the financial ‘levies’ imposed on intra-Community trade in pigmeat, eggs and poultry will be abolished. The products in question will thus be able to move freely throughout the Community.

These measures were taken at the request of the Netherlands and Belgium and constitute one of the concessions that Germany and France had to make to those two countries in the global bargaining that concluded the negotiations. They may well have quite serious repercussions for poultry farmers in Brittany.

In order to prevent the intervention mechanisms that already exist for pigmeat in certain countries (particularly France) from benefiting imported products, the plan is for these intervention mechanisms to be extended to cover the entire Community.