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Agricultural Policies

Addendum

EUROPEAN COMMUNITIES

Note on the Agricultural Policy of the European Economic Community

1. Up to the end of the sixties, the European Economic Community concentrated its main attention, in the agricultural sector, on setting up the mechanisms needed for the common organization of markets and the fixing of common prices, which has led to the establishment of a common agricultural market among the member countries.

Since then, in keeping with the spirit in which the Treaty of Rome had envisaged the solution of agricultural problems in the Community, the measures taken have been strongly marked by the major concern of integrating agriculture both in the Community's general economy and in the world context.

2. In the implementation of these measures, account has been taken both of the fact that "agriculture constitutes a sector which is closely linked up with the economy as a whole" (which entails a certain number of constraints as regards the conduct of general policy) and of the fact that the Community follows the general approach that, in agriculture too, "the harmonious development of trade" is a factor of economic progress.

Since 1968/69, the EEC's principal aim has accordingly been to seek a better adjustment of production to demand, and at the same time, to encourage agriculture actively to pursue a rationalization of its structures that can ensure an acceptable standard of living and income level for the agricultural population.

3. Thus, from 1968/69 to 1973/74, the Community's agricultural price policy, whose function it was to ensure a satisfactory orientation and adequate remuneration of productive activities, has been extremely cautious; and, the most recent decisions on prices, reached on 23 March of this year for the 1974/75 season do not indicate any modification of the policy hitherto pursued, but merely a slight adjustment of that policy to take account of recent developments on the world market and the increase in production costs.

Table I
Evolution of Support Prices for the Principal Agricultural Products

Product	Type of price	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
Durum wheat	Minimum price guaranteed to the producer (wholesale trade level)	145.00	145.00	145.00	147.90	153.80	155.33
Common wheat	Basic intervention price	98.75	98.75	98.75	100.72	104.75	105.80
Barley	Single intervention price	87.98	88.48	88.48	92.02	95.70	96.66
Rye	Single intervention price	91.00	91.00	91.00	92.82	97.45	97.92
Maize	Single intervention price	79.31	79.31	79.31	79.31	83.25	84.08
Olive oil	Intervention price	648.50	648.50	648.50	683.50	723.50	887.50
Colza and rapeseed	Basic intervention price	196.50	196.50	196.50	196.50	202.50	204.50
Sunflower	Basic intervention price	196.50	196.50	196.50	196.50	204.50	206.50
Sugar	White sugar intervention price	212.30	212.30	212.30	226.10	233.40	235.70
Leaf tobacco	No. 1 Badischer, Gendertheimer Forchheimer Havanna II c - Intervention price			1,640	1,640	1,706	1,723
	No. 4 Paraguay Dragon vert and hybrids thereof						
	- Intervention price			1,258	1,258	1,334	1,347
	No. 9 Semols Appel terre						
	- Intervention price			1,098	1,098	1,186	1,198
	No. 10 Bright						
	- Intervention price			1,496	1,496	1,616	1,632
	No. 11 (a) Burley I (b) Maryland						
	- Intervention price			1,283	1,283	1,309	1,309
	- Intervention price			1,283	1,283	1,386	1,399

U.S./'000 kg.

Table I (cont)

U.A./1000 kg.

Product	Type of price	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
Wine	R I - Guide price (degree hl)			1.35	1.35	1.45	1.46
	R II - Guide price (degree hl)			1.24	1.24	1.34	1.38
	R III - Guide price (hl)			21.40	21.40	22.60	22.80
	A I - Guide price (degree hl)			1.29	1.29	1.36	1.37
	A II - Guide price (hl)			27.9	27.9	30.1	30.4
	A III Guide price (hl)			31.9	31.9	34.4	34.70
Milk		1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
	Intervention price for:					from 15/9/72	
	- butter	1,735.00	1,735.00	1,735.00	1,780.00	1,800.00	1,760.00
	- skimmed milk powder	412.50	412.50	412.50	470.00	540.00	660.00
	- cheese						
	Grana-Padano (a) 30-50 days (b) 6 months	1,248.00 1,488.00	1,248.00 1,488.00	1,248.00 1,488.00	1,320.50 1,566.00	1,423.50 1,685.50	1,575.50 1,835.50
Beef	Parmesan-Peggiano (6 months)	1,632.00	1,632.00	1,632.00	1,710.00	1,829.50	1,979.50
	Guide price for large bovine animals (live weight)	680.00	680.00	680.00	720.00	750.00	862.00
	Guide price for calves (live weight)	915.00	915.00	915.00	942.50	942.50	1,037.50
Pork	Basic price (slaughtered swine)	750.00	750.00	772.50	800.00	825.00	860.00

Indeed, during this period, the increase in absolute value of the common prices fixed in Units of Account (U.A.) has, on the whole, been very slight, certain other measures having been taken to control supply in sectors where the disequilibrium between supply and demand was more pronounced.

4. Although the price increase has been greater on certain products than overall, the evolution of production shows that, taking into account the relative situation of prices at the start, it has not been sufficient to offset differences in productivity growth, whereas consumption of these products was increasing more rapidly (meat of bovine animals).

5. This moderate price increase in a period of inflation has been possible due to the fact that the sector has benefitted from the general economic prosperity, the progressive achievement of a single market and the structural measures undertaken by the Community and its member States. Nevertheless, this price policy has been sufficiently constricting to speed up the process of modernizing agriculture and has resulted in a larger diminution of the active agricultural population.

6. It was in this context that the common price policy was supplemented, on 17 April 1972, by the establishment of a common framework of structural reforms, which stressed the concept of profitable farming (i.e. that can yield an income comparable to that earned from other economic activities in the region) and increased competitiveness of farmers.

These common reform activities are aimed at modernizing farms, encouraging the cessation of farming and the reallocation of utilized agricultural area for the purposes of structural improvement and also at providing farmers with information and vocational training.

They were supplemented on 19/20 November 1973 by measures in respect of farms whose continuing existence is necessary for reasons which are not, strictly speaking, economic, but rather social or ecological (directive on agriculture in mountain regions and certain underprivileged areas).

7. This policy as a whole has made it possible, in respect of both prices and structures, to place agriculture in a better position, in relation to other economic activities, than it occupied in the past and to set it more firmly on this path.

8. By improving its competitiveness in relation to other economic activities which are well integrated at international level, the Community's agriculture has become more closely integrated in the world context and this has resulted in considerably increased trade in agricultural products, as is shown by the following table.

Table II
Imports and Exports of Products Subject to the Regulations
of the Common Agricultural Policy (EUR 6)
(1968-1972)

(in U.A. millions)

Origin/ Destination	Imports					Exports				
	1968	1969	1970	1971	1972	1968	1969	1970	1971	1972
Extra EEC	4,902	5,198	5,992	6,528	6,818	1,908	1,993	2,395	2,774	3,062
<u>of which:</u>										
<u>Industrialized</u>										
<u>countries</u>	2,662	2,715	3,268	3,704	3,754	1,118	1,197	1,361	1,544	1,667
<u>Developing</u>										
<u>countries</u>	1,724	1,879	2,147	2,180	2,321	631	667	791	965	1,027
<u>State-trading</u>										
<u>countries</u>	500	592	572	640	740	150	117	230	249	351

9. While shielding its internal market from fluctuations in the world market, the effects of which are incompatible with the functioning of its policy and the concern to maintain adequate supplies, the Community has thus strengthened its ties with external markets and relied on them for a substantial part of its supplies.

10. Having regard to recent developments in the world market, the Common Agricultural Policy has shown, in practice, the stabilizing rôle of its mechanisms and that it is in the interest of world markets that an economic entity of the importance of the EEC should be able to maintain a certain equilibrium in its internal supplies and in those of its traditional clients.