

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUBSIDIES

### Notification Pursuant to Article XVI:1

#### EUROPEAN ECONOMIC COMMUNITY

At the twentieth session, contracting parties were invited to submit, every third year, full responses to the questionnaire on subsidies. Contracting parties were reminded of this invitation by document L/4622 dated 20 January 1978.

As stated in the report of the Panel on Subsidies (document L/1442 of 19 April 1961), contracting parties are invited to provide information on subsidies, irrespective of whether or not, in the view of individual contracting parties, they are notifiable under Article XVI, because the Panel considered that it was neither necessary nor feasible to seek an agreed interpretation of what constituted a subsidy.

In response to this invitation, the Commission of the European Communities has the honour to transmit the documentation which follows concerning products covered by a common policy; the member States concerned will present separate notifications concerning the other products.

This documentation relates to products in the agricultural sector (Part I) and certain products in the industrial sector (Part II).

PART I

AGRICULTURAL SECTOR

1. So far as agricultural products are concerned, the measures notified concern only products which are the subject of a common agricultural policy, namely, the following sectors:

- Cereals
- Rice
- Pigmeat
- Bovine meat
- Eggs
- Poultry
- Oils and fats
- Sugar
- Dairy products
- Fishery products
- Fruit and vegetables
- Products processed from fruit and vegetables
- Tobacco
- Wine
- Flax and hemp
- Hops
- Seeds
- Silk worms
- Dehydrated fodder

These measures also relate to certain foodstuff products prepared from products subject to the common agricultural policy and which are not included in Annex II to the Treaty, mainly fine bakers' wares and chocolate products.

2. The measures notified include all the price support measures introduced by the common market organizations that can involve participation either by the Community's financing organization or by the government of a member State, to the extent that such measures derive from the Community regulations.

3. With respect to the total amount of aid for each sector, it should be noted that the data relate to payments made by the European Agricultural Guidance and Guarantee Fund in the course of the years or periods in which those operations were effected.

A. Export refunds

For certain of the sectors governed by a market organization, the common agricultural policy provides for the possibility of granting export refunds.

The purpose of export refunds is to cover, as far as possible and in order to enable exports to be effected at international trade prices, the difference between those prices and Community prices.

The refund is the same for the whole of the Community, though a differential may be applied according to destination. The amount of the refund is fixed periodically. The periodicity of the fixing is different for each sector because of the special characteristics of each sector.

In order to facilitate export operations, in the case of the majority of products, a system has been introduced whereby refunds can be fixed in advance.

The refund is paid to the exporter.

The total amount of export refunds financed by the European Agricultural Guidance and Guarantee Fund during the past few years, for each sector, is as follows:

Products	(UA'000)		
	1974	1975	1976
Cereals	76,163	342,400	372,000
Rice	503	3,600	25,000
Dairy products	343,836	281,900	599,800
Olive oil	834	700	200
Oilseeds	-	-	9,800
Sugar	8,010	37,100	55,600
Bovine meat	55,495	144,200	135,700
Pigmeat	56,175	39,400	22,100
Eggs - poultry	16,874	8,400	13,100
Fresh or processed fruit and vegetables	17,863	34,800	57,300
Wine	144	300	1,600
Fishery products	657	2,800	3,800
Goods processed from agricultural products	13,293	23,800	67,400
Tobacco	59	1,800	2,500
	589,906	921,200	1,365,900

B. Measures on the internal market

1. In order to stabilize markets and assure the agricultural population of an equitable standard of living, the common agricultural policy provides, in the market organization regulations for the different products, intervention and aid measures which vary according to the nature of the product and the special characteristics of the market.
2. The cost of these intervention and aid measures is, as a general rule, financed by the European Agricultural Guidance and Guarantee Fund. Figures for the payments by the European Agricultural Guidance and Guarantee Fund in respect of each of these measures and by product are not available. The only figures available are those of the European Agricultural Guidance and Guarantee Fund in respect of these measures as a whole, by product sector. During the past years, these have amounted to:

(UA'000)

Product	1974	1975	1976
Cereals	323,200	276,800	228,500
Rice	697	600	300
Dairy products	763,200	769,500	1,310,300
Olive oil	134,997	204,300	212,400
Oilseeds	10,902	26,400	86,300
Sugar	5,800	1,500	5,600
Bovine meat	263,000	797,800	507,300
Pigmeat	10,962	14,400	5,800
Fruit and vegetables	49,043	55,500	187,100
Wine	41,821	138,800	171,300
Tobacco	187,550	226,700	227,300
Fishery products	512	6,500	6,700
Flax and hemp	11,751	13,900	19,300
Seeds	15,205	23,800	22,700
Hops	4,438	7,900	14,500
Silkworms	481	800	600
Dehydrated fodder	3,637	11,100	15,200
	<u>1,827,200</u>	<u>2,576,300</u>	<u>3,021,200</u>

3. The different mechanisms provided by the market organization regulations for the different products are as follows:

"CEREALS" SECTOR

(a) Intervention measures

- (i) Every year, intervention prices are fixed for common wheat, durum wheat, barley, rye and maize, at which the intervention agencies are obliged to purchase products harvested in the Community and offered to them provided the offers comply with certain conditions, in particular as regards quality and quantity.

The intervention price is fixed for a given standard quality for each of these cereals. If the quality of the cereal differs from the standard quality, the price is adjusted in accordance with scales of price increases and reductions. The price applies in all intervention centres fixed at the beginning of the marketing year for each cereal.

Prices are fixed at the beginning of the marketing year (1 August) and are increased monthly to take account of warehousing and interest costs for stocking cereals in the Community as well as of the necessity for stock disposal in accordance with market needs.

(In UA per 100 kgs.)

Product	1974/75 <sup>1/</sup>	1975/76	1976/77
Common wheat	110.03	125.93	131.00 <sup>2/</sup>
Durum wheat	166.83	190.53	202.00
Rye	101.84	119.76	124.00
Barley	96.60	110.96	116.00
Maize	89.55	103.43	112.20

- (ii) In order to deal with special situations which may arise in certain regions, preventative intervention measures may be taken by intervention agencies on the decision of the Commission, after consulting the Management Committee for the purpose of avoiding, in certain regions of the Community, heavy purchases under the purchasing obligation imposed on intervention agencies.

<sup>1/</sup>As from 7 October these prices were increased by 5 per cent.

<sup>2/</sup>Sole intervention price for common (soft) wheat of minimum bread making grade.

Such measures may be decided when, in any region of the Community, prices become so depressed that, in view of the size of the harvest and of regional stocks as well as of their geographical situation, there is a risk that intervention purchases may be required on application, to the Commission, with reasons given by the member State concerned.

(b) Denaturation premium

As from the 1975/76 marketing year, Community regulations no longer provide for this premium.

(c) Aids to production

Aid for the production of durum wheat is granted for marketing years prior to 1976/77, this aid, the amount of which was the same for the whole of the Community, was equal, for the duration of the marketing year, to the difference at the beginning of the year between the guaranteed minimum price and the above-mentioned intervention price.

As from the 1976/77 marketing year, this aid is granted on a per hectare rather than on a per ton basis and its amount varies depending on the region concerned.

Aids to production for the years 1974/75, 1975/76 and 1976/77 amounted to:

	(UA/t.)		
	1974/75	1975/76	1976/77
Durum wheat	30.00	24.92	50.00 (1) 21.00 (2)
(1) 50 UA/ha for Southern Centre Italy, Marseilles, Toulouse, mountain and less-favoured areas			
(2) 21 UA/ha for Centre North			

(d) Compensatory indemnity

A compensatory indemnity may be granted for any common wheat, durum wheat, rye, barley and maize, or also malt, remaining in stock at the end of the marketing year. Its purpose is to bridge the gap between the higher price at the end of the marketing year, resulting from the monthly increases, and the generally lower price at the beginning of the new marketing year, and thus to ensure satisfactory supplies for the processing industry.

(e) Production refunds

A production refund is granted:

- for maize and common wheat used by the starch-making industry in the manufacture of starch;
- for potato starch;
- for maize groats and meal (grits) used by the glucose industry using the direct hydrolysis process.

The refund is granted in order to enable the industries manufacturing these products to keep their prices competitive in relation to prices of substitute products.

The production refund is paid to the processor of the raw material. In the case of potato starch, the recipient of the production refund is the potato grower.

For the 1976/77 marketing, the amount of the production refund is 14.00 UA/t. for maize and 20.00 UA/t. for wheat.

"RICE" SECTOR(a) Intervention measures

Each year an intervention price for paddy rice is fixed for the two principal surplus production marketing centres in the Community - Vercelli. This price applies in all other intervention centres to be determined. The intervention agencies are obliged to purchase any rice harvested in the Community, provided offers comply with certain conditions, in particular in respect of quality and quantity.

The intervention price is fixed for a given standard quality. If the quality offered differs from the standard quality, the price is adjusted in accordance with scales of price increases and reductions.

The intervention price is fixed for the beginning of the marketing year (1 September) and increased each month to take account of warehousing and interest costs for stocking as well as of the necessity for stock disposal in accordance with market needs.

The intervention prices fixed at the beginning of the 1974/75, 1975/76 and 1976/77 marketing years were as follows:

	(UA/100 kgs.)		
	1974/75	1975/76	1976/77
Vercelli	143.40	154.87	164.16

(b) Compensatory indemnity

In addition, a compensatory indemnity may be granted for rice remaining in stock at the end of the marketing year. The purpose of this indemnity is to give full compensation for the difference between the intervention prices in force at the end of one and the beginning of the next marketing year.

(c) Production refund

A production refund is granted in respect of brokens used by the starch-making industry for the manufacture of starch.

For the 1976/77 marketing year, the production refund is 17.20 UC/t.



"DAIRY PRODUCTS" SECTOR

(a) Intervention measures

Each year an intervention price is fixed for butter, skimmed milk powder and Grana Padano and Parmigiano-Reggiano cheeses and the intervention agencies are obliged to purchase at this price any such products of Community origin offered to them which comply with certain quality conditions.

The intervention prices fixed for the last few marketing years were as follows:

	(UA/100 kgs.)					
	1974/75		1975/76		1976/77	
Butter	176.00	(183.58)(1)	194.63(3)	209.58(4)	218.08(5)	223.80(6)
Skimmed milk powder	79.00	(82.74)(2)	88.70(3)	88.70(4)	90.16(5)	91.37(6)
Cheese:						
Grana Padano (30-60 days) (6 months)	175.50	(183.10)(2)	195.85(3)	201.45(4)	208.91(5)	213.79(6)
Parmigiano- Reggiano (6 months)	206.60	(214.60)(2)	230.83(3)	236.74(4)	250.69(5)	255.84(6)
	223.60	(231.61)(2)	250.03(3)	255.94(4)	271.81(5)	276.96(6)
	(1) As from 1 October 1975		(4) As from 16 September 1975			
	(2) As from 7 October 1974		(5) As from 15 March 1976			
	(3) As from 3 March 1975		(6) As from 16 September 1976			

(b) Aid to private storage

In order to reduce the quantities offered for purchase, a system of aid for private storage is operated for:

- butter bearing an official inspection mark and cream;
- cheese: Grana Padano aged at least 12 months;  
          Parmigiano-Reggiano aged at least 18 months.

provided they have been produced in the Community and comply with certain conditions.

(c) Aid for skimmed milk for animal feeding

Aids are granted for skimmed milk and skimmed milk powder manufactured in the Community provided it is intended for animal feeding.

Both milk and powder must be either directly denatured or incorporated in some compound feedstuff intended for livestock.

(d) Aid for skimmed milk processed into casein

Aid is granted for skimmed milk produced in the Community and processed into casein provided both the milk and the casein produced from it comply with certain conditions.

"OILS AND FATS" SECTOR

A. Olive oil

1. Each year an intervention price is fixed for olive oil, and the intervention agencies are obliged to purchase at this price any olive oil of Community origin which may be offered to them.

The intervention price is fixed for a given standard quality. If the quality of olive oil differs from the standard quality, the price is adjusted in accordance with a scale of price increases and reductions.

The intervention price is fixed at the beginning of the marketing year (1 November) and increased each month to take account of average storage and interest costs in the Community.

The opening intervention price for the marketing years 1974/75-1976/77 was as follows:

	(UA/100 kgs.)
1974/75	94.61
1975/76	142.71
1976/77	137.64

2. An aid to producers is granted in respect of olive oil produced in the Community from olives harvested in the Community whenever the production target price (which is fixed at a fair level for producers) is higher than the market target price at the beginning of the year (which is fixed at a level which will allow for normal disposal of the olive oil output in the light of the price of competing products). The aid is equal to the difference between these two prices.

Production aids for the marketing years 1974/75-1976/77 amounted to:

	(UA/100 kgs.)
1974/75	42.17
1975/76	35.04
1976/77	40.11

3. Production refund for olive oil used in the manufacture of preserves

The purpose of this refund is to enable beneficiaries to buy on the Community market, at prices close to world market prices, the quality of oil which they use most frequently for their manufacturing. As world prices have been higher than Community prices since the beginning of 1972, no refund was made between that date and August 1975. Since August 1975, as a result of price developments in the world market and of the advance application of the threshold price applicable as from 1 November 1975 (which is about 47 per cent higher than the previous price), a new refund has been granted in respect of the above-mentioned oils.

The average refund for the 1975/76 marketing year amounted to UA61.08/100 kgs.

B. Oilseeds

1. Every year a basic intervention price is fixed for colza, rape and sunflower seed, and the intervention agencies are obliged to buy at this price any such products of Community origin as may be offered to them.

The basic intervention price is fixed for a given intervention centre. For other intervention centres, intervention prices derived from the basic intervention price are fixed in the light of the normal conditions governing price formation on the market.

The intervention price is fixed for a given standard quality. If the quality of the products offered to the intervention agency differs from the standard quality, the price is adjusted in accordance with a scale of price increases and reductions.

The intervention price is fixed at the beginning of the marketing year (1 July for colza and rapeseed and 1 September for sunflower seed) and is increased each month to take account of average storage and interest costs in the Community.

The opening basic intervention prices for the marketing years 1974/75-1976/77 were fixed as follows:

(UA/100 kgs.)

	1974/75	1975/76	1976/77
Colza and rapeseed (at 1 July)	21.27	24.79	26.77
Sunflower seed (at 1 September)	21.89	25.74	27.80

2. Aid for colza, rape and sunflower seed

Aid is granted for colza, rape and sunflower seed harvested and processed in the Community when the target price (which is fixed at a fair level for producers) is higher than the world market price.

The amount of aid granted is, in principle, equal to the difference between these two prices. It varies directly with the world market price as determined periodically on the basis of the most favourable genuine purchasing opportunities.

3. Aid for the production of cottonseed

In order to help to assure them of a fair income, cottonseed producers in the Community are granted aid, the amount of which is fixed each year and is calculated per hectare sown.

The number of hectares sown and the amount of aid provided over recent years are as follows:

	Area (ha.)	Amount of aid (UA/ha.)
Crop year 1974/75	5,481	87.78
Crop year 1975/76	4,100	96.00
Crop year 1976/77	3,900	103.20

4. Aid for the production of soya beans

In order to promote the cultivation of soya in the Community, a support system has been established, as from the beginning of the 1974/75 crop year, to ensure that Community producers receive a fair return.

The system involves fixing a guide price each year at a level judged to be fair to producers. When the guide price for a crop year is higher than the average world market price, aid equal to the difference between these two prices is granted to Community producers. Aid is granted for a volume of production calculated from a target yield for the area cropped.

For the 1974/75 crop year, the guide price was fixed at 23.31 UA/100 kgs. Since the average world market price was higher than the guide price, no aid was granted for that year.

For the 1975/76 crop year, the guide price was 26.11 UA/100 kgs. and the average world market price 15.189; in these circumstances an aid of 10.921 UA/100 kgs. was granted for a target yield of 1,950 kgs./ha.

The guide price for the 1976/77 crop year was 28.500 UA/100 kgs. and the average world price, 20.271; the aid granted was 8.229 UA/100 kgs. for a target yield of 1,950 kgs./ha.

5. Aid for the production of linseed

In order to develop the production of linseed within the Community and, in particular, with a view to affording better support in favour of the cultivation of oil-bearing linseed, a system of aid in favour of production similar to the one for soya beans (see item 4 above) has been introduced in respect of all linseed produced within the Community.

For the 1976/77 crop year, the amount of aid provided was 5.879 UA/100 kgs.

"SUGAR" SECTOR

1. An intervention price for white sugar is fixed each year and the intervention agencies are obliged to purchase at that price, within maximum quota limits, any white sugar and raw sugar manufactured from beet or from cane harvested in the Community.

The intervention price is fixed for the area in the Community showing the highest surplus; intervention prices derived from this price are fixed for other areas after taking account of transportation costs.

The intervention price is fixed for a standard quality; if the quality is different, the price is adjusted in accordance with a scale of price increases and reductions.

In addition, intervention prices derived from the intervention price for white sugar are fixed for raw sugar of a standard quality, after allowing for a uniform processing margin and notional yield.

The intervention price for white sugar for the area of the Community with the highest surplus was fixed for the crop years 1974/75 and 1976/77 as follows:

	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>
White sugar (UA/100 kgs.)	26.48	30.45	33.14

2. For beet a system of minimum prices to be paid by manufacturers has been established. The system does not imply intervention by State agencies.

Beet production is influenced by the quota system (A, B and C type of sugar) existing in this sector.

3. Denaturation premiums

Taking account of all sugar surpluses and of economic aspects, provision may be made for premiums to be granted by the intervention agencies for sugar rendered unfit for human consumption.

As from the 1974/75 crop year, the denaturation premium has not been granted.

4. Compensation for storage costs

Provision has been made for reimbursing the cost of storage sugar (sugar produced within the maximum quota).

The purpose of this reimbursement is to equalize storage costs in the Community. It is a measure designed to eliminate, if not all, then at least some, purchases by the intervention agencies.

The financial backing for such reimbursement is provided by compulsory contributions from manufacturers, based on the principle of equality between the total sum reimbursed and the total sum contributed.



'BEEF AND VEAL' SECTOR

1. Each year a guide price is fixed for calves and for adult bovine animals. This is the price to be aimed at in market quotations. It does not represent a compulsory datum but is the price that the authorities responsible for organization of markets consider to be feasible and equitable.

In recent years the guide prices have been as follows:

	<u>Adult bovine animals</u> (in UA/100 kgs. live weight)
as from 7.10.1974	101.39
as from 3.3.1975	109.94
as from 15.3.1976	118.74
as from 2.5.1977	122.90

2. The intervention agencies are obliged to buy in, at a price corresponding to 93 per cent of the guide price, fresh or chilled meat in carcasses, half-carcasses, and compensated quarters, offered to them on condition that such meat comes from certain specified adult bovine animal categories.

The buying-in obligation can be suspended in member States where the market price is higher than 95 per cent of the guide price.

3. In addition, intervention measures in the form of private storage aids or buying-in by intervention agencies may be taken in respect of adult bovine animals and fresh or chilled meat thereof presented in the form of carcasses, half-carcasses, compensated quarters, fore-quarters or hind-quarters, when at the same time the price for adult bovine animals is lower than 98 per cent of the guide price and when for a defined quality of bovine meat the price on representative markets of a member State or of a region within a member State is lower than 90 per cent of the guide price.

"PIGMEAT SECTOR

1. Each year a basic price is fixed for meat of domestic swine, presented in carcasses or half-carcasses of a standard quality.

The basic prices for recent years have been as follows:

(In UA/100 kgs.)

as from 7.10.1974	97.650
as from 1.11.1975	106.000
as from 1.4.1976	114.480

2. Intervention measures may be taken when, on the representative markets of the Community, the average price for pig carcasses is below the basic price.

Where intervention measures are to be taken, the products for which private storage aid is to be granted and the products of a defined quality which are to be bought in are determined, and likewise the price at which the intervention agencies are to buy-in products and the amount of private storage aid are fixed.

The buying-in price for pig carcasses of standard quality may not be more than 92 per cent nor less than 85 per cent of the basic price.

For products other than pig carcasses of standard quality, the buying-in prices are derived taking into account differences of presentation and quality.

3. Because of cyclical variations in pigmeat prices, no intervention was necessary in the marketing year 1975/76; private storage aids have been granted as from 21 April 1977 in respect of several products in the sector.

"FRUIT AND VEGETABLES" SECTOR(a) Measures to promote the formation of producers' organizations

In order to encourage the formation of producers' organizations and facilitate their operation, aids can be granted to such organizations established on the initiative of producers in order to promote the concentration of supply and the regularization of prices at the producer stage and to make suitable technical means available for presenting and marketing products.

The following may be granted:

- an initial aid during the three years following establishment of the organization, the amount of this aid not to exceed for the first, second and third years respectively, 3 per cent, 2 per cent and 1 per cent of the value of production marketed;
- an aid in the form of loans on special terms to cover part of the anticipated cost of withdrawal measures, such aid being granted only during the five years following the date of establishment of the organization.

(b) Intervention measures

For certain fruit and vegetables<sup>1</sup>, two measures are provided in order to avert a price slump in the Community market, i.e.:

- withdrawal by producers' organizations;
- buying-in by bodies or natural or legal persons appointed by the member States for this purpose.

Producers' organizations taking withdrawal measures in accordance with the provisions of the regulations, in particular as regards the level of withdrawal prices and the compensation of associated producers and likewise as regards the utilization of products withdrawn, can obtain financial compensation equivalent to the compensation paid by them to associated producers, after deduction of the net receipts derived from products withdrawn from the market.

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<sup>1</sup>Cauliflowers, tomatoes, sweet oranges, mandarins, lemons, table grapes, apples (other than cider apples), pears (other than perry pears) and peaches (not including nectarines).

Buying-in by bodies or natural or legal persons appointed by the member States for the purpose takes place only where a serious crisis is found to exist for the product concerned and at clearly specified price levels.

(c) Special measures for citrus fruit

(i) Measures for the marketing of fresh citrus fruit

In order to promote and ensure availabilities of Community-produced oranges, mandarins, clementines and lemons on Community import markets, financial compensation can be granted to sellers of producing member States.

The compensation is paid to the seller in the producing member State.

(ii) Measures to encourage processing

In order to encourage greater recourse to processing of certain varieties of oranges which encounter marketing difficulties, financial compensation can be granted in order to guarantee a minimum price to fruit producers, while ensuring regular supplies to the processing industries. Grant of this compensation is subject to observance of certain contractual conditions as between the seller and the purchaser.

The financial compensation is paid to the processor by the member State in which the processing has taken place.

The amount of the compensation and the minimum price to the producer are fixed before the beginning of each marketing year.

"PROCESSED FRUIT AND VEGETABLES" SECTOR

(a) Production aid - pineapple preserves

A system of production aid has been established for pineapple preserves, Community production of which is located in the French overseas departments.

The system is designed to compensate the difference between the Community price and prices prevailing in third countries.

Grant of this aid is subject to payment of a minimum price to pineapple producers.

"WINE" SECTOR

1. For each type of wine for which a guide price is fixed, a threshold price triggering the intervention machinery, termed the "activating price", is fixed annually.

The activating prices for the 1974/75 - 1975/76 and 1976/77 marketing years were as follows:

<u>Type of wine</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>
R I (UA/degree/hl)	1.60	1.71	1.82
R II "	1.56	1.71	1.82
R III (UA/hl)	24.99	26.70	28.44
A I (UA/degree/hl)	1.50	1.61	1.71
A II (UA/hl)	33.30	35.58	37.89
A III "	38.02	40.63	43.27

2. Storage aids for table wines

(a) Long-term contracts

Provision is made for the possibility of concluding long-term contracts in respect of defined table wines when the forward estimates for a wine-growing year show that the quantity of table wine available at the beginning of the wine-growing year exceeds total foreseeable requirements for that year by more than four months' consumption.

(b) Short-term contracts

If in a wine-growing zone or part of a wine-growing zone, an imbalance appears at the beginning of the wine-growing year between the quantities available and the quantities that can be sold, in particular owing to an exceptionally abundant harvest, a decision may be taken to grant private storage aid to the wine-growing zone in question.

Private storage aids are likewise granted for a type of wine if during the wine-growing year the weighted average price for that type of wine remains less than the activating price for two

consecutive weeks, and until the weighted average price for that type of wine exceeds the activating price for two consecutive weeks. If the state of the market so requires, a decision may be taken to grant aid also for table wines of a type other than that for which the weighted average price remains less than the activating price for two consecutive weeks, where such table wines stand in close economic relationship with the latter type.

In the two above cases, grant of aids is subject to the conclusion of "short-term" storage contracts, valid for a period of three months.

Recourse to short-term contracts is suspended so long as long-term contracts are concluded.

(c) Distillation

- Preventive distillation

Where during the period from 1 September to 15 December the quantity of table wines of all types under storage contracts exceeds 10 million hectolitres, preventive distillation may be decided on for all wines, other than:

- wines produced from table grapes;
- wines produced from varieties of vines obtained from inter-specific crossings (direct producer hybrids) falling into the category of provisionally authorized varieties;
- wines suitable for producing certain spirits with a registered designation of origin.

The buying-in price for wines delivered for distillation under the preventive distillation provisions is equivalent to 55 per cent of the guide price for table wines of type A I which comes into force in the same year as that of the harvest concerned.

- Performance bond

Where the other market support measures are inadequate and where the weighted average price of a type of table wine remains lower than the activating price for three consecutive weeks, additional measures

applicable to holders of long-term storage contracts for the type of table wine in question are taken, to maintain prices at a level higher than the activating price.

- Exceptional distillation

Where the application of the other market support measures is unlikely to be effective in restoring price levels the Council, acting in accordance with the voting procedure laid down in Article 43(2) of the Treaty on a proposal from the Commission, adopts provisions concerning the distillation of table wine.



"TOBACCO" SECTOR

A price system has been established, providing for the obligation to buy in at the intervention price, and for the grant of premiums to users who purchase leaf tobacco directly from the producer.

The Council fixes each year, for the coming year's harvest:

- the intervention price for leaf tobacco for each variety of Community production and for a reference quality of each variety, as well as a derived intervention price for packaged tobacco;
- the amount of the premium according to variety.

The intervention prices for leaf tobacco, intervention prices for packaged tobacco and the amount of the premium have been as indicated on the annexed sheet.

Tobacco from the 1970, 1971 and 1972 harvests bought in by the intervention agencies has already been the subject of a sale by tender in international markets; for tobacco from the 1973 harvest the tender is currently proceeding.

Serial No.	Variety	Intervention price												Premiums granted to purchasers of leaf tobacco (UA/kg.)											
		Leaf tobacco (UA/kg.)						Dried: Packaged tobacco (UA/kg.)						1974			1975			1976			1977		
		1974		1975		1976		1977		1974		1975													
		1974	1975	1976	1977	1974	1975	1976	1977	1974	1975	1976	1977	1974	1975	1976	1977								
1	(a) Badischer Geudertheimer (b) Forchheimer Havanna II(c)	1.927	1.971	2.030	2.102	2.955	3.030	3.104	3.194	1.338	1.390	1.514	1.582												
2	Badischer Burley E	2.303	2.355	2.426	2.511	3.303	3.386	3.487	3.590	1.335	1.402	1.553	1.623												
3	Virgin D (Virgin SCR)	2.175	2.225	2.314	2.418	2.758	2.864	3.001	3.197	1.200	1.272	1.459	1.576												
4	(a) Paraguay and Hybrids (b) Dragon vert and Hybrids	1.543	1.666	1.791	1.836	-	-	-	-	1.048	1.100	1.209	1.270												
5	Mijkkerk	1.613	1.678	1.745	1.788	-	-	-	-	1.119	1.119	1.194	1.230												
6	Burley (Burley x Bel)	1.810	1.882	1.958	2.006	-	-	-	-	0.917	0.930	1.047	1.078												
7	(a) Missionero and Hybrids (b) Rio Grande and Hybrids	1.414	1.527	1.619	1.660	-	-	-	-	1.002	1.028	1.200	1.260												
8	(a) Philippin (b) Petit Grammont (Flobecq) (c) Burley (Ergo x 6410 and Ergo x Bursana)	1.169	1.286	1.364	1.425	-	-	-	-	0.697	0.765	0.859	0.911												
9	(a) Semois (b) Appelterre	1.376	1.541	1.634	1.707	-	-	-	-	0.876	0.918	1.029	1.091												
10	Bright	1.832	1.868	1.962	2.012	2.565	2.626	2.748	2.831	1.118	1.100	1.228	1.277												
11(a)	Burley I	1.421	1.421	1.478	1.500	2.146	2.166	2.231	2.257	0.688	0.710	0.774	0.793												
11(b)	Maryland	1.587	1.618	1.715	1.742	2.336	2.392	2.504	2.535	0.848	0.848	0.956	0.994												

(cont'd)

Serial No.	Variety	Intervention price																	
		Leaf tobacco (UA/kg.)						Derived: Packaged tobacco (UA/kg.)						Premiums granted to purchasers of leaf tobacco (UA/kg.)					
		Harvest: 1974 1975 1976 1977			Harvest: 1974 1975 1976 1977			Harvest: 1974 1975 1976 1977											
12	(a) Kentucky and Hybrids (b) Moro di Cori (c) Salento	1.541	1.495	1.510	1.533	1.977	1974	1975	1976	1977	1974	1975	1976	1977	1974	1975	1976	1977	
13	(a) Mostrano del Brenta (b) Resistente 142 (c) Gojano	1.472	1.472	1.486	1.493		2.200	2.200	2.235	2.243		1.180	1.180	1.202	1.202	0.546	0.670	0.734	0.763
14	Beneventano	1.160	1.160	1.160	1.036		1.670	1.670	1.725	1.582		0.805	0.823	0.904	0.904				
15	Xanti-Yaká	2.096	2.096	2.180	2.191		3.365	3.365	3.464	3.477		1.435	1.445	1.474	1.474				
16	Perustitza	1.985	1.985	2.065	2.075		2.947	2.947	3.041	3.053		1.348	1.358	1.399	1.399				
17	Erzegovia and seine Hybrids	1.783	1.783	1.854	1.863		2.662	2.682	2.740	2.751		1.202	1.230	1.242	1.254				
18	(a) Round tip (b) Scafati (c) Sumatra I	9.722	9.722	9.722	9.770		14.488	14.474	14.737	14.793		5.655	5.155	5.294	5.400				
19	(a) Brasil Selvaggio (b) Other varieties	0.905	0.923	0.968	1.003		-	-	-	-		0.228	0.245	0.295	0.380				

"FISHERY PRODUCTS" SECTOR

During the past three years, expenditure has been made in respect of financial compensation granted to producers' organizations, export refunds and an ad hoc programme of storage aids for certain frozen products (cod, saithe and tunny).

1. Financial compensation to producers' organizations

In order to stabilize prices, producers' organizations can fix a withdrawal price below which they do not sell the products brought in by their members, in respect of herring, sardines, redfish, cod, saithe, haddock, whiting, mackerel, anchovies, plaice, hake and shrimps of the genus Crangon sp.p. In such case, the producers' organizations can grant an indemnity to associated producers in respect of the quantities withdrawn from the market.

For the financing of these withdrawal measures, the producers' organizations establish intervention funds made up of contributions based on the quantities offered for sale, or use an equalization system.

To support the action by producers' organizations, financial compensation is granted to them where the products withdrawn from the market are used for purposes other than human consumption or in such conditions that they do not hinder normal disposal of the products concerned. This financial compensation is calculated on the basis of the quantities withdrawn from the market at the withdrawal price, multiplied by 55-60 per cent of the guide price for the product concerned and by a quality adjustment co-efficient and reduced by a fixed lump-sum according to the intended use of the product withdrawn for human consumption.

2. Public buying in of sardines and anchovies

In order to avoid a slump in prices of sardines and anchovies, provision is made for public buying in, through bodies appointed for the purpose by the member States, where for one of the representative

markets or ports prices remain below the intervention price during three successive market days. The products are bought in at the intervention price, multiplied by a quality adjustment coefficient, and must be intended for uses other than human consumption.

3. Private storage aid

Provision is made for storage aid in respect of certain frozen products (sardines, sea-bream of the species *Dentex dentex* and *Pagellus*, squid, cuttle-fish, octopus) when prices in one of the representative markets or ports remain below 85 per cent of the guide price for the product concerned during a period significant of a trend toward market disruption. The amount of this aid may not exceed actual storage costs and interest charges.

4. Compensation to tunny producers

In order to prevent any drop in import prices for tunny intended for the processing industry from threatening the income level of Community producers, provision is made for the grant of compensation, if necessary.

5. Export refunds

Export refunds have been mainly granted in respect of salted and dried cod and saithe and recently also frozen mackerel. Because of events in 1975, export refunds have also been granted in respect of frozen fillets of cod and saithe in order to alleviate the situation in Community markets.<sup>1</sup>

6. Storage aids (ad hoc measures)

In order to avoid large-scale sales of certain frozen products that were in storage on disrupted markets, storage aid measures were established under an ad hoc decision. These measures were in effect only in the period May-October 1975.

<sup>1</sup>In recent years the amounts granted for intervention and export have been as follows:

	1974	1975	1976	1977
	UA '000			
Interventions	512	6,500	6,700	4,600
Refunds	675	2,800	3,800	3,300

"TEXTILE, FLAX AND HEMP" SECTOR

The Community regulations provide for the following measures:

1. Aid to production

In order to ensure a fair income for the producers concerned, a system of aid has been established for flax (since the 1976/77 crop year, only for textile flax) and hemp grown in the Community.

The amount of this aid is fixed each year, per hectare of area sown and harvested.

For hemp, the aid is granted to the producer. For textile flax, half of the aid is granted to the flax producer and the other half to the person who purchases the raw flax for processing into fibre. If the producer processes his own raw flax or arranges for it to be processed, he receives the entire amount of the aid.

The areas sown and the amount of aid per hectare have been as follows:

	Amount of aid (UA/ha)	Area (ha)
<u>Flax</u>		
Crop year 1974/75	168.00	58,300
" " 1975/76	188.15	58,400
" " 1976/77	188.15	57,600
<u>Hemp</u>		
Crop year 1974/75	141.75	5,800
" " 1975/76	161.90	8,000
" " 1976/77	174.04	8,000

2. Aid to private storage of flax and hemp tow

In order to avoid or alleviate a substantial drop in prices, holders of tow can conclude storage contracts in the event of temporary market imbalance. This situation arose in 1975, and use was made of this possibility then.

3. Aids to improve the organization of production, marketing and processing

Measures can be introduced to improve the organization of production, marketing and processing, to improve quality and to promote research into new uses.

No implementing measures have yet been taken under this provision.

"SEEDS" SECTOR

Under the Community regulations, in force since 1 May 1972 and applied as from 1 July 1972, a production aid is granted for certain types of seeds.

Indeed, the Community market in seeds is characterized by the fact that for certain seeds, in particular graminaceous and leguminous fodder crops, production can be continued in the Community only if some support is given to ensure a fair income to the producer. To this end, the regulations provide that for these seed species - to the extent that they are basic or certified seeds - a production aid can be granted. This aid, the amount of which is uniform throughout the Community for each species or group of varieties, is granted per quintal of seeds produced and is fixed by the Council each year before 1 August for the marketing season beginning in the following year.

The amount of aid is fixed taking into account the market situation (balance between the volume of production and the amount that can be marketed) as well as the price for these products on third country markets. The amount of aid for the 1972/73 to 1974/75 marketing years was fixed as follows:

	(UA/1,000 kgs.)		
	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>
I. Gramineae	between 100 and 300	between 110 and 310	between 100 and 310
II. Leguminosae	" 60 and 200	" 50 and 250	" 40 and 250
III. Oilseeds	100	" 70 and 120	" 80 and 130

A reference price system exists in respect of hybrid maize, in order to defend Community production against abnormally low offer prices.

These reference prices are fixed by the Commission each year before 1 July for the various types of hybrid maize; the prices are based on the free-at-frontier offer prices recorded in the three preceding years.



Reference price in UA/ton

Variety	F.A.O. classification	1974/75	1975/76	1976/77
Double hybrids	0 - 270	480	540	570
Double hybrids	270 - 450	(	(	(
Top-cross hybrids	0 - 270	) 440	) 500	) 530
		(	(	(
Double hybrids	450 and more	(	(	(
Top-cross hybrids	270 and more	) 400	) 460	) 490
		(	(	(
Three-cross hybrids	0 - 270	670	740	740
Three-cross hybrids	270 and more	600	670	700
Single hybrids		1,000	1,070	1,070

"HOPS" SECTOR

In order to ensure a fair income for hop producers and to achieve sound management of the market, the Community regulations were amended on 6 May 1977. As amended, the regulations provided for the institution of a system of aid per hectare of groups of hop varieties. This aid is granted in those regions of the EEC in which recognized producer groups are able to ensure a fair income for their members and to achieve rational management of supply, the aid being granted to such producer groups alone. In the other regions, aid is granted to individual producers.

The aid is fixed retroactively on the basis of earnings from the harvest concerned.

Such aid was granted in 1977 in respect of the 1976 harvest on the basis of the system established under the former basic regulation, as the new regulation was not yet then in force. The aid was granted in respect of twenty varieties; the amount thereof was UA 200/ha for three varieties, UA 300/ha for seven varieties, UA 400/ha for two varieties and UA 550/ha for eight varieties.

"SILKWORMS" SECTOR

Provision is made for the following measures under the Community regulations:

1. Production aid

In order to contribute to ensuring a fair income for silkworm rearers, an aid has been established for silkworms reared in the Community.

The amount of the aid is fixed each year per box of silkworm eggs used. The aid is granted to the rearer responsible for rearing the worms.

The number of boxes used and the amount of the aid have been as follows:

	Number of boxes	Amount (UA/box)
Season 1974/75	19,230	33.18
" 1975/76	14,977	36.50
" 1976/77	7,144	40.00

2. Aid to improve quality

Provision is made for Community measures to improve the quality of silkworms and silkworm eggs.

No implementing measures have yet been adopted under this provision.

3. Additional aid for certain silkworm rearers

Additional aid has been instituted for rearers belonging to a producer grouping, to the extent that they market the cocoons produced through the said grouping.

For the 1976/77 season, the amount of the aid was UA 15 per box of silkworm eggs used.

"DEHYDRATED FODDER" SECTOR

As from the 1974/75 marketing year, an organization of the market has been established in the dehydrated fodder sector.

It provides, inter alia, for the granting of aid in respect of the quantity of dehydrated fodder produced that meets certain conditions in respect of moisture content and protein content.

This system is applicable until the end of the 1977/78 marketing year: it may be extended thereafter. It was introduced in order to increase Community production of dehydrated fodder which is a source of protein.

For the 1974/75, 1975/76 and 1976/77 marketing season, the amount of the aid was fixed at UA 6.30, 8.00 and 9.00/ton respectively.

In a normal year, production of dehydrated fodder can be estimated at approximately 1.5 million tons.

In 1976, a year of drought, production fell to 1.25 million tons.

PART IIINDUSTRIAL PRODUCTSAid to Coking Coal and Coke Intended for  
the Iron and Steel Industry of the CommunityI. Nature and extent of the subsidy(a) Background and authority

Following the decisions of 1967 and 1970, each covering a period of three years, the Commission extended in 1973 the system of aid to coking coal and coke intended for the iron and steel industry of the Community; the relevant decision - No. 73/287/ECSC - is applicable for the period from 1 January 1973 to 31 December 1981.

Under this system two types of aids can be paid to Community coal undertakings which contribute to supplying foundries of the Community's iron and steel industry; a production aid, which can be in respect of all the quantities concerned and a sales aid, limited to quantities sold in remote regions or regions outside the frontiers of the country of production.

The production aid may be granted to a coalfield only if its production costs exceed a certain level, taking account of long-term supply conditions.

The sales aid is granted only to the extent that the purchaser of coking coal or coke can claim entitlement to a rebate.

Grant of the two types of aid is furthermore linked to the conclusion and execution of long-term contracts between producers and users of the products concerned.

(b) Amount of the subsidy

1. Production aid: for the coal-producing countries of the Community taken together, the total amount of this aid was approximately EUA 27.9 million in 1975 and EUA 66.5 million in 1976.

2. Sales aid: for intra-Community trade and internal deliveries to areas remote from the coalfield the total amount was EUA 39.4 million for 1975 and approximately EUA 29 million for 1976.

The amount of the aids has not yet been finally determined for 1977.

(c) Estimated amount per unit (ton of coking coal)

1. Production aid: on the basis of total deliveries of coking coal, the average rate was EUA 0.60 per ton in 1975 and EUA 1.55 in 1976. For 1977 the rate should be higher than in 1976.
2. Sales aid: the average estimated rate per ton of coking coal eligible for a sales aid is: EUA 2.11 for the years 1975 to 1979.
3. Average rate of aids per ton of coking coal: taking into account the tonnages eligible for a production aid and/or a sales aid (46 mt in 1975 and 43 mt in 1976), the average rates were:

In 1975: EUA 1.45 per ton, and

In 1976: EUA 2.22 per ton.

II. Effect of subsidy

- (a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects

The production aid and sales aid are granted only in respect of that part of the Community's coal production which is intended for supplying the Community's iron and steel industry, and are not applicable to the export of coking coal or coke to third countries.

Furthermore, a condition attaching to the aids is that any price rebates granted in the Community must not result in prices lower than those that might apply for coking coal from third countries and for coke manufactured from coal from third countries, and the iron and steel undertakings are left free to choose their source of supply.

