Committee II - Expansion of Trade

DESCRIPTION OF THE COMMON AGRICULTURAL POLICY OF THE EUROPEAN ECONOMIC COMMUNITY IN RESPECT OF DAIRY PRODUCTS, BEEF AND RICE

In accordance with the provisions of the Treaty of Rome the member States of the European Economic Community are in the process of developing a common agricultural policy which will be established before the end of the transitional period, i.e. 1 January 1970. The first regulations dealing with six groups of products, namely cereals, pig meat, eggs, poultry meat, fruit and vegetables, and wines, have entered into effect as from 30 July 1962. The EEC Council of Ministers, at its session on 23 December 1963, decided on three further proposals of the Commission providing for the progressive establishment of a common organization of the markets in dairy products, beef and rice. The final texts of the regulations governing these three groups of products were approved on 5 February 1964, and have been submitted to the CONTRACTING PARTIES in document L/2245.

These regulations supplement the common agricultural policy of the EEC already in existence. The regulations are binding and are directly enforceable in all member States; they entered into force on 28 February 1964. The substance of the regulations however, and in particular the trade system and the levy system, is applicable as from 1 September 1964 in respect of rice and as from 1 November 1964 in respect of dairy products and beef. A considerable number of further regulations and decisions of the Council of Ministers or the Commission of the EEC, as the case may be, was required to elaborate the principles laid down in the basic regulations. At the same time member States individually have taken steps needed to adapt their legislation, regulations and administrative rules and have taken decisions on those matters which in the basic regulations were reserved to them. In view of the complexity of the various regulations and decisions the present document has been prepared to give a description of the common agricultural policy system for these three groups of products.
I. MILK AND DAIRY PRODUCTS

1. The provisions of the Council Regulation No. 13/64/CEE on milk and dairy products aim at the progressive establishment of a common organization of the dairy market which is to be fully effective by the end of the transitional period at the latest, i.e. 31 December 1969. The market organization is based on a system of variable import levies, a price system and a system of interventions. These three systems are closely linked. The Regulation entered into force on 28 February 1964; the systems of interventions and trade however, which make the Regulation fully operative entered into effect only on 1 November 1964. The price system and the intervention system apply to all products; the trade régime however, in its present form, does not apply to fresh milk and cream (item 04.01), which products will be governed by separate regulations to be drawn up before 1 July 1965.

Products

2. The common market organization will cover milk and cream, fresh, preserved concentrated or sweetened, butter, cheese and curd, lactose and syrup of lactose, and furthermore, compound feeding preparations containing milk products, which are not covered by the regulation in cereals.

Levy system

3. The import levy is designed to offset differences in prices between the importing member State and exporting countries. The levy system applies both to third countries and between member States, but there is some difference in the method of determining the amount of the levy. The import levy for each product is based on the difference between the threshold price and the determined import price free-at-frontier of the importing member State; the free-at-frontier prices are based on world market prices in the case of imports from third countries, and on internal prices prevailing in the exporting member State in the case of intra-Community trade. Furthermore, in determining the levy account is taken of the incidence of domestic import taxes and of a standard amount designed to afford a certain preference to other member States. In intra-Community trade the levies will gradually be reduced in line with the approximation of prices, and they will eventually disappear by the end of the transitional period.

4. Because of great practical difficulties in establishing a threshold price and free-at-frontier price for each individual product, a number of products have been grouped together. Thirteen groups have been formed, namely: one group for
whey powder, two for milk powder, two for condensed milk, seven for cheese and one for lactose. Each group consists of a pilot product, which is representative for the group, and a number of assimilated products, which have sufficiently comparable characteristics. Subject to special provisions the levy is determined for the pilot product of each group and the levies for the assimilated products are equal to or derived from the levy for the pilot product. Individual levies are to be determined for butter, Cheddar cheese and Tilsit cheese, which do not belong to any of the thirteen groups.

Reference price

5. The threshold prices are determined on the basis of internal market prices (reference prices), prevailing in the member States before entry into force of the Regulation. The Council of Ministers determined for each member State a reference price for butter, Cheddar and Tilsit cheese, and for the pilot products of each of the thirteen groups of dairy products. No reference prices were established for assimilated products. The reference prices were determined at the wholesale marketing stage, which is the basis of the threshold price. To this end the arithmetic average of the prices ex factory, prevailing in each member State during the year 1963, were adjusted by means of a lump sum representing the transport costs from the factory up to the wholesale stage. The amount for transport costs per 100 kgs. in this calculation was determined at 0.50 units of account for Belgium, Luxemburg and the Netherlands and at 1.00 unit of account for the other three member States.

6. The prices thus arrived at, gave a fair reflection of the effect on the prices of the particular dairy products of the various support measures applied in each member State in 1963. These prices had to be adjusted so as to take account of the situation in 1964, so that the target prices for milk established in each member State could be achieved. Therefore, allowance was made for any changes since 1963 in the national target prices and in the amounts of any subsidies granted in the dairy sector, and account was taken of any additional effect on the price of a specific dairy product resulting from changes in the price of fresh milk. Various other adjustments were made so as to make the reference prices as closely related as possible to the national target prices established for 1964. In the framework of the economic union between Belgium and Luxemburg the single market stage is already effective as from 1 November 1964, for all dairy products, except butter and condensed milk without sugar. Therefore the Luxemburg reference prices were adjusted to the Belgian level. The reference prices as determined by the Council are given in Table I.

1 Regulation No. 111/64/CEE, Journal Officiel page 2174/64.
2 See paragraph 21.
3 See paragraph 39.
4 Regulations Nos. 112/64/CEE, Journal Officiel page 2180/64, 143/64/CEE, Journal Officiel page 2674/64, 144/64/CEE, Journal Officiel page 2675/64, 168/64/CEE, Journal Officiel page 2754/64.
TABLE I

Reference Prices
in national currency per kg.

<table>
<thead>
<tr>
<th>Products*</th>
<th>Belgium</th>
<th>Germany</th>
<th>France</th>
<th>Italy</th>
<th>Luxemburg</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Whey powder</td>
<td>8.49</td>
<td>0.68</td>
<td>1.03</td>
<td>161</td>
<td>8.49</td>
<td>0.56</td>
</tr>
<tr>
<td>2. Whole milk powder</td>
<td>32.10</td>
<td>3.00</td>
<td>4.21</td>
<td>618</td>
<td>32.10</td>
<td>2.14</td>
</tr>
<tr>
<td>3. Skimmed milk powder</td>
<td>16.99</td>
<td>1.18</td>
<td>2.05</td>
<td>334</td>
<td>16.99</td>
<td>1.15</td>
</tr>
<tr>
<td>4. Condensed milk without sugar</td>
<td>22.41</td>
<td>1.43</td>
<td>2.56</td>
<td>450</td>
<td>19.89</td>
<td>1.56</td>
</tr>
<tr>
<td>5. Condensed milk with sugar</td>
<td>38.50</td>
<td>3.05</td>
<td>3.34</td>
<td>551</td>
<td>38.50</td>
<td>1.86</td>
</tr>
<tr>
<td>6. Gorgonzola</td>
<td>52.13</td>
<td>4.16</td>
<td>5.74</td>
<td>751</td>
<td>52.13</td>
<td>4.30</td>
</tr>
<tr>
<td>7. Parmigiano Rocciano**</td>
<td>72.48</td>
<td>5.80</td>
<td>7.16</td>
<td>906</td>
<td>72.48</td>
<td>5.25</td>
</tr>
<tr>
<td>8. Emmenthal</td>
<td>59.63</td>
<td>4.21</td>
<td>6.65</td>
<td>748</td>
<td>59.63</td>
<td>3.79</td>
</tr>
<tr>
<td>9. Gouda</td>
<td>46.28</td>
<td>3.03</td>
<td>5.18</td>
<td>721</td>
<td>46.28</td>
<td>2.64</td>
</tr>
<tr>
<td>10. St. Paulin</td>
<td>49.64</td>
<td>3.50</td>
<td>5.23</td>
<td>705</td>
<td>49.64</td>
<td>3.18</td>
</tr>
<tr>
<td>11. Camembert</td>
<td>49.71</td>
<td>4.15</td>
<td>5.52</td>
<td>697</td>
<td>49.71</td>
<td>4.02</td>
</tr>
<tr>
<td>12. Curd</td>
<td>69.83</td>
<td>6.70</td>
<td>7.07</td>
<td>937</td>
<td>69.83</td>
<td>5.04</td>
</tr>
<tr>
<td>13. Lactose</td>
<td>16.55</td>
<td>1.41</td>
<td>2.15</td>
<td>306</td>
<td>16.55</td>
<td>1.17</td>
</tr>
<tr>
<td>Butter</td>
<td>97.67</td>
<td>6.83</td>
<td>8.52</td>
<td>981</td>
<td>81.76</td>
<td>4.38</td>
</tr>
<tr>
<td>Cheddar</td>
<td>43.47</td>
<td>3.15</td>
<td>6.02</td>
<td>518</td>
<td>43.47</td>
<td>2.36</td>
</tr>
<tr>
<td>Tilsit</td>
<td>46.28</td>
<td>3.19</td>
<td>5.18</td>
<td>721</td>
<td>46.28</td>
<td>2.64</td>
</tr>
</tbody>
</table>

*In regulation No. 111/64/CEC, Journal Officiel page 2174/64, the pilot products have been defined by a description of the characteristics of the product representative for each group; in this paper, for sake of brevity, the groups are identified by the name of a product representative for its group.

**The reference prices of the products of this group are the same in all member States.
Threshold price

7. The threshold price is one of the elements on the basis of which the levy is to be determined. Threshold prices are fixed only for the pilot products and for butter, Cheddar and Tilsit cheese. They are to be established before 15 March of each year, so that they can be applied in the following dairy farming year which begins on 1 April. For the year 1964/1965 the threshold prices are equal to the reference prices as established by the Council, subject to two provisions. In order to create a Community preference, they are increased by a standard amount (montant forfaitaire), which amount is again to be deducted from the intra-Community levy. Furthermore, where necessary, the threshold price may be increased by an additional amount subject to certain conditions.

8. The levy system gives exporting member States an immediate advantage to the extent that in intra-Community trade the export price realized will be the domestic price instead of the world market price. This advantage, however, is not sufficient to ensure trade between member States to develop; thus a certain preferential régime was considered necessary. To this end, the levy applied on imports of a certain product from exporting member States is reduced by a fixed preferential amount (montant forfaitaire), if the products come from the exporting member State. Such a standard amount has been determined for each product for which a threshold price has been fixed. The amounts are in principle uniform for all member States. The standard amounts are determined annually at such a level as to ensure a gradual and regular development of trade between member States in the course of the transitional period, taking account of availabilities of dairy products produced within the Community. On the other hand, the amounts will be determined in such a manner that they will not provoke a sudden and considerable diversion of trade currents. If, in the course of the marketing year, intra-Community trade does not develop in the way envisaged, the standard amounts will be reviewed; the standard amount may be set at a differentiated level while respecting the principle of non-discrimination. In this case the threshold price will be revised accordingly.

9. For the dairy farming year 1964/1965, the standard amounts have been determined in units of account per 100 kg. as follows:

- 0.75 for whey powder
- 1.25 for skimmed milk powder and lactose
- 1.50 for condensed milk without sugar
- 2.00 for whole milk powder and condensed milk with sugar
- 2.50 for cheese
- 5.00 for butter

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1 See paragraphs 8 and 9.
2 See paragraphs 10 and 11.
3 Regulation No. 110/64/CEE, Journal Officiel page 2173/64.
4 Regulation No. 137/64/CEE, Journal Officiel page 2603/64.
10. The additional amount, by which the threshold price may be increased, may, in respect of butter be determined by each member State at an amount not exceeding 0.05 units of account per kg. However, in cases where the intervention price for butter has been fixed at a level lower than the reference price by more than 0.05 units of account per kg., the additional amount may be fixed at most, at the amount of the difference between the reference price and the intervention price. In other words, the threshold price may be fixed at a somewhat higher level (between 0.05 and 0.075 units of account above the reference price), provided the intervention price is set at an equally lower level. In this case, the difference between the threshold price and the intervention price, disregarding the montant forfaitaire, may amount at most, to 0.15 units of account per kg., namely 0.075 units of account at either side of the reference price. It is provided that this difference, disregarding the montant forfaitaire, should be reduced to no more than 0.125 units of account in the year 1965/1966 and to no more than 0.1 unit of account in the year 1966/1967.

11. Member States, on their request, may be authorized to determine an additional amount also in respect of other products for which a threshold price has been fixed. In this case, the additional amount may not be more than 2 per cent of the reference price of the product concerned. Under this provision, the German Government has been authorized to increase the threshold price for Gouda cheese and other cheeses belonging to that group by 2 per cent.²

12. Notwithstanding the general rules Belgium and Luxemburg have been authorized to increase the threshold price of some dairy products by a specified amount in order to meet the difficulties arising from the fact that Belgium had applied, before the entry into effect of the Regulation, a policy of seasonal differentiation in prices.³ In respect of skimmed milk powder for animal feeding purposes, it was considered that the effect of the import levy could be such as to increase heavily production costs of veal and other animal products. Therefore member States have been authorized⁴ to determine the threshold price in this case at a level below the threshold price of the pilot product, but not lower than 29.50 units of account per 100 kg. provided adequate measures are taken to ensure that the imported skimmed milk powder is not used for other than feeding purposes. This authorization has been used by Italy and the Netherlands.

¹The intervention price for butter may be fixed at a level equal to the reference price reduced by not more than 0.075 units of account per kg. (paragraph 45).
⁴Regulations Nos. 113/64/CEE, Journal Official page 2184/64, and 153/64/CEE, Journal Official page 2704/64.
13. As regards cheeses of the Emmenthal, Gruyère and Sbrinz types, a duty of 15 units of account per 100 kg. has been bound under the GATT in conjunction with a minimum offer price of 95 units of account per 100 kg.; as regards Cheddar cheese, the duty has been bound at 23 per cent in conjunction with a minimum offer price of 62 units of account per 100 kg. For these products, therefore, it has been provided that the threshold price may not be higher than the minimum offer price increased by the duty, i.e. 110 or 76.26 units of account respectively.

14. Member States, by adding the standard amounts, set out in paragraph 9, and where applicable, any additional amount to the reference prices fixed by the Council, determined the threshold prices as set out in Table II. The threshold prices are to be gradually aligned so that eventually a common threshold price will be achieved; in its determination, account will be taken of an additional amount intended to protect the processing industry in the Community.

### TABLE II

**Threshold Prices 1964/1965**

(in national currency per 100 kg.)

<table>
<thead>
<tr>
<th>Products</th>
<th>Belgium</th>
<th>Germany</th>
<th>France</th>
<th>Italy</th>
<th>Luxemburg</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Whey powder</td>
<td>886.5</td>
<td>71</td>
<td>106.70</td>
<td>16,569</td>
<td>886.5</td>
<td>58.72</td>
</tr>
<tr>
<td>2. Whole milk powder</td>
<td>3,397.0</td>
<td>308</td>
<td>430.87</td>
<td>63,050</td>
<td>3,397.0</td>
<td>221.24</td>
</tr>
<tr>
<td>3. Skimmed milk powder</td>
<td>1,821.5</td>
<td>123</td>
<td>211.17</td>
<td>34,181</td>
<td>1,821.5</td>
<td>119.53</td>
</tr>
<tr>
<td>4. Condensed milk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>without sugar</td>
<td>2,316.0</td>
<td>149</td>
<td>263.41</td>
<td>45,933</td>
<td>2,064.0</td>
<td>161.43</td>
</tr>
<tr>
<td>5. Condensed milk with sugar</td>
<td>3,950.0</td>
<td>313</td>
<td>343.87</td>
<td>56,350</td>
<td>3,950.0</td>
<td>193.24</td>
</tr>
<tr>
<td>6. Gorgonzola</td>
<td>5,338.0</td>
<td>426</td>
<td>586.34</td>
<td>76,663</td>
<td>5,338.0</td>
<td>439.05</td>
</tr>
<tr>
<td>7. Parmigiano</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reggiano</td>
<td>7,373.0</td>
<td>590</td>
<td>728.34</td>
<td>92,163</td>
<td>7,373.0</td>
<td>534.05</td>
</tr>
<tr>
<td>8. Emmenthal</td>
<td>5,500.0</td>
<td>431</td>
<td>543.08</td>
<td>68,750</td>
<td>5,500.0</td>
<td>388.05</td>
</tr>
<tr>
<td>9. Gouda</td>
<td>4,856.0</td>
<td>319*</td>
<td>530.34</td>
<td>73,663</td>
<td>4,856.0</td>
<td>273.05</td>
</tr>
<tr>
<td>10. St. Paulin</td>
<td>5,176.0</td>
<td>360</td>
<td>535.34</td>
<td>72,063</td>
<td>5,176.0</td>
<td>327.05</td>
</tr>
<tr>
<td>11. Camembert</td>
<td>5,193.0</td>
<td>425</td>
<td>564.34</td>
<td>71,863</td>
<td>5,193.0</td>
<td>411.05</td>
</tr>
<tr>
<td>12. Curd</td>
<td>7,108.0</td>
<td>680</td>
<td>719.34</td>
<td>95,263</td>
<td>7,108.0</td>
<td>513.05</td>
</tr>
<tr>
<td>13. Lactose</td>
<td>1,717.5</td>
<td>146</td>
<td>221.17</td>
<td>31,381**</td>
<td>1,717.5</td>
<td>121.53</td>
</tr>
<tr>
<td>Butter</td>
<td>10,392.0***</td>
<td>723**</td>
<td>901.36**</td>
<td>101,225</td>
<td>8,676.0**</td>
<td>474.20**</td>
</tr>
<tr>
<td>Cheddar</td>
<td>3,812.5</td>
<td>385</td>
<td>376.34</td>
<td>47,663</td>
<td>3,812.5</td>
<td>245.05</td>
</tr>
<tr>
<td>Tilsit</td>
<td>4,753.0</td>
<td>329</td>
<td>530.34</td>
<td>73,663</td>
<td>4,753.0</td>
<td>273.05</td>
</tr>
<tr>
<td>Skimmed milk powder</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for animal feeding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Additional amount 2 per cent.
**Additional amount 5 units of account.
***Additional amount 7.5 units of account.
****No additional amount.
Free-at-frontier price

15. The import levy for a given product is to be determined on the basis of the difference between the threshold price and the free-at-frontier price. Free-at-frontier prices are determined by the Commission once a week, but they may be revised if, in the course of the week, this appears necessary. The method of determining the free-at-frontier prices in the case of imports from third countries is different from the one applied for imports from member States.

16. In respect of imports from third countries the free-at-frontier price for each product is determined on the basis of the most favourable purchase possibilities in international trade. For its determination, the Commission takes into account the actual offering prices, free-at-frontier of a member State, and the offering prices on markets of third countries, as well as the prices prevailing on representative markets in third countries. The Commission does not consider offers of products which have characteristics appreciably different from those of the product concerned; offers of small quantities which are not representative; and offers which do not correspond to real purchase possibilities on the world market. In respect of butter, the free-at-frontier price is determined separately for butter manufactured from sour cream, which is the normal procedure in European countries, and for butter manufactured from sweet cream. As regards intra-Community trade, no such distinction is made. The free-at-frontier prices are established in respect of butter on the basis of the prices for prime quality butter, and in respect of other products, on the basis of the prices for products of current quality in the country of origin. If necessary adjustments are made so as to bring the quality of the imported product onto a basis comparable with the quality of the product for which a free-at-frontier price is to be determined; such adjustments take into account differences in fat content and the maturation period. As regards imports from third countries transport costs from third countries to the EEC member States are generally the same, or only slightly different; in respect of Italy only transport costs may be higher in some cases. Therefore, the free-at-frontier prices for imports from third countries are established at a uniform level applicable to all member States, with some exceptions applicable to Italy only. The free-at-frontier prices as determined for example, for the first week of November 1964, are given in Table III.

1Regulation No. 156/64/CEE, Journal Officiel page 2709/64.
2Regulation No. 155/64/CEE, Journal Officiel page 2706/64.
3Regulation No. 157/64/CEE, Journal Officiel page 2712/64.
4Decision of the Commission of 30 October 1964, No. 64/619/CEE, Journal Officiel page 2902/64.
### TABLE III

Free-at-frontier Prices

for imports into EEC member States
from third countries as per 1 November, 1964
(units of account per 100 kilogrammes)

<table>
<thead>
<tr>
<th>Products</th>
<th>Free-at-frontier price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Whey powder</td>
<td>15.19</td>
</tr>
<tr>
<td>2. Whole milk powder</td>
<td>54.75</td>
</tr>
<tr>
<td>3. Skimmed milk powder</td>
<td>31.15</td>
</tr>
<tr>
<td>4. Condensed milk without sugar</td>
<td>30.39</td>
</tr>
<tr>
<td>5. Condensed milk with sugar</td>
<td>34.53</td>
</tr>
<tr>
<td>6. Gorgonzola</td>
<td>86.75 (88.75)</td>
</tr>
<tr>
<td>7. Parmigiano Reggiano</td>
<td>87.00</td>
</tr>
<tr>
<td>8. Emmenthal</td>
<td>78.50 (80.50)</td>
</tr>
<tr>
<td>9. Gouda</td>
<td>56.25 (58.25)</td>
</tr>
<tr>
<td>10. St. Paulin</td>
<td>67.75 (69.75)</td>
</tr>
<tr>
<td>11. Camembert</td>
<td>80.00 (82.00)</td>
</tr>
<tr>
<td>12. Curd</td>
<td>105.50 (107.50)</td>
</tr>
<tr>
<td>13. Lactose</td>
<td>29.83</td>
</tr>
<tr>
<td>Butter from sour cream</td>
<td>100.00 (102.00)</td>
</tr>
<tr>
<td>Butter from sweet cream</td>
<td>96.13</td>
</tr>
<tr>
<td>Cheddar</td>
<td>57.38</td>
</tr>
<tr>
<td>Tilsit</td>
<td>55.75 (57.75)</td>
</tr>
</tbody>
</table>

These prices are applicable in all member States, with the exception of the figures in brackets which are applicable to imports into Italy.
17. As regards imports from member States the free-at-frontier price for each product is determined on the basis of the prices at which producers in the exporting member State sell their products ex factory. If no representative ex factory price can be established, the price established for another marketing stage is adjusted towards the stage "ex factory"; if necessary, the threshold price is used as a basis for such an adjustment.¹ The ex factory price is converted into a price free-at-frontier by adding an amount for transport costs up to the frontier of the importing member State, and an amount for frontier clearance costs. The latter amount has been determined at 0.35 units of account per 100 kg., uniform for all member States.² The transport costs have also been determined on a lump-sum basis which varies according to provenance and destination. In cases when internal taxes are refunded on exportation, the free-at-frontier price is reduced by an amount, fixed on a lump-sum basis, corresponding to the tax refund.

Application of the levies

18. It was considered appropriate in determining the import levy to allow for the amount of various internal taxes imposed on importation, as well as excise taxes on sugar in Belgium, Italy and the Netherlands, and monopoly taxes on salt in Italy, and other taxes. The incidence of such taxes has been evaluated by the Commission³, and the import levies are to be reduced by an amount representing this incidence. Thus, the amount of the import levy in respect of butter, Cheddar and Tilsit cheese, and the thirteen pilot products, is equal to the difference between the threshold price of the importing member State, and:

- in the case of imports from third countries:
  
  the free-at-frontier price applicable to imports from third countries, this difference being reduced by the amount representing the incidence of the internal taxes imposed on importation;

- in the case of imports from a member State:
  
  the free-at-frontier price of the importing member State applicable to imports from the exporting member State, this difference being reduced by the amount representing the incidence of the internal taxes imposed on importation and again reduced by the "montant forfaitaire".

¹ Regulation No. 156/64/CEE, Journal Officiel page 2709/64.
² Regulation No. 48/64/CEE, Journal Officiel page 1144/64.
³ Regulation No. 158/64/CEE, Journal Officiel page 2726/64.
19. In respect of assimilated products, the levy is, in principle, equal to the levy determined for the pilot product. In certain cases where a single levy would give rise to difficulties, the levy is derived from the levy applicable to the pilot product.\(^1\) Thus, for example, in respect of whole milk powder of a fat content different from that of the pilot product (26 per cent) allowance is made for each percentage of difference in fat content; in respect of milk powder with sugar, the amount of 5 units of account per 100 kg. is added to the derived levy. Furthermore, in respect of processed cheese the levy is computed by the addition of

- an element equal to 66 per cent of the levy on the pilot product (Gouda cheese);

- an element equal to 9 per cent of the levy on butter processed from sweet cream and

- an amount of 10 units of account per 100 kg. In the case of imports from member States, this amount is 7 units of account, and it will be reduced by one sixth annually so as to be eliminated by the end of the transitional period.

20. In respect of butter, a distinction has been made between butter manufactured from sour cream and butter manufactured from sweet cream; a separate free-at-frontier price is determined for each type of butter.\(^2\) Since the threshold price in both cases is the same, the levy on butter manufactured from sweet cream, which is generally lower in price on the world market, is higher than the levy from the butter processed from sour cream.

21. In respect of cheeses of the Emmenthal, Gruyère and Sbrinz types, and in respect of Cheddar cheese, the levy is equal to the bound duty (i.e. 15 units of account per 100 kg. in the case of Emmenthal, Gruyère and Sbrinz, and 23 per cent ad valorem in the case of Cheddar), if the minimum offering prices and the other conditions provided in the tariff concessions are respected. In the case of offers of any of these cheeses at a price below the minimum offering price, the normal import levy is imposed. As regards imports from third countries of Glaris herb cheeses, in respect of which a tariff concession has also been given, the levy is equal to the duty of 12 per cent. No levies are imposed in intra-Community trade in respect of Glaris herb cheeses; the same applies to cheeses of Group No. 7 (Parmigiano Reggiano) which are exclusively produced in Italy, and Roquefort, which is exclusively produced in France.\(^3\) In the case of Italy the levy on imports of butter in retail packages of not more than 1 kg. may be increased by 10 units of account per 100 kg; this amount is to be reduced annually by one sixth, and will be eliminated by the end of the transitional period.\(^3\)

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\(^1\) Regulations No. 111/64/CEE, Journal Officiel page 2174/64, 149/64/CEE, Journal Officiel page 2693/64.

\(^2\) See paragraph 16.

\(^3\) Regulation No. 113/64/CEE, Journal Officiel page 2184/64.
22. The levies are fixed by each member State and communicated to the Commission so that the member States can be informed forthwith. The amounts of the levies change in accordance with variations in the constituent parts which served for their establishment. In order to avoid an excessively complicated procedure in determining the levies, a certain margin has been established within which no modification of the levy will take place. This margin has been established in units of account per 100 kg. as follows:

- for whey powder, 0.25;
- for skimmed milk powder, condensed milk without sugar, and lactose, 0.50;
- for whole milk powder, condensed milk with sugar, and cheeses and curd, 0.75;
- for butter, 1.00.

If changes in the constituent elements require a reduction or increase in the levy equal to, or more than, the amount established, the levy will be modified accordingly.

23. In some of the member States market prices are at relatively low levels and a system of subsidies or deficiency payments is applied to supplement producers' incomes. As a result, the free-at-frontier prices, in cases of exportation to other member States, are relatively low, and the levies imposed by the importing member State, relatively high. In these cases, the member State concerned may be authorized to impose, when exporting to another member State, a compensatory amount (export levy) up to the amount of the incidence of national subsidies on the price of the product to be exported; in this case the import levy charged by the importing member State is to be reduced by the same amount. It is provided, however, that a compensatory amount may only be imposed on condition that, in case of imports coming and originating from one of the other member States of the same product (i.e. a product belonging to the same item number of the common customs tariff), a subsidy is granted, equal to the compensatory amount; in this case any refund granted by the exporting member State is to be reduced by the same amount. On the basis of this provision the Netherlands has been authorized to impose compensatory amounts, the amount of which has been determined by the Commission, in respect of dairy products exported to member States. Similarly, Luxemburg has been authorized to impose a compensatory amount in respect of butter.

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1 Regulation No. 154/64/CEE, Journal Officiel page 2184/64.
2 Regulation No. 114/64/CEE, Journal Officiel page 2187/64.
3 Decision of the Commission of 28 October 1964, No. 64/597/CEE, Journal Officiel page 2730/64.
4 Decision of the Commission of 29 October 1964, No. 64/601/CEE, Journal Officiel page 2764/64.
Compound feeding preparations

24. The compound feeding preparations which normally are composed of maize, barley and sorghum on the one hand, and skimmed milk powder on the other, were initially governed by the Regulation on cereals. As from 1 November 1964 those compounds containing milk or milk products are governed by the Regulation on dairy products. Nevertheless, a uniform system of determining the import levies has been established\(^1\) for all these compound feeding preparations. The import levy both in respect of intra-Community trade and vis-à-vis third countries, is made up of three elements:

(a) A variable element, corresponding to the incidence on the costs of production of the levies on the basic products. This element is determined, according to the starch content, on the basis of the levies for coarse grains and, according to the milk powder content of the product concerned, on the basis of the levy on skimmed milk powder.

(b) A fixed element for the protection of the processing industry. Because costs of production are higher in the case of feeding preparations on the basis of milk, than in the case of feeding stuffs on the basis of cereals, the fixed element has been established at two units of account per 100 kg. for compound feeding preparations containing more than 50 per cent milk powder, and at 0.90 units of account for the other feeding preparations. In intra-Community trade this element amounts to nine fifteenths of the original amount and is to be reduced subsequently by two fifteenths each year.

(c) An additional element, if the product concerned contains an appreciable proportion of products other than cereals, rice or dairy products. This element is determined on the basis of the levies, taxes and duties of any kind which would have to be paid on the quantity of basic products contained in the compound feeding preparation.

Application of reduced levies

25. During the transitional period the Commission may authorize a member State, which so requests, to reduce the amounts of the levies on imports of one or more products from the other member States or from third countries. Such an authorization may be given if prices develop in such a way that an equitable relationship to the target price of milk no longer exists. The conditions for such an authorization are to be defined by the Commission in such a manner that the markets of the other member States will not be disturbed. The amount by which the intra-Community levies may be decreased may not exceed the highest intra-Community levy imposed by the member State concerned. The amount by which the levies vis-à-vis third countries are reduced, may not be greater than the maximum amount by

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\(^1\) Regulations Nos. 166/64/CEE, Journal Officiel page 2747/64, 169/64/CEE, Journal Officiel page 2755/64, 170/64/CEE, Journal Officiel page 2756/64.
which the intra-Community levies actually are decreased. The Commission will determine the measures which may, or must be, taken by the other Member States so as to avoid distortions of competition and diversion of trade.

Refunds on exports to third countries

26. In order to safeguard their participation in world trade member States are entitled, when exporting to third countries, to grant a refund which allows exports to take place at prices prevailing in international trade. The height of these refunds will be fixed by each member State, subject however, to certain limitations in order to avoid a distortion of the competitive position on the world market of member States' producers.

27. The maximum amount which may be refunded should be such as to make up for the difference between the f.o.b. price of the exporting member State, and world market prices. The f.o.b. price of a certain product, other than an assimilated product, is determined on the basis of:

- the free-at-frontier price of the product concerned in case of exportation to another member State;
- reduced by the amount determined for internal transport costs up to the frontier of the importing member State, and for frontier clearance costs.

This amount, thus arrived at, corresponds in principle, to the ex factory price. It is converted into an f.o.b. price by adding an amount representing internal transport costs up to the harbour and loading charges; for these f.o.b. costs an amount has been fixed of 1.00 units of account per 100 kg. for Belgium, Luxembourg and the Netherlands, and of two units of account for the other three member States. The amount, thus achieved, constitutes the f.o.b. price on the basis of the internal price level of the exporting member State. In order to make up for the difference between this f.o.b. price and the price on the world market a refund may be granted equal to:

- the difference between the f.o.b. price and the free-at-frontier price determined for imports from third countries;
- this amount being increased by an amount representing transport costs towards the country of destination. These transport costs have been determined on a lump sum basis uniform for all member States, and distinguishing for the different products three zones of destination, as set out in Table IV.

Regulation No. 165/64/CEE, Journal Officiel page 2744/64.

See paragraph 17.
TABLE IV

Transport Costs
to be taken into account when determining
the maximum amount of the refund on exports to third countries
(units of account per 100 kg.)

<table>
<thead>
<tr>
<th></th>
<th>Milk powder</th>
<th>Condensed milk</th>
<th>Butter</th>
<th>Cheese</th>
<th>Lactose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zone I:</td>
<td>European third countries with the exception of Albania, Greece and Turkey</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zone II:</td>
<td>Mediterranean third countries, not included in Zone I, and countries in the Near East</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zone III:</td>
<td>Other third countries</td>
<td>6</td>
<td>8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

28. The following example may clarify the method by which the maximum amount which may be refunded is determined.

Example: Maximum refund on exports of butter from France to a Zone III country in the first week of November 1964.
(F.Frs. per 100 kgs.)

1. Free-at-frontier price for export towards Germany 898.99
2. Internal transport costs up to German frontier, 2.00 UA/100 kgs. 9.87
3. Frontier clearance costs 0.35 UA/100 kgs. 1.73
4. (2) + (3) 11.60
5. (1) - (4) 887.39
6. F.o.b. costs, 2.00 UA/100 kgs. 9.87
7. F.o.b. price, (5) + (6) 897.26
8. Free-at-frontier price for imports into France from third countries, 100 UA/100 kgs. (butter processed from sour cream) 493.71
9. (7) - (8) 403.55
10. Transport costs Zone III, 8 UA/100 kgs. 39.50
11. Maximum refund, (9) + (10) 443.05
29. The maximum amount of the refund, determined by the method described above, may be higher during certain periods than would be required by the market situation in the exporting member State. Such is the case when in the exporting member State the f.o.b. price is higher than the threshold price, adjusted so as to make the two prices comparable. In this case the maximum amount of the refund is reduced accordingly, i.e. by the difference between the f.o.b. price and the adjusted threshold price. When in certain cases it appears that the maximum amount of the refund is not sufficient to cover the difference between the price of the exporting member State and the prices prevailing on the world market, so that exportation would not be possible, the refund, on the request of a member State, may be increased by a supplementary amount. Such a supplementary amount, however, may not be more than the amount necessary to make exportation to the country of destination at world market prices possible.

Refunds in intra-Community trade

30. In respect of intra-Community trade, a member State which is entitled to apply a levy on imports of another member State, may, when exporting to that member State, grant a refund. Such a refund corresponds to the difference between the free-at-frontier price of the exporting member State and the threshold price of the importing member State. Since in these instances no levy is imposed, the Community preference is ensured by increasing the amount of the refund by the "montant forfaitaire". Furthermore the refund may be increased by an amount assessed on a lump sum basis, corresponding to the incidence of the internal taxes which are charged by the importing country. These lump sum amounts, in principle, are the same as the amounts which are to be deducted from the levy. In respect of assimilated products it is provided that if the levy is the same as the levy on the pilot product, the amount of the refund is to be the same as the refund granted for the pilot product; if the levy on the assimilated product is derived according to certain rules from the levy on the pilot product, the amount of the refund is derived according to similar rules from the refund for the pilot product. No refunds are to be given in intra-Community trade in certain cases; for example, in respect of cheeses which are free from import levies in intra-Community trade: Roquefort, and the cheeses of Group No. 7 (Parmigiano Reggiano).

Import certificates

31. A system of import certificates has been established. Import certificates are required for all imports from third countries and, during the transitional period, for all imports from member States of:
- milk and cream, preserved, concentrated or sweetened (item No. 04.02)
- butter (04.03).

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1See paragraph 8.
2See paragraph 18.
3See paragraph 21.
No import certificates, however, are required in respect of whole milk powder in hermetic packing containing, at the most, one kilogramme in weight of powder (ex 04.02). Import certificates are issued on request. They are valid for two months after the month of issue. The certificates authorize and oblige the importer to import within the time of validity of the certificate the quantities indicated, subject to a margin of difference of 5 per cent. Import certificates are only issued after the deposit of a guarantee which, subject to certain emergency exceptions, is forfeited in whole, or partially, if importation in whole, or partially, does not take place within the fixed period.¹ No certificates are required in the case of exports.

Trade barriers in intra-Community trade

32. The levy system is designed to substitute all other protective measures at the frontier. Consequently, from the coming into effect of the system, no customs duties or charges having equivalent effect may be imposed, unless provided for in the Regulation. Similarly, all quantitative import and export restrictions have been abolished. It is provided, however, that quantitative import restrictions may be maintained under the Protocol concerning the Grand Duchy of Luxembourg, at least during the transitional period. Furthermore, as long as national food laws relating to butter have not been harmonized, member States may, during the transitional period, prohibit imports of butter, which is not in conformity with the common definition of prime quality butter² and which does not meet the requirements of quality of the importing member State in respect of prime quality domestic butter. Finally, during the transitional period, it is possible for member States to invoke a safeguard clause under which, subject to certain conditions and procedures, any safeguard measures may be taken in respect of imports of the product concerned.

33. In intra-Community trade furthermore, the minimum price systems provided in Article 44 of the Treaty have become inapplicable. Exports to other member States of products on which the appropriate levies have not been paid, or on which the levies have been partially or totally reimbursed, are not allowed. The same applies to exports of processed products in the processing of which products are used on which no appropriate levies have been paid, or which have benefited by the total or partial rebate of such levies.

34. The provisions of Articles 92, 93 and 94 of the Treaty on aids granted by States, are applicable. Therefore all subsidies and aids, which are still maintained and for which there are no specific provisions in the Regulation, are subject to the provisions and procedure of these Articles. These subsidies and aids may be assessed, and action may be taken, against those which are incompatible with the Common Market.

¹Regulation No. 136/64/CEE, Journal Officiel page 2601/64.
²Regulation No. 61/64/CEE, Journal Officiel page 1411/64.
Trade barriers vis-à-vis third countries

35. The introduction of the levy system in relation to third countries, which affords guarantees to producers within the Community, enables member States to renounce all other protective measures. Consequently, from the entry into effect of the system, no customs duties or charges having equivalent effect may be imposed. Likewise quantitative import restrictions and measures having equivalent effect have been abolished, subject to the provision that quantitative restrictions may be maintained under the Protocol concerning the Grand Duchy of Luxemburg, at least during the transitional period. Furthermore, the possibility of prohibiting imports of butter, other than prime quality butter in the sense of the Regulation, or in the sense of national regulations of the importing member State\(^1\), applies also to third countries. During the transitional period, it is possible for member States to invoke a safeguard clause under which, subject to certain conditions and procedures, any safeguard measures may be taken in respect of imports of the products concerned.

36. Furthermore, the Council on a proposal of the Commission may, at any time, decide by qualified majority vote to maintain or re-introduce quantitative import restrictions vis-à-vis third countries. Under this provision, the import régime applied in respect of State-trading countries has been made applicable to the products governed by the Regulation. This trade régime, having regard to the characteristics of the foreign trade of these countries, is based on estimated figures of imports from these countries, not exceeding, in general, the average of imports effected in the years 1960-1961, or the amount of the quotas laid down in trade agreements with these countries. If the imports into a member State originating from a State-trading country reach the estimated amount, the member State may stop these imports. If these imports exceed for a particular product the estimated amount by more than 20 per cent, and if the market in one or more member States should suffer, or become liable to suffer serious disruption, likely to endanger the objectives laid down in Article 39 of the Treaty, the Commission, on its own initiative, or at the request of a member State, may decide whether the importing member State must suspend or may maintain these importations.\(^2\)

Safeguard clause

37. If imports effected under the new régime cause or threaten during the transitional period serious disruption of the market of one or more member States, these States are free to take any safeguard measures necessary in respect of the imports of the product concerned. These measures are taken in such a way as to prevent excessive or avoidable damage being sustained by exporters. The measures are to be notified to the other member States and to the Commission. The Commission, heedful not to increase protection between member States, shall consider within four days, after consultation with member States, in the Management Committee whether the measures taken are to be maintained, modified or abolished. This decision is immediately enforceable but an appeal is possible to the Council. In case of such an appeal, there are two procedures, depending on the products involved:

\(^1\)See paragraph 32.

(i) In respect of butter, and in respect of milk and cream, preserved, concentrated or sweetened (04.02) with the exclusion, however, of whole milk powder in hermetic packing of one kilogramme at the most\(^1\), the decision of the Commission is suspended for ten days, after which it will be enforceable unless the Council, in the meantime, has taken a decision. This provision is the same as applicable under the safeguard clause to cereals and rice.

(ii) In respect of other products, such an appeal does not suspend the decision of the Commission.

The Council shall meet forthwith and it may, heedful not to increase protection between member States, amend or annul by a qualified majority vote, the decision of the Commission. Any safeguard measure affecting trade between member States shall be applied at the latest simultaneously to relations with third countries, while respecting the principle of the Community preference.

38. Finally, the safeguard clause provides the possibility, after the end of the transitional period, to suspend the issue of import certificates in respect of third countries when serious disruption of the market is caused or threatened by imports from these countries, in particular when the intervention agencies will have to make substantial purchases on the market. Such suspension may last until such time as the disruption or threat of disruption will have subsided. The suspension of the issue of import certificates may be waived for products destined for specified purposes. This provision which appears furthermore only in the Regulations on cereals and on rice, applies only to the products for which an import certificate is required.

The price system

Target price

39. In order to give producers an assurance that the necessary guarantees in respect of employment and standard of living are maintained, each member State, during the transitional period, will establish annually before 15 February a target price (prix indicatif). The national target price is the price which it is intended to ensure for producers as a whole for the total quantity of milk sold during the dairy farming year. It is determined ex farm, for milk with a fat content of 3.7 per cent; it is valid for the whole of the following dairy farming year, beginning on 1 April. In order to attain the national target price, market receipts may, during the transitional period, be supplemented by means of direct subsidies to producers and special measures under a national regulation of the fresh milk market. In the course of the transitional period the national target prices will gradually be aligned, so that eventually a common target price is achieved. The common target price will be the only price objective for the Community; it will be the production price of milk, which, in the single market, the market policy aims at ensuring for all producers in the Community in respect of their total milk production marketed during the dairy farming year.

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\(^1\) These are the products for which an import certificate is required, (paragraph 31).
40. It was considered important, in view of the future approximation of prices, not to increase the difference between the highest and lowest level of the producer price of milk in the member States. The Council therefore established for the dairy farming year 1964/1965, an upper and a lower limit for the national target prices, between which member States were free to determine the individual target price. The limits have been established on the basis of the average price ex farm, which the producers as a whole in each member State obtained in 1963 for their total milk production, as far as it had been marketed. The average price had to be adjusted so as to take account of

- the difference between the average fat content of milk in each member State and a fat content of 3.7 per cent,

- changes in the producer price in relation to the year 1963, to the extent to which they are due to changes in this price or to a normal development of the market and prices in the member State concerned.

On the basis of this calculation it was found that the highest price was obtained in the case of Italy (6,563 Lire or 10.50 units of account per 100 kg. milk of 3.7 per cent fat content); the second highest was the price for Luxembourg (483 L.frs. or 9.66 UA), and the lowest was the price obtained for France (39.25 F.frs. or 7.95 UA). Consequently, the Council determined the upper limit for the national target prices at 6,563 Lire or the equivalent in other national currency, and the lower limit at 39.25 frs. (see Table V). However, the Council considered that the high level of the limit was only justified because of the particular requirements of agriculture in Italy. It was therefore, agreed that the upper and lower limit, as established, would not constitute a decisive element for the determination of the common target price. Moreover, four member States (Belgium, Germany, France and the Netherlands) declared that they would not fix the national target price beyond a level corresponding to the price found for Luxembourg (483 L.frs.). Within these limits and taking into account development prospects for the production and consumption of milk and dairy products, member States fixed the national target price for milk of 3.7 per cent fat content, for the year 1964/1965, as set out in Table V.

1Regulation No. 37/64/CEE, Journal Officiel page 826/64.

2Council Resolution No. 64/200/CEE, Journal Officiel page 828/64.
TABLE V
Determination of the national target prices for milk of 3.7 per cent fat content, 1964/1965

<table>
<thead>
<tr>
<th></th>
<th>Italy</th>
<th>Luxembourg</th>
<th>Belgium</th>
<th>Germany</th>
<th>Netherlands</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>(national currency /100 kg.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average ex farm price 1963, 3.7% fat</td>
<td>6,563</td>
<td>477</td>
<td>390</td>
<td>36.10</td>
<td>28.25</td>
<td>39.57</td>
</tr>
<tr>
<td>Price adjustment</td>
<td>-</td>
<td>6</td>
<td>19.40</td>
<td>1.30</td>
<td>1.25</td>
<td>- 0.32</td>
</tr>
<tr>
<td>Adjusted price 1963</td>
<td>6,563</td>
<td>483</td>
<td>409.40</td>
<td>37.40</td>
<td>29.50</td>
<td>39.25</td>
</tr>
<tr>
<td>Upper limit</td>
<td>6,563</td>
<td>525</td>
<td>525</td>
<td>42.00</td>
<td>38.01</td>
<td>51.84</td>
</tr>
<tr>
<td>Target price &quot;Medium&quot; limit</td>
<td>6,500</td>
<td>495</td>
<td>483</td>
<td>38.64</td>
<td>34.97</td>
<td>47.69</td>
</tr>
<tr>
<td>Target price</td>
<td></td>
<td></td>
<td>472.19</td>
<td>37.70</td>
<td>31.00</td>
<td>39.35</td>
</tr>
<tr>
<td>Lower limit</td>
<td>4,969</td>
<td>397.50</td>
<td>397.50</td>
<td>31.80</td>
<td>28.78</td>
<td>39.25</td>
</tr>
</tbody>
</table>

41. Each year before 15 January, and for the first time before 15 January 1965, the Council will determine on a proposal of the Commission, by unanimous vote during the second stage and by qualified majority as from January 1966, a common target price. During the transitional period the common target price serves as a basis for the standardization of national target prices and threshold prices. The Council will also determine the measures which are to be applied by each member State with a view to bringing the national target prices closer together. If as a result of these measures the target price in a member State falls below the price paid to producers in 1963 for the total amount of milk sold, taking into account changes occurring during that period, the member State in question may compensate for that difference. Initially, such compensation may be granted per kilogramme of milk, but not later than by the end of the transitional period it will have to take a form independent of milk production.

National subsidies

42. In view of the fact that member States have in recent years devoted to the dairy sector considerable public funds, which in 1963 amounted to some 500 million units of account, it was considered impossible to suddenly abolish these practices without causing a disturbance to the dairy economy of the Community. On the other hand, in the final stage the price objectives in the
Community will have to be attained by the market policy only, excluding the grant of direct subsidies to milk production. Therefore, the existing direct subsidies, either linked with specific dairy products, or paid in respect of the milk sold by the producers, are to be progressively abolished. To this end the Council will determine the amount by which these subsidies will be reduced in ratio with the approximation of national target prices and the raising of the threshold prices. However, in some member States subsidies are granted which make it possible to maintain prices of milk or dairy products below a level corresponding to the lower limit of the target price for milk, as fixed for the 1964/1965 dairy farming year. In these cases an automatic reduction is to be effected of one seventh of that part of the subsidies, which makes it possible to maintain prices below that lower limit. In other words, the direct subsidies have to be reduced annually by one seventh of the difference between the lower limit of the target price and the average market receipts for dairy products, expressed in terms of milk. This reduction is automatic and comes in addition to the reduction to be decided upon by the Council. The reduction of the subsidies is to be compensated by a corresponding increase in threshold prices.

43. Some member States maintain a price system under which returns in the sector of liquid milk and related products are used for the equalization of lower returns obtained for manufacturing milk. Such equalization systems may be continued until the regulation to be drawn up for fresh milk comes into operation. However, if under such a system special aids are granted in order to ensure a direct equalization in respect of particular dairy products, such aids follow the general rules on subsidy reduction.

44. Finally it is provided that the aggregate effect of the various subsidies and any equalization system may not be such that the total returns of the producer exceed the target price.

Intervention measures

45. In order to avoid an undesirable fall in butter prices, a system of market interventions has been established. During the transitional period, member States are to determine annually, before 15 March, an intervention price for prime quality domestic fresh butter. For the dairy farming year 1964/1965, this intervention price had to be set at a level equal to the reference price, but it could be fixed at a level lower than the reference price by not more than 0.075 units of account per kg. Intervention agencies are obliged throughout the year to buy any quantity of prime quality domestic fresh butter offered to them. However, purchases may be made only if the wholesale price of butter on the domestic market is below a limit to be fixed by the member State concerned at a level at the least 0.03 units of account and at the most, 0.05 units of account.
above the reference price. The intervention price is valid for specified intervention centres; at other places the intervention price is to be reduced by the amount of transport costs up to the nearest intervention centre. In order not to disturb the normal sales of butter, the intervention agencies may not dispose of their stocks at a price below the prevailing wholesale price of prime quality fresh butter, reduced by an amount to make up for deterioration in quality. Member States may also grant subsidies to private storage firms under conditions laid down by the governmental intervention agency. Such assistance is to be determined on the basis of storage costs and costs from deterioration in quality. If, at the time of sales of privately stored butter, wholesale prices are above a certain level, the amount by which that level is exceeded is to be deducted from the amount of the assistance.1

46. The intervention prices determined by the member States for the dairy farming year 1964/1965 are set out in Table VI.

TABLE VI

<table>
<thead>
<tr>
<th>Intervention Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>in the EEC - member States</td>
</tr>
<tr>
<td>for prime quality, fresh butter 1964/1965</td>
</tr>
<tr>
<td>national currency /100 kg.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>678</td>
</tr>
<tr>
<td>France</td>
<td>815</td>
</tr>
<tr>
<td>Italy</td>
<td>93,500</td>
</tr>
<tr>
<td>Belgium</td>
<td>9,800</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>9,800</td>
</tr>
<tr>
<td>Netherlands</td>
<td>433.50</td>
</tr>
</tbody>
</table>

The Belgium Government has been authorized, in order to meet the difficulties arising from the fact that it had applied before the entry into effect of the Regulation a policy of seasonal differentiation in prices, to determine the intervention price according to a scale.2

---

1 Regulation No. 62/64/CEE, Journal Officiel page 1412/64.

47. During the transitional period, member States are entitled, if they consider it necessary, to take intervention measures on products other than prime quality domestic fresh butter, so as to counteract a heavy fall in prices, or to prevent disequilibrium either of prices or of production of dairy products. The member State which intends to take such intervention measures is obliged to give advance notice to the Commission. The Commission may make any suitable comment on the subject to the member State concerned.

General provisions

48. The levy system laid down in the present Regulation does not apply to fresh milk and cream, for which a separate regulation is to be drawn up before 1 July 1965, so that it can be applied as from 1 December 1965 at the latest. Until such a regulation has come into effect, member States are not allowed to abolish or reduce quantitative restrictions in force in 1963 in respect of imports of fresh milk and cream from third countries, unless the Council by a unanimous vote on a proposal of the Commission, decides otherwise.

49. The Regulation specifically provides that it must be applied in such a way as to take account simultaneously and in an appropriate manner of the objectives of the common agricultural policy, set out in Article 39 and of the common commercial policy as set out in Article 110 of the Treaty. This provision is the same as for the other products under common agricultural policy regulations.
II. BEEF AND VEAL

1. The provisions of the Council Regulation No. 14/64/CEE aim at a progressive establishment of a common organization of the market in beef and veal, which is to be fully effective by the end of the transitional period at the latest, i.e. 31 December 1969. The Regulation entered into force on 28 February 1964; the levy system however, which makes the system fully operative, entered into effect only on 1 November 1964. The system, designed to achieve a common market, is different from the mechanism adopted for other products, although certain provisions are similar or identical. The basic measure applied at the frontier is the customs duty; as regards intra-Community trade the duties will be reduced more rapidly than according to the general provisions on tariff reduction in the Treaty. The principal element of the price system is the guide price, which has a somewhat different function than, for example, the target price in the case of cereals. The protection of the guide price is ensured by the customs duties, supplemented by a system of import levies. The guide prices are furthermore protected by means of a system of market interventions. The new trade system replaces in principle the various non-tariff measures previously applied by the individual member States. The Regulation also provides for a system of import certificates for certain types of meat, a refund system for exports to third countries, a safeguard clause etc. A gradual approximation of the national guide prices and the progressive reduction of the intra-Community tariffs, will eventually result in achieving a single market before the end of the transitional period.

Products

2. Regulation No. 14/64/CEE applies to live cattle, other than pure bred for breeding purposes, and to beef and veal and meat products, as mentioned in Article 1 of the Regulation.¹

Guide price

3. The essential element of the price system is the guide price (prix d'orientation). A system of target prices for the main types of meat, as applied for cereals, was considered less suitable because of great practical difficulties arising from the many types and qualities of meat, which vary from country to country and which are difficult to compare, and from appreciable price fluctuations from year to year. Therefore a system of guide prices was established applicable to live cattle only. The guide prices are designed to ensure an equitable return to Community producers, but moreover they are designed to give a certain guidance as to the direction which should be given to meat production in the Community, taking into account, amongst other things, the situation on the dairy market.

4. Guide prices are determined annually for calves and large animals in each member State. For the first two marketing seasons, beginning on 1 April 1964 and 1 April 1965 respectively, the individual member States fix their own guide

¹See Table III.
prices within a fork of upper and lower limits, determined by the Council. For the marketing season 1964/1965 the Council, in determining the upper and lower limits, based itself on the weighted average of the prices

- of certain specified qualities of cattle, different and representative for each member State and each having a fixed weighting coefficient,

- recorded on specified representative markets in each member State,

- during the period 1 November 1962 to 31 October 1963.

These averages were corrected to take account of abnormally low prices due to exceptional circumstances in certain countries during part of this period. The highest average prices were found in Italy, both for calves and large animals, and the lowest averages were found in the Netherlands for large animals and in Belgium, Luxemburg and the Netherlands for calves. Subsequently these upper and lower levels were adjusted in order to give a certain guidance as to the direction which should be given to the production. It was considered appropriate, with a view to the consumption in the Community, to encourage production of beef and veal, so that except from the higher level for calves, these averages were adjusted upwards.

5. The amounts thus achieved constituted the upper and lower limits within which each member State determined its guide prices, taking account of the weighted average of prices on which the Council based its decision, and taking furthermore account of the outlook for development and production and consumption of beef and veal, and of the market situation for milk and dairy products. The upper and lower limits as determined by the Council and the guide prices determined by each member State are given in Table I.

**TABLE I**

Guide Prices in the EEC Member States for Large, Bovine Animals and Calves, 1964/1965

100 kg./liveweight

<table>
<thead>
<tr>
<th></th>
<th>Large animals</th>
<th>Calves</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National currency</td>
<td>Units of account</td>
</tr>
<tr>
<td>Upper limit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>2,800*</td>
<td>58.75</td>
</tr>
<tr>
<td>France</td>
<td>273</td>
<td>56.00*</td>
</tr>
<tr>
<td>Germany</td>
<td>224</td>
<td>55.25</td>
</tr>
<tr>
<td>Italy</td>
<td>35,000</td>
<td>56.00</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>2,887.50</td>
<td>57.75</td>
</tr>
<tr>
<td>Netherlands</td>
<td>119</td>
<td>55.00</td>
</tr>
<tr>
<td>Lower limit</td>
<td>51.25</td>
<td>51.25</td>
</tr>
</tbody>
</table>

*Subject to seasonal differentiation.

1Regulation No. 25/64/CEE, Journal Official, page 748/64.
2See Annex III of the Regulation.
6. It is provided that in order to take account of seasonal differences in prices, a member State may be authorized to increase its guide price during the first two marketing seasons (i.e. until 31 March 1966), by a maximum of 3.5 per cent, for not more than four months of the year; in such a case the guide prices must be reduced by the same percentage during a period of equal duration to that during which the increase has been applied. On this basis the Belgian guide prices for large bovine animals has been determined at B.Frs.2,900 from 1 February to 31 May and at B.Frs.2,700 from 1 August to 30 November.1

7. For the marketing season 1965/1966 the Council will determine the upper and lower limits for the guide prices in such a way that the difference between the limits will be reduced as compared to the difference existing for the first marketing season. Subsequently, as from 1 April 1966, the Council will determine the guide prices applicable in each member State. This determination takes place each year before 1 October and for the first time before 1 October 1965. The guide prices will be approximated each year, so that before the end of the transitional period single guide prices will be achieved.

**Intervention measures**

8. Meat prices on the markets in the Community are to move freely and to fluctuate around a level corresponding to the guide price. In order to ensure producers that the market price will remain as close as possible to the level of the guide price the Regulation provides for the possibility for member States to intervene in their market in order to prevent prices falling below a certain level, the intervention price. (This system is different from the system for cereals where purchases by an intervention agency at the level of the intervention price are obligatory.) Intervention measures may be taken if the internal market price of live cattle, not including calves, is below or equal to the intervention price. The internal market price in this connexion is the weighted average of the prices

- of certain specified qualities of cattle, different and representative for each member State, and each having a fixed weighting coefficient,

- recorded in specified representative markets in each member State.2

The intervention price is to be determined by the member State concerned at a level between 93 and 96 per cent of the guide price. The intervention prices as determined by the member States are given in Table II. Italy and Luxemburg indicated their intention not to take intervention measures during the first commercial campaign.

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1 Decision of the Commission of 3 June 1964, No. 64/363, Journal Officiel, page 1530/64.

2 See Annex III of the Regulation.
TABLE II

Intervention Prices
in the EEC Member States for Large,
Bovine Animals, 1964/1965

100 kg./liveweight

<table>
<thead>
<tr>
<th>National currency</th>
<th>Percentage of guide price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>2,760*</td>
</tr>
<tr>
<td>France</td>
<td>257</td>
</tr>
<tr>
<td>Germany</td>
<td>215</td>
</tr>
<tr>
<td>Italy</td>
<td>-</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>-</td>
</tr>
<tr>
<td>Netherlands</td>
<td>185</td>
</tr>
</tbody>
</table>

*Subject to seasonal differentiation.

9. For technical and economic reasons the possibility of taking intervention measures has been limited to live animals, other than calves, and to beef, fresh or chilled, in whole carcasses or sides, forequarters and hindquarters. No intervention measures are to be taken in respect of calves, veal and the other qualities of beef. As intervention measures will be considered:

- purchases on the market effected by a governmental organization and
- the conclusion by a governmental organization of agreements of assistance with private storage firms.

Governmental purchases may only be made at specified intervention points where technical facilities are satisfactory. Resales from stocks may in general not take place within a period of thirty days. The assistance to private storage firms is to be determined on the basis of storage costs and costs from deterioration in quality. Intervention measures may only be taken if the average weighted price, as determined above, is below or equal to the intervention price during a period of seven days; intervention measures will no longer be applied if the average price is above the intervention price during a period of seven days. Member States who intend to take intervention measures have to inform the Commission and the other member States a month in advance of their intention and of the way in which they intend to proceed.\(^1\)

10. Special provisions have been laid down to prevent sales of beef, frozen as a result of interventions, to disturb the Community market in fresh meat. It is therefore provided that frozen beef from stores of an intervention agency may only be sold on the market of a member State if the average weighted price on the market of the member State concerned is at least equal to 98 per cent of the guide price. This provision does not apply when an additional tariff quota\(^2\) has been

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\(^1\)Regulations No. 55/64/CEE, Journal Officiel, page 1287/64, 134/64/CEE, Journal Officiel, page 2529/64.

\(^2\)See paragraph 15.
opened up to imports from third countries of frozen beef, until 95 per cent of the quota attributed to the member State concerned has been fulfilled. Frozen beef from stores of intervention agencies may not be offered in intra-Community trade at prices lower than those on the world market for comparable quality; the world market prices in this connexion are determined by the Commission.\(^1\)

11. Before 1 August 1965, the Council by unanimous vote on a proposal of the Commission, will determine the conditions under which the national intervention measures will be co-ordinated. Within three years after the entering into force of the Regulation the Council will determine the conditions for applying common intervention measures at the stage of the single market. The purpose of such measures must be to contribute, where necessary, to the stabilization of prices both at production and consumption.

12. Under a bilateral trade agreement with Denmark, which is valid until 31 December 1965, the German Government has undertaken to import 16,000 head of cattle during the period of reduction of the grazing load on pastures. In the case that, as a consequence of the Regulation, imports of cattle from Denmark would discontinue during the periods 1 September to 30 November 1964, or 1965, Germany, in order to be able to comply with this undertaking received a special authorization, derogating from the Regulation, to take intervention measures with a view to allowing the importation of 16,000 head of cattle during these two periods. It is provided that imports have to take place not below the guide price.\(^2\)

**Customs duties**

13. Under the new trade régime the customs duty is the principal measure of protection at the frontier, both vis-à-vis third countries and, during the transitional period, vis-à-vis member States. As regards third countries the common external tariff will apply as from 1 January 1970. The common external tariff for the products covered by the Regulation is given in Table III.

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\(^2\)Regulation No. 15/64/CEE, Journal Officiel, page 573/64.
### TABLE III
Common Customs Tariff
for Products Subject to Regulation No.14/64/CEE

<table>
<thead>
<tr>
<th>Common customs tariff no.</th>
<th>Summary Description of Products</th>
<th>Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.02 AII</td>
<td>Live cattle</td>
<td>16</td>
</tr>
<tr>
<td>ex 02.01 AII</td>
<td>Beef and veal, fresh, chilled or frozen</td>
<td>20</td>
</tr>
<tr>
<td>ex 02.01 BII</td>
<td>Edible offals, fresh, chilled or frozen</td>
<td>20</td>
</tr>
<tr>
<td>ex 02.06 C</td>
<td>Meat and edible offals, salted, in brine, dried or smoked</td>
<td>24</td>
</tr>
<tr>
<td>ex 16.01</td>
<td>Sausages and the like</td>
<td></td>
</tr>
<tr>
<td>A. liver sausages</td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>B. others</td>
<td></td>
<td>21</td>
</tr>
<tr>
<td>ex 16.02 AII</td>
<td>Other prepared or preserved meat or meat offal, containing liver</td>
<td>25</td>
</tr>
<tr>
<td>ex 16.02 BII</td>
<td>Other prepared or preserved meat or meat offal, other than of liver</td>
<td>26</td>
</tr>
<tr>
<td>ex 15.02 B</td>
<td>Unrendered fats and tallow</td>
<td>10</td>
</tr>
</tbody>
</table>

1 An underlining indicates a binding of the duty; a dotted line indicates a binding for part of the item.

2 The duty has been bound at 6 per cent
   - for bulls, cows and heifers of the Schwyz, Simmental and Pribourg breeds, other than those intended for slaughter, up to an annual quota of 3,000 head,
   - and for heifers and cows, other than for slaughter, of certain mountain strains (Simmental, Pinzgau), up to an annual quota of 20,000 head.

3 The duty has been bound at 20 per cent for frozen meat up to a limit of an annual quota of 22,000 tons.
14. The national customs duties will be progressively brought in line with the common external tariff. According to the general rules of the Treaty the first alignment to the common external tariff has taken place on 1 January 1962; at that time the differences between effectively applied national duties and the common external tariff were in general reduced by 30 per cent. A second alignment by 30 per cent of the differences will, according to the general rule, take place on 1 January 1966. In the Regulation on beef and veal however, the general rule will only apply until 31 March 1965. Subsequently, the alignment with the common external tariff will be accelerated, subject to the possibility for each member State to approach the common external tariff even more rapidly than provided. On 1 April 1965 the difference between the national duties actually applied on 1 January 1957 and those laid down under the common external tariff will be reduced by 50 per cent, on 1 April 1966 by 65 per cent, on 1 April 1968 by 85 per cent and on 1 January 1970 the common external tariff will apply in full. As regards frozen meat a somewhat different provision applies; member States having a duty lower than the common external tariff (Germany and the Benelux countries) increased their duty to 17.5 per cent on 1 November 1964 and will apply the common external tariff of 20 per cent in full as from 1 April 1965.

15. A tariff quota of 22,000 tons of frozen meat has been bound under the GATT. The Regulation provides for the possibility of opening an additional quota of frozen meat for manufacturing purposes. When the situation on the meat market in the Community makes it desirable to determine such an additional quota, the Council by qualified majority vote will fix the amount of the quota on a proposal of the Commission; the Council may, at the same time, set the applicable customs duty at a rate below 20 per cent. In view of the actual difficulties of supply to the beef market, so that it was to be expected that the processing industry would not be able to supply itself within the Community, the Council, on the basis of this provision, decided to fix an additional tariff quota for imports of frozen beef of 33,000 tons. The quota is valid for the months November/December 1964. The quota is shared between the member States as follows: Germany 3,000 tons, France 2,000 tons, Italy 17,000 tons, Netherlands 5,000 tons and Belgium and Luxembourg together 6,000 tons. The Council decided on a customs duty for this additional quota at a rate of 12 per cent. In determining the duty at this rate the Council based itself on the desirability to facilitate conditions of supply for the processing industry but, at the same time, the Council wished to maintain the Community preference at least at the present average level.

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16. Imports which take place under an additional tariff quota are free from import levies. As soon as import possibilities are opened up within the additional quota, the charging of customs duties and any import levies on intra-Community trade in frozen meat is suspended. Duties and levies, if applicable, will again be imposed on intra-Community trade when 95 per cent of the additional quota attributed to a member State has effectively been fulfilled by imports from third countries.

17. The general provisions of the Treaty provide for the reduction of customs duties on intra-Community trade in the course of the transitional period. Under the Regulation on beef and veal, the staging of these reductions has been accelerated and fixed; as from 1 November 1964 the customs duties applying to intra-Community trade in the products governed by the Regulation, amount to 55 per cent of the duties effectively applied on 1 January 1957. Further reductions of 10 per cent of the basic duty will be applied annually as from 1 April 1965 and the duties will be eliminated at the end of the transitional period.

18. In the case of Germany the duties applied to intra-Community trade will be reduced by another 21/2 points in order to mitigate the incidence of the German tax, the "Umsatzausgleichsteuer", which amounts to 4 per cent. This provision applies only to live cattle and the main qualities of beef and veal listed in Annex II to the Regulation. If the German tax is modified the customs duty will be modified accordingly.

19. It is provided under the Regulation that if a member State had suspended the customs duty on imports from other member States prior to the entering into force of the Treaty, such member State may re-introduce an intra-Community duty in respect of the products covered by the Regulation. This duty will then be determined at a level of 60 per cent of the customs duty applied on 1 January 1962 to imports from third countries. Subsequently, it will be reduced annually by 10 per cent of the duty applicable to third countries in accordance with the staging of tariff reduction applied by the other member States.

**Levy system**

20. The principal measure of protecting internal meat prices is the customs duty. This however, may not always be sufficient to keep internal price fluctuations within a margin not too distant from the guide price. Therefore, a supplementary protection is ensured by means of a levy system. A levy will be imposed on imports from third countries if the price at importation, as determined by the Commission, increased by the customs duty, is lower than the guide price, and if the internal market price falls below a certain level. Similarly, during the transitional period, import levies may be imposed on imports from member States in order to prevent intervention measures from being impaired or to avoid internal market prices falling below a particularly low level.
Levies on imports from third countries

21. In order to make a comparison possible between conditions at which imports from third countries take place and the guide price, the Commission determines a price at importation for calves and for large bovine animals. These prices are fixed on the basis of prices recorded in third countries which have a similar economic structure and production system as the EEC member States. Furthermore, account is taken of the qualities, which are traditionally traded with the Community, and a weighting coefficient is applied so as to reflect existing traditional trade currents. The prices are adjusted in order to make up for any export subsidies.

Thus, in the case of large bovine animals, the price at importation is fixed on the basis of the arithmetic average of the prices of representative qualities offered on the most representative markets in Denmark, the United Kingdom and Ireland; subsequently, a weighting coefficient of 50 per cent, 30 per cent and 20 per cent respectively, is applied to the national average prices. In the case of calves the price at importation is based on the weighted average of certain qualities offered on the Danish market, this average being increased by an amount of 1.25 units of account per 100 kgs. liveweight, in order to take account of the totality of qualities which traditionally are traded with the Community. These average market prices are increased by a lump sum representing transport costs up to the frontier of the member States; the amounts for transport costs are the same for all member States with the exception of Italy. Apart from this difference in transport costs the prices at importation are therefore the same for all member States. They are determined once a week and are revised in accordance with price changes, but only if a modification of at least 0.50 units of account per 100 kgs. liveweight is required.\textsuperscript{1}

22. If the price at importation as determined, increased by the customs duty, is lower than the guide price of the importing member State, an import levy is to be imposed. The customs duty in this connexion is calculated on the basis of the price at importation; the rate of the duty is the rate applicable in the member State concerned for slaughter cattle.\textsuperscript{2} The amount of the levy is equal to the difference between the guide price, on the one hand, and the price at importation, increased by the customs duty, on the other. The same import levy is applied to all imports, irrespective of price or quality. However, if the internal market price for the product concerned exceeds the guide price of the importing member State by more than 5 per cent, no levy is to be imposed; if the internal market price exceeds the guide price by not more than 5 per cent, only half of the levy is charged. The internal market price of the importing member State in this connexion, to be determined by the Commission, is the weighted average of the prices of calves or of large animals, recorded for the specified qualities of cattle on the markets specified for the member State concerned.\textsuperscript{3}

\textsuperscript{1}Regulations No. 63/64/CEE, Journal Officiel, page 1414/64, 140/64/CEE, Journal Officiel, page 2518/64.
\textsuperscript{2}Regulation No. 151/64/CEE, Journal Officiel, page 2700/64.
\textsuperscript{3}See Annex III of the Regulation.
23. For practical reasons guide prices and prices at importation are only determined for live cattle. However, if an import levy is charged on imports of large animals or calves, a corresponding import levy is charged in the case of beef or veal (derived products). For each derived product the levy is to be fixed on the basis of the difference between the guide price of the basic product, on the one hand, and the price at importation of the basic product, increased by the customs duty applicable to the derived product, on the other. This difference is subsequently multiplied by a coefficient determined for veal, fresh or chilled, or for the particular quality of beef concerned. The list of derived products and the coefficients to be applied in the calculation of the levy are given in Table IV. No import levies are to be imposed on products, other than live animals or other than the derived products listed in the Regulation; for those products therefore the customs duty is the sole measure applied at the frontier. No levies are imposed in respect of imports which take place within the limits of a tariff quota bound in GATT, or within any additional tariff quota for frozen meat.

\[\text{\textsuperscript{1}}\text{Regulation No. 47/64/CEE, Journal Officiel, page 1142/64.}\]
### TABLE IV

Coefficients for Calculating the Levies Applicable to Derived Products

<table>
<thead>
<tr>
<th>CCT Item No.</th>
<th>Description of Products</th>
<th>Coefficients for calculating levies</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex 02.01 A II</td>
<td>Meat of animals of the domestic bovine species, fresh, chilled or frozen</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Fresh or chilled:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Veal</td>
<td>1.65</td>
</tr>
<tr>
<td></td>
<td>2. Other:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(aa) Carcasses or sides</td>
<td>1.90</td>
</tr>
<tr>
<td></td>
<td>(bb) Fore quarters</td>
<td>1.52</td>
</tr>
<tr>
<td></td>
<td>(cc) Hind quarters</td>
<td>2.28</td>
</tr>
<tr>
<td></td>
<td>(dd) Fillet</td>
<td>4.09</td>
</tr>
<tr>
<td></td>
<td>(ee) Other pieces:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11. Unboned pieces, deriving from the cutting of the hind quarter</td>
<td>2.85</td>
</tr>
<tr>
<td></td>
<td>22. Unboned pieces, deriving from the cutting of the fore quarter</td>
<td>1.90</td>
</tr>
<tr>
<td></td>
<td>33. Boned pieces</td>
<td>3.23</td>
</tr>
<tr>
<td></td>
<td>(b) Frozen:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Carcasses or sides</td>
<td>1.90</td>
</tr>
<tr>
<td></td>
<td>2. Fore quarters</td>
<td>1.52</td>
</tr>
<tr>
<td></td>
<td>3. Hind quarters</td>
<td>2.28</td>
</tr>
<tr>
<td></td>
<td>4. Unboned pieces, deriving from the cutting of the fore or hind quarter</td>
<td>2.85</td>
</tr>
<tr>
<td></td>
<td>5. Boned pieces</td>
<td>2.28</td>
</tr>
</tbody>
</table>
24. The operation of the levy system may be clarified by the following example. The price at importation for large bovine animals as determined by the Commission for the period beginning 1 November 1964 amounts, for example, in the Netherlands to 43,784 units of account per 100 kg. liveweight. The guide price in the Netherlands is 55 units of account; the import duty vis-à-vis third countries is 11.1 per cent for live cattle, and 14.4 per cent for beef. The levy is determined as follows:

| Import levy for large bovine animals in units of account per 100 kg. liveweight |
|----------------------------------|------------------|
| Guide price                     | 55               |
| Price at importation            | 43,784           |
| Customs duty 11.1%              | 4.86             |
| Price at importation, duty paid | 48,644           |
| Import levy                     | 6,356            |

Import levy for beef, whole carcasses, in units of account per 100 kg.

| Import levy for beef, whole carcasses, in units of account per 100 kg. |
|--------------------------|------------------|
| Guide price              | 55               |
| Price at importation     | 43,784           |
| Customs duty 14.4%       | 6,305            |
| Price at importation,    | 50,089           |
| duty paid                | 4,911            |

The coefficient is 1.90; the import levy is fixed at $1.90 \times 4.911 = 9.33$

However, the internal market price determined by the Commission for the same period in the Netherlands is 59.351 units of account; since the internal market price exceeds the guide price by more than 5 per cent no levies are imposed.

25. If internal market prices fall below the intervention price, intervention measures may be taken by the member State concerned, in respect of live animals, other than calves, and in respect of certain qualities of beef.\(^1\) It was considered necessary to make provisions so that any intervention measures taken by a member State would not be impaired by imports from other member States. It is therefore provided that as long as a member State intervenes on its market the member State concerned is free, during the transitional period, to impose a levy on imports from other member States of large animals or derived products, even if the intervention measures relate to one product only. No intra-Community levy therefore, is to be imposed in the case of calves or veal or any product other than derived products.

26. The amount of the levy, in the case of large animals may not be more than the difference between 95 per cent of the guide price of the importing member State, on the one hand, and the internal market price of the exporting member State.

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\(^1\)See paragraph 9.
State increased by the import duty, on the other. The internal market price in this connexion is the weighted average of the prices of large bovine animals, recorded for the specified qualities of cattle on the markets specified for the member State concerned.\(^1\) In the case of derived products (beef) the maximum amount of the levy which may be imposed is equal to the difference between 95 per cent of the guide price of the importing member State on the one hand, and the internal market price for live animals of the exporting member State, increased by the import duty applicable to the derived product, on the other; this difference is subsequently multiplied by the coefficient for the quality concerned given in Table IV.\(^2\) In cases where in a member State the intervention price has been set at a level between 95 and 96 per cent of the guide price the basis for calculating the maximum amount of the intra-Community levy changes from 95 per cent of the guide price to the actual level of the intervention price.

27. It was considered necessary to provide for the possibility of imposing an intra-Community levy if internal market prices fell below a particularly low level. It is therefore provided that if internal market prices of large animals are below a level of 90 per cent of the guide price, during a period of at least seven days, the member State concerned, even if no intervention measures are taken, may impose a levy vis-à-vis other member States on imports of large animals or beef. In this case the maximum amount of the levy for either large animals or derived products, is calculated on the basis of 90 per cent of the guide price instead of 95 per cent.

28. The intra-Community levy is to be considered as a measure of supplementary protection. Therefore it should only be permitted if the intervention measures affect a minimum number of cattle or quantity of beef sufficient to expect a favourable influence on the internal price level. It is therefore provided that intra-Community levies may be imposed only if certain specified quantities of meat, different for each member State, have been withdrawn from the market within a period of, at most, seven days. As regards the intra-Community levy referred to in the previous paragraph, it is provided that the levy may no longer be applied if the internal market price during a period of at least seven days is again above the level of 90 per cent of the guide price. The member States who intend to impose an intra-Community levy have to inform the Commission and the other member States of their intention giving the appropriate details.\(^3\)

**Application of reduced duties and levies**

29. The Commission may authorize a member State on its request to reduce the customs duties, applicable to third countries and other member States, and the amount of the levies applied to third countries. If a member State under this

\(1\) See Annex III of the Regulation.

\(2\) See paragraph 23.

\(3\) Regulation No. 134/64/CEE, Journal Officiel, page 2529/64.
provision reduces the customs duties or the levies applied to their countries, the intra-Community duties and, if any intra-Community levies are applied, also those levies are to be reduced by the incidence of the reduction applied vis-à-vis third countries. In order to avoid a diversion of trade the other member States will be authorized to adjust the amounts of the levies vis-à-vis the member State concerned in such a way as to offset the reduction.

Refunds

30. Although the Community as a whole is a net importer of beef and veal, it is considered necessary to safeguard the share of member States in world trade in beef and veal. The Regulation therefore provides for the possibility for a member State, when exporting to third countries, to grant a refund so as to compensate the difference between internal prices and prices prevailing in third countries. The amounts of the refunds in respect of live cattle and beef and veal, fresh or chilled, are determined by the member States below a certain maximum once every month in advance. The maximum refund in respect of live cattle is equal to the difference between the average internal market price over a two weeks' period, determined by the Commission, on the one hand, and the average price at importation not including transport costs, considered over the same two weeks' period, on the other. For beef and veal, fresh or chilled, the maximum refund is equal to the maximum refund for live cattle, multiplied by the appropriate coefficient set out in Table IV in paragraph 23. For the tariff items ex 15.02 B and ex 16.02 B II no regular price quotations are available; the maximum amount of the refund has, therefore, been fixed in an arbitrary manner at 2.25 and 29.25 units of account per 100 kgs. respectively, applicable during the whole marketing season. The maximum refund for frozen meat is to be determined in accordance with the procedure of the management committee. In cases where the refund is not sufficient to ensure the participation of a member State in world trade, the member State concerned may be authorized to grant a higher refund than provided.¹

31. The Regulation does not provide for a possibility to grant refunds in respect of intra-Community trade. However it is provided that in the case of exports of live cattle or meat, fresh, chilled or frozen, to another member State, the exporting member State may, up to 31 March 1965, grant an amount corresponding to the charges arising from the health regulations imposed at the time of frontier clearance by the importing member State in excess of the cost of health measures normally imposed within the importing member State. This situation is applicable

¹Regulation No. 150/64/CEE, Journal Officiel, page 2697/64.
in the case of exports from France to Germany. Provision has therefore been made allowing France, in the case of exports of large animals and beef to Germany, to grant an amount
- for large animals: of DM8/100 kg. liveweight
- for beef: of DM16/100 kg.

32. In the case of exports to another member State of beef, frozen as a result of interventions, the costs of storage and of deterioration in quality are carried by the intervention organization of the exporting member State. In this connexion the Regulation provides that specific rules regarding intra-Community refunds are to be laid down by the Council.

Import certificates

33. In order to allow for an adequate control on the quantities of imports, the Regulation provides that all imports of frozen meat from third countries, or from member States, are to be subject to presentation of an import certificate. Member States are free, if they consider it necessary to make imports from third countries of salted meat, offals or meat products subject to the system of import certificates also. Import certificates are issued on request. They are valid for two months after the month of issue. The certificate authorizes and obliges the importer to import the quantity indicated, subject to a margin of difference of 5 per cent. Import certificates are only issued after the deposit of a guarantee which, subject to certain emergency exceptions, is in whole, or partially, forfeited if the importation does not take place in whole, or partially within the fixed period.

Trade barriers

34. Apart from the customs duties, which in intra-Community trade will gradually be eliminated, and apart from the levies as provided in the Regulation, all charges having an equivalent effect are abolished as from the entry into effect of the trade régime both as regards third countries and member States.

35. In intra-Community trade furthermore, the minimum price systems provided in Article 44 of the Treaty have become inapplicable. Exports to other member States of products on which the appropriate customs duties or levies had not been

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1 Regulation No. 109/64/CEE, Journal Officiel, page 2140/64.
2 See paragraph 10.
3 Regulation No. 139/64/CEE, Journal Officiel, page 2616/64.
paid or on which the duties or levies had been partially or totally reimbursed, are not allowed. The same applies to exports of processed products in the processing of which products are used on which no appropriate customs duties or levies have been paid, or which have benefited by the total, or partial, rebate of such customs duties or levies.

36. The provisions of Articles 92, 93 and 94 of the Treaty on aids granted by States, are applicable. Therefore all subsidies and aids which are still maintained are subject to the provisions and procedures of these Articles. These subsidies and aids may be assessed and action may be taken against those which are incompatible with the common market. However, the Grand Duchy of Luxemburg is authorized to grant, up to 31 March 1967, an aid for the purpose of decreasing the retail prices, on condition that it is granted without any discrimination linked with the origin of the products.

37. In respect of intra-Community trade, all quantitative import and export restrictions, and in respect of third countries, all quantitative import restrictions, have been abolished with a few exceptions. It is provided that quantitative restrictions under the Protocol concerning the Grand Duchy of Luxemburg may be maintained both in respect of member States, and third countries, at least during the transitional period. Furthermore, the Council on a proposal of the Commission, may at any time, decide by a qualified majority vote to maintain or reintroduce quantitative import restrictions vis-à-vis third countries. Under this provision, the import régime applied in respect of State-trading countries has been made applicable to the products governed by the Regulation. This trade régime, having regard to the characteristics of the foreign trade of these countries, is based on estimated figures of imports from these countries, not exceeding, in general, the average of imports effected in the years 1960-1961 or the amount of the quotas laid down in trade agreements with these countries. If the imports into a member State originating from a State-trading country reach the estimated amount, the member State may stop these imports. If these imports exceed for a particular product the estimated amount by more than 20 per cent, and if the market in one or more member States should suffer, or become liable to suffer serious disruption likely to endanger the objectives laid down in Article 39 of the Treaty, the Commission, on its own initiative, or at the request of a member State, may decide whether the importing member State must suspend or may maintain these importations.\(^1\)

38. Finally, during the transitional period, it is possible for member States to invoke a safeguard clause under which, subject to certain conditions and procedures, any safeguard measure may be taken in respect of imports of the products

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concerned, both vis-à-vis member States, and vis-à-vis third countries. This safeguard clause is different from the clause applicable to cereals, rice and butter; it is the same as applied for pig meat, eggs and poultry. Under the safeguard clause it is provided that if imports effected under the new régime cause or threaten during the transitional period serious disruption of the market of one or more member States, these States are free to take any safeguard measure necessary in respect of the imports of the product concerned. These measures are taken in such a way as to prevent excessive or avoidable damage being sustained by exporters. The measures are to be notified to the other member States and to the Commission. The Commission, heedful not to increase protection between member States, shall consider within four days, after consultation with member States, in the Management Committee, whether the measures taken are to be maintained, modified or abolished. This decision is immediately enforceable but an appeal is possible to the Council. Such an appeal, however, contrary to the provisions in respect of cereals, does not suspend the decision of the Commission. The Council shall meet forthwith and it may, heedful not to increase protection between member States, amend or annul by a qualified majority vote, the decision of the Commission. Any safeguard measure affecting trade between member States shall be applied, at the latest simultaneously, to relations with third countries, while respecting the principle of the Community preference. The safeguard clause does not provide for the possibility, after the end of the transitional period, to suspend the issue of import certificates in respect of third countries.

39. The Regulation specifically provides that it must be applied in such a way as to take account simultaneously and in an appropriate manner of the objectives of the common-agricultural policy set out in Article 39 and of the common commercial policy as set out in Article 110 of the Treaty. This provision is the same as for the other products under common agricultural policy regulations.
III RICE

1. The provisions of the Council Regulation No. 16/64/CEE on rice aim at a progressive establishment of a common organization of the rice market which is to be fully effective by the end of the transitional period at the latest, i.e. 31 December 1969. The Regulation follows to a large extent the lines of Regulation No. 19 on cereals and it reproduces in form and substance a number of the provisions therein. Similar mechanisms of commercial and agricultural policy have been used, such as a system of variable import levies, which replace all barriers to imports existing previously, a system of refunds on exports, import certificates, a safeguard clause and a system of target and intervention prices. On the other hand the rice market in the EEC presents certain special features so that some problems had to be treated in a manner differing from the cereals provisions. This results mainly from the fact that rice production in marketable quantities takes place in two member States only, Italy and France, and that in some of the non-producer member States there exists an important rice milling industry. Furthermore as of 31 August 1964, there were no barriers to rice imports in the four non-producer member States, apart from a customs duty in Germany. In certain details therefore the price system and the levy system, which form the basis of the market organization for rice, differ from the provisions on cereals and are substantially different when applicable to non-producer or producer member States.

PRODUCTS

2. The rice regulation applies to rice in all stages of processing: paddy, husked rice, milled rice and broken rice. It also applies to rice flour, rice groats and meal and rice starch. These latter products were initially covered by Regulation No. 19 on cereals; a revised levy system entered into effect as from 1 November 1964.¹

LEVY SYSTEM

3. The levy system is designed so as to constitute a link between the internal EEC market, where prices are maintained at a stable level², and the world market, where prices are subject to fluctuations. The levy makes up for the difference between the internal EEC prices and world market prices. During the transitional period the levy system is applied also to intra-Community trade in order to even out price differences between the member States, but in this case the amount of the levy is being reduced so as to offer member States a certain preference. Subject to some reservations however, the markets of the four non-producer member States are being considered as a single market from the entry into effect of the Regulation.

¹Regulation No. 141/64/CEE, Journal Officiel, page 2666/64.
²A description of the price system is given in paragraphs 48-58.
4. The method of determining the levy is different according to the stage of processing of the rice. Both on the world market and within the Community trade in rice which has undergone some processing is more general than trade in paddy. The greater part of the rice imported is made up of husked rice. Therefore, the principal method of determining the levy is the method applied to husked rice. This method is the same as that applied for grains, namely the levy is fixed so as to be equal to the difference between, on the one hand the threshold price and on the other hand
- in the case of imports from third countries the c.i.f. price and
- in the case of imports from a member State the free-at-frontier price.
In the latter case and if the rice is produced in the exporting member State, the levy is reduced by a standard amount. The same method is used for broken rice. Consequently it is necessary only to determine threshold prices, c.i.f. prices and free-at-frontier prices for husked rice and broken rice. The levy for paddy and rice in other stages of processing is fixed on the basis of the levy for husked rice taking into account a conversion scale.

Levies on husked rice and broken rice

Threshold price

5. The threshold price for husked rice is determined for a certain standard quality of round grain rice (common rice). The standard quality is, as in the case of the other cereals, identical for all member States.1 The same standard quality is applicable for the determination of the target price.2 In the case of producer member States threshold prices are, during the transitional period, determined by the government concerned; as regards non-producer member States there is a common threshold price which is determined by the Council. The criteria which had to be taken into account for the initial determination of threshold prices in the producer member States and of the common threshold price in the non-producer member States could not be identical in view of the different situation in each case.

6. The Regulation provides that in each producer member State the threshold price for husked rice must be fixed in such a manner that in the marketing centre of the zone with the greatest deficit (i.e. the centre for which the basic target price is to be determined) the selling price of the imported product must be at the level of the basic target price, taking into account the standard amount (montant forfaitaire).3 Therefore, as in the case of grains, the threshold price for husked rice is directly related to the basic target price; furthermore, the standard amount is incorporated in the threshold price.

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1 Regulation No. 27/64/CEE, Journal Officiel, page 756/64.
2 See paragraph 49.
3 See paragraph 23.
Changes in the basic target price in accordance with the monthly scale of target prices\(^1\), and any possible modification of the standard amount in the course of the year, will be fully reflected in the threshold price, but otherwise the threshold price may not be changed in the course of the marketing season.

7. The threshold price of broken rice is determined by reducing the threshold price of husked rice applicable at the beginning of the season by a certain percentage. In the case of producer member States this percentage for the marketing season 1964/1965 has to be such as to maintain the relationship of the average price of broken rice and husked rice during the years 1959-1962.

8. Producer member States determine the threshold prices of husked and broken rice every year before 1 June for the marketing year beginning on the following 1 September. The percentage by which the threshold price of husked rice is to be reduced to fix the threshold price of broken rice will be determined by the Council as from the marketing season 1965/1966. The threshold prices will gradually be aligned in order to arrive at a single threshold price at the end of the transitional period. If producer member States do not determine the threshold prices in accordance with the provisions, these prices are fixed following the procedure laid down in Article 23 of the Regulation. This procedure has been applied for the revision of the French threshold price on broken rice.\(^2\)

9. In the case of non-producer member States there is a single threshold price both for husked rice and broken rice to be determined by the Council. For the marketing year beginning 1 September 1964 the Council determined the threshold price of husked rice on the basis of world market prices of Pearl Brown rice, a variety of round grain rice comparable to the common standard quality and imported into the EEC in substantial volume. Because of the fact that this variety of rice was only offered in minor quantities during the first part of 1963, the offering prices during the period of October 1963 to February 1964 were considered to be the most representative prices as of 1 July 1964. On the basis of the average of the offering prices during this period, increased by 5 per cent and increased by the standard amount, the threshold price was determined. As regards broken rice, the Council determined the single threshold price by reducing the single threshold price of husked rice in such a way that the relationship of the average import prices of broken and husked rice during the years 1959-1962 was maintained. The Regulation does not state precisely how the single threshold prices in the non-producer member States will be fixed for the following marketing season. The Council will decide this by unanimous vote before 1 April 1965 on the basis of a proposal of the Commission. For subsequent seasons decisions will be taken by qualified majority vote.

10. The threshold prices, valid on 1 September 1964, are given in the following table. The threshold prices of France and Italy are to be adjusted in the course of the marketing year in accordance with the monthly scale of target prices.

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1 See paragraph 50.
2 Regulation No. 125/64/CEE, Journal Officiel page 2397/64.
TABLE I

<table>
<thead>
<tr>
<th></th>
<th>Husked rice</th>
<th>Broken rice</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Frs. 96.96</td>
<td>Frs. 50.58</td>
</tr>
<tr>
<td>Italy</td>
<td>Lire 11,080</td>
<td>Lire 6,753</td>
</tr>
<tr>
<td>Non-producer member States</td>
<td>UA 14.20</td>
<td>UA 9.66</td>
</tr>
</tbody>
</table>

C.i.f. price

11. The Commission determines once a week the c.i.f. price for husked rice and for broken rice for one frontier crossing point, namely Rotterdam for the single market of the non-producer member States, Dunkirk for France, and Palermo for Italy. The c.i.f. price for husked rice is determined for the common standard quality of round grain rice, so that it can be compared without further adjustments with the threshold price. The c.i.f. prices are established on the basis of the most favourable purchasing possibilities on the world market. For the calculation the Commission takes into account all offers made on the world market which come to its knowledge, as well as important international price quotations. The Commission disregards offers which do not meet precise quality standard requirements or which relate only to quantities below 500 tons for husked rice and 100 tons for milled rice and are therefore not considered representative of the market.

12. The c.i.f. prices for husked rice are not only based on price quotations for husked rice but also on prices of paddy and milled rice. In order to make them comparable to the price of husked rice the price quotations for paddy and milled rice are adjusted by means of a conversion scale, according to the various stages of processing and taking into account milling costs and the value of by-products. In establishing the conversion scale and in determining the amount of milling costs and the value of by-products, the data prevailing in the best equipped industries within the Community have been used. As regards milled rice the conversion scale differs between round grain and long grain rice because of differences in yields.

13. After having converted the price quotations for rice, in its various stages of processing, to a price for husked rice, account has to be taken of quality differences. Therefore, the prices obtained for the various qualities of husked rice are adjusted to the common standard quality for which the threshold price has been fixed. This is done by adding to, or deducting from, the amounts obtained a coefficient of equivalence. A scale of coefficients of equivalence has been determined on the basis of a comparison between the different varieties of rice, normally offered, and the common standard quality. When price relations

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1 Regulations No. 73/64/CEE, Journal Officiel, page 1594/64 and 122/64/CEE, Journal Officiel, 2385/64.
2 Regulation No. 103/64/CEE, Journal Officiel, page 2128/64.
3 Regulation No. 104/64/CEE, Journal Officiel, page 2130/64.
between different varieties of rice offered no longer correspond to the situation existing at the time of determining the scale, the Commission is entitled to use a different coefficient corresponding to the actual situation. If this situation is prolonged, the scale of coefficients has to be revised within thirty days. The same applies when a quality is offered which does not appear on the scale. In this case, the Commission may determine, during the first thirty days, a coefficient of equivalence, derived from the coefficients laid down for the other varieties, taking into account differences in price and the specific characteristics of the various types of rice.

14. A comparison of the data obtained in this way enables the Commission to determine the most favourable offer for husked rice. The c.i.f. prices thus established are revised every week unless an earlier revision is considered necessary. The amounts however will only be modified if the calculation results in a change of at least 0.10 units of account per 100 kgs.

15. The c.i.f. price for broken rice is also established on the basis of the most favourable purchasing possibilities on the world market. For the calculation the Commission takes into account all offers made on the world market which come to its knowledge as well as important international price quotations. The Commission disregards offers not corresponding to a product of sound, genuine, merchantable quality and may ignore offers concerning sticky brokens and fragments.

16. The difference between the threshold price of the importing member State and the c.i.f. price thus established constitutes the levy which is then applied to all imports of husked or broken rice coming from third countries, irrespective of quality or actual offering price. The Regulation, however, provides that in cases where the free quotations on the world market are not the determining factor in the offering price and are lower than the c.i.f. price as established, a separate c.i.f. price will be determined solely for the imports in question. This provision makes it possible in exceptional circumstances to impose a higher levy than would otherwise be applicable.

**Free-at-frontier price**

17. The Commission determines twice a month the free-at-frontier price for husked rice and broken rice on the basis of the most favourable prices prevailing on the markets of the exporting producer member State or of the non-producer member States as a whole, which are the most representative for exports to the importing member State. The free-at-frontier price for husked rice is determined for the common standard quality of round grain rice, so that it can be compared without further adjustment with the threshold price of the importing member State. In its calculation the Commission takes into account the lowest prices prevailing on the export markets, as well as any other data communicated by the member States. The most favourable price is established for rice in bags and reduced by the amount of taxes which are refunded on exportation. The Commission disregards offers of insufficient quality or offers which relate only to quantities of minor importance.

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1 Regulations No. 73/64/CEE, Journal Officiel page 1594/64 and 122/64/CEE, Journal Officiel page 2385/64.
18. As in the case of c.i.f. prices the free-at-frontier prices for husked rice are not only based on price quotations for husked rice but also on prices of paddy and milled rice. These prices are adjusted to a price for husked rice by means of the same conversion scale and by taking into account the same amounts for milling costs and by-products as used in determining the c.i.f. prices. Subsequently, the values obtained are to be adjusted in order to take account of differences in quality as compared to the common standard quality for which the threshold price has been fixed. The same provisions and the same scale of coefficients of equivalence, as laid down for determining the c.i.f. prices, are applied in this case.

19. A comparison of the data thus obtained enables the Commission to determine the most favourable price. To this price is then added the amount of freight charges from the export market at which the lowest price prevails, to the frontier crossing point of the importing producer member State or of the single market of non-producer member States. Finally the marketing costs which are determined on a lump sum basis for all member States are added. The free-at-frontier prices thus established are revised twice a month unless an earlier revision is considered necessary. The amounts, however, will only be modified if the calculation results in a change of at least 0.10 units of account per 100 kgs.

20. For the calculation of the free-at-frontier price for broken rice, the Commission disregards prices not corresponding to a product of sound, genuine, merchantable quality and may ignore prices corresponding to sticky brokens and fragments.

21. The difference between the threshold price of the importing member State and the free-at-frontier price thus arrived at constitutes the levy which will then be reduced by the standard amount and applied to all imports of husked or broken rice originating in the exporting member State irrespective of quality or actual offering price.

22. If the quotations in the markets are not sufficient to enable the free-at-frontier prices to be determined, these prices shall be fixed, taking into account transport and marketing costs calculated on a lump sum basis,

- in the case of broken rice, on the basis of the threshold price of the exporting producer member State or of the common threshold price,

- in the case of rice in the non-producer member States on the basis of the common threshold price,

- in the case of rice in each producer member State, on the basis of the derived target price applicable in the marketing centre of the zone with the greatest surplus.

1 Regulation No. 103/64/CEE, Journal Officiel 2128/64.

2 See paragraph 13.
Montant forfaitaire

23. The levy system in respect of husked and broken rice gives exporting producer member States an immediate advantage to the extent that in intra-Community trade the export price realized will be the domestic price instead of the world market price. This advantage however is not sufficient to ensure trade between member States to develop; thus, a certain preferential régime was considered necessary. To this end, the levy applied on imports from producing member States in respect of husked rice and broken rice is reduced by a fixed preferential amount (montant forfaitaire)\(^1\) if the product derives from rice harvested in the exporting member State. This standard amount is uniform for all member States. It is determined annually at such a level as to ensure a gradual and regular development of trade between member States in the course of the transitional period, taking account of availabilities of rice harvested in the Community and of the possibilities of marketing these products. On the other hand the amount shall be determined in such a manner that it will not provoke a sudden and considerable diversion of trade currents. If in the course of the marketing year intra-Community trade does not develop in the way envisaged the standard amount will be reviewed. In this case the threshold prices will be revised accordingly.

24. For the marketing year 1964/1965 the standard amount has been fixed\(^2\) at

- 0.20 UA per 100 kg. for husked rice and at
- 0.14 UA per 100 kg. for broken rice

The standard amount for broken rice is related to the standard amount for husked rice so as to preserve the relation of the average price of these products on the world market.

Levies on paddy, milled rice and rice products

25. The system of import levies as described above, which follows the same principles as the levy system for the other cereals, applies only to husked rice and broken rice. Only in these cases is it necessary to determine threshold prices, c.i.f. prices and free-at-frontier prices. The levies to be applied on imports of paddy, milled rice and rice products are fixed on the basis of the levy determined for husked rice or on the basis of other rules.

\(^1\)Regulation No. 49/64/CEE, Journal Officiel page 1146/64.

\(^2\)Regulation No. 84/64/CEE, Journal Officiel page 1794/64.
26. In the case of imports of paddy from member States or from third countries, the levy to be charged is equal to the intra-Community levy or to the levy vis-à-vis third countries applicable to husked rice, adjusted in accordance with the conversion scale. The conversion factor for paddy in relation to husked rice has been set at 125, which means that a quantity of 125 kgs. of paddy is the agreed average necessary for producing 100 kgs. of husked rice (an extraction rate of 80 per cent). The levy applied to paddy imports consequently amounts to 80 per cent of the levy applied to husked rice.

27. As regards milled rice the levy, both vis-à-vis third countries, and in intra-Community trade is made up of two parts: a variable part and a fixed part. The variable part of the levy for milled rice is designed so as to even out differences in price of the basic product (husked rice) on the world market and within the Community or between the member States. This part therefore corresponds to the incidence on the cost price of milled rice of the levy imposed on husked rice, so that irrespective of whether rice is milled within a member State or imported from a producer member State or from third countries, its competitive position is the same. The variable part is calculated on the basis of the levy applicable to husked rice on the day of importation of the milled rice, adjusted by means of the extraction rate laid down in the conversion scale. The extraction rate has been determined for processing into semi-white and white milled rice and for round grain and long grain rice. The extraction rate is lower in the case of long grain rice than for round rice; consequently the variable part of the levy is higher for milled rice processed from long grain rice. In the calculation the amount of the intra-Community levy on husked rice is not reduced by the standard amount, so as to avoid a diversion of trade which could result from the different heights of the levies between member States and third countries. A fixed part is added to the variable part in order to ensure the processing industry a certain protection and to create a certain preference for the industry within the Community. The amount has been determined at 0.55 units of account per 100 kgs. of milled rice imported from third countries; it is the same for semi-white and white milled rice. In the case of imports from a member State the fixed part has been reduced as from 1 September 1964 by six fifteenths, and will be further reduced annually by two fifteenths, so that it will disappear before the end of the transitional period.

28. As regards processed rice products (flour, groats and meal and starch), the levy is also made up of two parts: a variable part corresponding to the amount of the levy applicable to the quantity of broken rice necessary for the manufacture of the processed product, and a fixed part intended to ensure protection of the processing industry. The method of calculating the levy is similar to that applied for milled rice above, with the difference, however, that the variable part of the levy on processed rice products is calculated only once a month. It is determined on the basis of the average levy applied to broken rice in the first twenty-five days of the month preceding the month of importation;

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1 Regulation No. 103/64/CEE, Journal Officiel page 2128/64.

2 Regulation No. 141/64/CEE, Journal Officiel page 2667/64.
in this calculation, this amount is not reduced by the standard amount so as to avoid a diversion of trade which could result from the different heights of the levies between member States and third countries. The amount of the average levy is adjusted to take account of the level of the threshold price of the importing country valid in the month of importation; in the case of intra-Community trade it is also adjusted to take account of any difference in the threshold price of the exporting member State, as compared to the preceding month, on which the calculation initially is based. This procedure avoids too frequent adjustments of the levy on processed products. The levy is only adjusted when the actual levy on broken rice in the month of importation exceeds the average levy, determined on the basis of data of the preceding month, by more than 0.25 units of account per 100 kgs. To the variable part a fixed part is added. This amounts to 0.25 units of account per 100 kgs. in the case of rice flour and groats and meal, and to 2.55 units of account per 100 kgs. in the case of rice starch. In intra-Community trade this part has been reduced by six fifteenths as from 1 November 1964, and will subsequently be reduced on 1 July of each following year by two fifteenths. In cases where actual offers from third countries do not correspond to the price resulting from the price of the basic products entering into their composition, increased by the cost of manufacture, an additional amount may be added to the levy.

Application of the levies

29. The amounts of the intra-Community levies and of the levies vis-à-vis third countries are calculated by the member States and notified to the Commission. The levies change in accordance with changes in the factors of which they are composed. Thus, the levies on husked and broken rice change in accordance with variations in the threshold price on the one hand, and the c.i.f. price or the free-at-frontier price, on the other; the levies on paddy and milled rice change in relation to variations in the levy on husked rice. In the course of the transitional period, the intra-Community levies will be progressively reduced in ratio with the approximation of the threshold prices and of the target prices. In order to avoid a diversion of trade due to differences in the rates of levies applied by member States vis-à-vis other member States, or vis-à-vis third countries, or due to the reduction in the intra-Community levy by the standard amount, a certificate of origin\(^1\) has to be submitted. Unless the product derives from rice harvested in the exporting member State, the levy applied to third countries is to be imposed.

\(^1\)Regulation No. 83/64/CEE, Journal Officiel 1793/64.
30. As regards paddy, husked rice and broken rice, and for the calculation of the variable part of the levy on milled rice, the markets of the non-producer member States are considered as a single market. However, these markets are still considered separately for paddy, husked rice and broken rice originating from third countries if these products are re-exported in their original state; in this case the importing non-producer member State charges a levy equal to the levy applicable vis-à-vis third countries on the day of importation, while the exporting non-producer member State grants a refund on exportation of the same amount. To obtain treatment free from levies within the single market of the non-producer member States, the products have to be accompanied by a certificate, indicating that they are products re-exported other than in their original state.

31. The calculation of the c.i.f. price for husked rice is based, as set out above, on the offering price of husked rice as well as paddy and milled rice. However, abnormally low prices of milled rice on the world market in relation to world market prices of husked rice resulted in the establishment of a c.i.f. price for husked rice which was out of proportion to the world market price of husked rice. Consequently, the levy on husked rice would be disproportionately high and this would lead to a distortion of the price relationship between husked and milled rice on the markets of the non-producer member States. The non-producer member States therefore, reduce as a provisional measure, the levy applicable to imports of husked rice, from third countries, by a certain amount, which is determined by the Commission. The maximum of this amount is equal to the difference between the c.i.f. price, established on the basis of offering prices of milled rice, and the price which would have been determined as c.i.f. price if only offering prices of husked rice had been taken into consideration. The amount of the reduction is determined at the same time as the c.i.f. price, and it is valid during the same period of application of the levy. The amount fluctuates in accordance with price movements on the world market. This reduction is not taken into account in determining the levy or the refund in respect of paddy and milled rice. The result of this reduction, is that imports from third countries of both husked rice and milled rice, levy paid, come in at a level corresponding to the common threshold price of husked rice.

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1 Regulation No. 33/64/CEE, Journal Officiel, page 1793/64.

2 Regulations No. 105/64/CEE, Journal Officiel, page 2134/64 and 172/64/CEE, Journal Officiel, page 2797/64.
Import and export certificates

32. A system of import and export certificates has been established in order to allow for an adequate control of the movements of imports and exports and to facilitate the payment of the levies and the granting of the refunds. Import or export certificates are issued on request. They authorize and oblige the importer or exporter to import or export within the time of validity of the certificate the quantities indicated. A margin of difference is allowed of 5 per cent above or 7 per cent below the quantity indicated in the case of imports, and of 5 per cent either side in the case of exports. The import certificates are valid for three months after the month of issue; however, they are valid for four months after the month of issue in the case of:

- imports of any quantity from countries outside Europe, the Mediterranean or North America;

- imports of 500 tons or less from North America;

- processed rice products.

The export certificates are valid for five months after the month of issue in the case of rice and broken rice, and for four months after the month of issue in the case of processed rice products. Import or export certificates are issued only after the deposit of a guarantee. The guarantee amounts to 0.50 units of account per ton, but is increased to 5 units of account per ton if the amount of the levy or the refund is being fixed in advance. Subject to certain emergency exceptions, the guarantee is in whole or partially forfeited if the importation or exportation does not take place, in whole or partially within the fixed period.

Predetermination of the levy

33. The levy to be imposed is the levy applicable on the date of importation. A strict application of this principle, however, would hinder normal practice in trade as it would make it impossible for importers to conclude long-term contracts, due to the uncertainty as to the height of the levy on the date of importation. Therefore, as in the case of grains, a system has been created for predetermining the levy. Both in respect of intra-Community trade and trade with third countries, the importer is given the opportunity of having the levy determined in advance for imports of rice or broken rice, to be effected with a certain period. In this case, the period of validity of the import certificate is limited to the period requested, and the levy is determined at the amount of the levy applicable on the date of requesting the import certificate, adjusted upwards or downwards to the threshold price valid on the day of importation. However, in order to avoid that rice imports under this system disrupt the equilibrium of the market of the importing member State, the possibility of having the amount of the levy fixed in advance is made subject to payment of a premium. In determining the amount of the premium, account is taken of the difference between the c.i.f. price cash, and the c.i.f. price for future delivery. The premium is added to the amount of the predetermined levy. No premium is required in the case of intra-Community trade.

1 Regulation No. 102/64/CEE, Journal Officiel, page 2125/64.
2 See paragraphs 33, 38.
3 Regulations No. 50/64/CEE, Journal Officiel, page 1147/64, 51/64/CEE, Journal Official page 1148/64, and 78/64/CEE, Journal Officiel 1158/64.
34. The amount of the premium, determined by the Commission, is uniform for all member States. A scale of premiums is fixed for rice and broken rice separately, indicating the amount for the current month and each of the four months thereafter. When the c.i.f. price on the date of establishing the premium exceeds the c.i.f. price for future delivery by an amount of more than 0.025 units of account per 100 kg, the premium is fixed for husked rice and broken rice at the difference between these two prices, and for paddy and milled rice at the premium for husked rice adjusted according to the conversion scale. When the difference between the two prices is not more than 0.025 units of account per 100 kg, the premium is nil. If serious difficulties from future importations threaten to affect the market in one or more member States, the premium may be set at a temporarily higher level, subject to certain limitations. The premium is to be revised if a modification of more than 0.025 units of account is required.

Refunds on production

35. It was anticipated that the application of the levy system would have an adverse effect on the price of broken rice, which is used in starch manufacture. Consequently, it would be difficult for the industry manufacturing rich starch and so-called "Quellmehl" to maintain competitive prices for these products. Therefore, in order to maintain the possibility of using broken rice for these specific processes the regulation provides the institution of a system of refunds on production. The amount of this refund, to be determined by each member State per 100 kilogrammes of broken rice entering into manufacture, may not be more than the difference between the threshold price for broken rice and 8.30 units of account. Thus broken rice is made available to these specific industries at a price lower than that resulting from the application of the levy system.

Refunds on exports to third countries

36. In order to enable exports to be made to third countries on the basis of prevailing world prices, the difference between these prices and the prices in the exporting member State may be covered by a refund. The height of these refunds will be fixed by each member State, subject to certain limitations. This refund system is similar to the refund system for other cereals.

1 Quellmehl is a flour of which the starch has been subjected to a treatment by heat, or any other process, the effect of which is to increase its swelling capacity.

2 Regulation No. 142/64/CEE, Journal Officiel, page 2072/64.

3 Regulation No. 101/64/CEE, Journal Officiel, page 2122/64.
37. The general rule is that the maximum amount of the refund in respect of third countries is limited to

- in the case of husked rice or broken rice: the amount of the import levy applicable at the date of exportation,

- in the case of paddy or milled rice: the amount of the import levy applicable at the date of exportation on husked rice, adjusted in accordance with the conversion scale.

The maximum refund for paddy and milled rice in respect of third countries therefore is related to the maximum refund for husked rice, while in the case of intra-Community trade it is related to the actual refund. To this general rule there are a number of exceptions.

38 The amount of the refund may, on request, be fixed in advance in the case of export for future delivery within the period of validity of the export certificate. In this case, the maximum amount of the refund for husked or broken rice is not equal to the levy applicable on the date of exportation, but to the amount of the levy applicable on the date of submitting the request, this amount being adjusted in relation to the threshold price valid in the month of exportation. The amount of the refund fixed in advance in this way may however differ considerably from the actual price situation on the world market. The real situation is then better reflected if the actual price quotations are taken into account. It is therefore provided that if the c.i.f. price Rotterdam for future delivery is higher than the c.i.f. price valid on the date of the request by more than 0.10 units of account per 100 kg. this maximum amount of the refund, as fixed in advance, must be reduced by the amount of that difference; similarly, when the c.i.f. price Rotterdam for future delivery is lower than the c.i.f. price valid on the date of the request by more than 0.10 units of account per 100 kg. the maximum amount of the refund as fixed in advance may be increased by the amount of that difference. For paddy and milled rice the maximum amount of the refund fixed in advance is related to the maximum amount for husked rice, adjusted in accordance with the conversion scale.

39. As a second exception to the general rule, it is provided that the refund may be granted in the form of an authorization to import, free from import levies, a quantity of paddy, husked or broken rice, semi-white or white rice, under the condition that the same quantity of the same product (not necessarily the same variety or quality) is exported. Similarly, authorization may be granted to import, free from import levies, a quantity of paddy, husked rice or semi-white rice, provided a corresponding quantity of husked, semi-white or white rice of the same group (either round grain or long grain rice, but not necessarily the same variety or quality) is exported. The corresponding quantity is determined by means of the conversion scale. Such import and export operations must be effected within 120 days and before the end of the marketing season.
40. In the third place, member States may determine the amount of the refund, in respect of products harvested or processed from products harvested in the exporting member State, by means of a tender system. In this case there is no specific maximum to the amount of the refund, but it is provided that only the most favourable offers are to be accepted. Furthermore, member States may reject certain offers and cancel the tender if the most favourable offers do not correspond to the most favourable sales possibilities on the world market. Member States must take appropriate measures to ensure that the products exported under this system are actually exported to third countries.

41. If the tender system appears to be inapplicable and if the amount of the refund as determined or determined in advance under the normal provisions is not sufficient to allow exports to take place towards third countries on the basis of prices prevailing on the world market, the amount of the refund may be increased by an additional amount. Such an additional amount can only be granted in respect of products harvested or processed from products harvested in the exporting member State. The amount cannot exceed the amount necessary to allow exports to take place on the basis of prices prevailing on the world market. Moreover it cannot exceed a limit to be determined, uniform for all member States. Such a limit may differentiate according to the area of destination; it is determined for each product taken into account the characteristics of the world market, and it can be revised in the course of the marketing season. Member States must take appropriate measures to ensure that the products exported under these conditions are actually imported by the country of destination.

Refunds in intra-Community trade

42. In respect of intra-Community trade it was also considered justified to allow for the possibility of granting a refund under certain conditions on exports of rice, broken rice and rice products. The regulation provides that if the free-at-frontier price of husked rice from an exporting producer member State is higher than the threshold price of the importing member State, the exporting producer member State may grant a refund on exportation of rice or rice products. It is specifically provided that if a refund is being granted to exports of milled rice or of husked rice, a refund must equally be granted to the basic products (husked rice and/or paddy). This provision does not apply to exports towards third countries. The height of the refunds is determined by the member States subject to certain limitations. The method of determining the maximum amount of the refund is different for the various products and according to the destination, either to the non-producer member States or to the other producer member State.
Trade barriers

43. The levy system is designed to substitute all other protective measures at the frontier. Consequently from the coming into force of the system, both as regards imports from member States or from third countries, no customs duties or charges having equivalent effect are imposed and all quantitative restrictions and measures having equivalent effect have been abolished. This includes any restriction on the granting of import or export certificates to a specified category of beneficiaries.

44. In intra-Community trade furthermore, the minimum price systems provided in Article 44 of the Treaty have become inapplicable. Apart from the possibility of granting a refund, exports to other member States of products on which no appropriate levy had been paid or had been partially or totally reimbursed, are not allowed. The same applies to exports of processed products in the processing of which products are used on which no appropriate levy had been paid or on which the levy had been partially or totally reimbursed. The provisions of Articles 92, 93 and 94 of the Treaty on aids granted by States are applicable to the production and trade of rice. Therefore, apart from the system of refunds on exports to other member States and the special refunds on production granted to starch manufacture, all subsidies and aids are subject to the provisions and procedures of these Articles. These subsidies and aids may be assessed and action may be taken against those which distort the working of the levy system, and are incompatible with the Common Market.

45. To the principle that all quantitative restrictions are being removed, there are some exceptions, which are the same as in the case of Regulation No. 19. During the transitional period, it is possible for member States to invoke a safeguard clause under which, subject to certain conditions and procedures, any safeguard measure may be taken in respect of imports of the products concerned both vis-à-vis member States and vis-à-vis third countries. It is provided that if imports effected under the new régime cause or threaten during the transitional period serious disruption of the market of one or more member States, these States are free to take any safeguard measures necessary in respect of the imports of the product concerned. These measures are taken in such a way as to prevent excessive or avoidable damage being sustained by exporters. The measures are to be notified to the other member States and to the Commission. The Commission, heedful not to increase protection between member States, shall consider within four days, after consultation with member States, in the Management Committee, whether the measures taken are to be maintained, modified or abolished. This decision is immediately enforceable but an appeal is possible to the Council. In case of
such an appeal, the decision of the Commission is suspended for ten days, after which it will be enforceable unless the Council, in the meantime, has taken a decision. The Council shall meet forthwith and it may, heedful not to increase protection between member States, amend or annul by a qualified majority vote, the decision of the Commission. Any safeguard measure affecting trade between member States shall be applied at the latest simultaneously to relations with third countries, while respecting the principle of the Community preference.

46. The safeguard clause furthermore provides the possibility, after the end of the transitional period, to suspend the issue of import certificates in respect of third countries when serious disruption of the market is caused or threatened by imports from these countries, in particular when the intervention agencies will have to make substantial purchases of paddy on the market. Such suspension may last until such time as the disruption or threat of disruption will have subsided. The suspension of the issue of import certificates may be waived for products destined for specified purposes.

47. Finally, the Council, on a proposal of the Commission by unanimous vote during the second stage, and by qualified majority vote thereafter, may at any time decide to maintain or re-introduce quantitative restrictions vis-à-vis third countries. Under this provision the import régime applied in respect of State-trading countries has been made applicable to rice and rice products.\(^1\) This trade régime, having regard to the characteristics of the foreign trade of these countries, is based on estimated figures of imports from these countries, not exceeding, in general, the average of imports effected in the years 1960 and 1961, or the amount of the quotas laid down in trade agreements with these countries. If the imports into a member State originating from a State-trading country reach the estimated amount, the member State may stop these imports. If these imports exceed for a particular product the estimated amount by more than 20 per cent, and if the market in one or more member States should suffer, or become liable to suffer serious disruption likely to endanger the objectives laid down in Article 39 of the Treaty, the Commission, on its own initiative, or at the request of a member State, may decide whether the importing member State must suspend or may maintain these importations.

\(^1\)Regulations No. 3/63/CEE, Journal Officiel page 157/63 and 107/64/CEE, Journal Officiel page 2137/64.
Target price

48. In order to give Community producers an assurance that the necessary guarantees regarding employment and standard of living will be maintained, an indicative or target price (prix indicatif) is determined annually by each producer member State. No target prices are to be determined in the non-producer member State.

49. As in the case of cereals, the target prices are determined for rice at the stage of wholesale trade in order to make them comparable with the prices of imported rice, which is necessary for the calculation of the levy. Target prices therefore are to be determined for husked rice instead of paddy. The basic target price is determined by the government of each producer member State for the marketing centre of the area with the greatest deficit. This price is fixed for a round grain rice (common rice) of a standard quality which is the same for all member States, and identical to the standard quality for which the threshold price is determined.\(^1\) In fixing the target price the government takes into account the Council decisions in the field of determination of prices.

50. In order that producers can make their production plans, the target price is to be fixed each year before September, to be applied as from 1 September of the year thereafter; for the marketing year beginning 1 September 1965 the target price has to be set before 1 May 1965. A scale of monthly increases in the target price for a period of eight consecutive months, starting from 1 December each year, is established by each producer member State, so as to take account of storage costs and interest. In this way a gradual and regular supply for the market is ensured through the marketing year. Apart from this monthly scale, the target price may not be changed in the course of the marketing season. The scales of monthly increases in the target price will be made identical in the producer member States in the course of the transitional period. Awaiting the establishment of a common scale, a maximum has been determined to the amount of these monthly increases of Frs.0.55 or 70 lire per 100 kg.\(^2\)

51. As in the case of cereals, the producer member States determine derived target prices. These prices are established for marketing centres of regional importance in the production areas. They are related to the basic target price in accordance with price differences due to natural conditions of price formation, such as transport and marketing costs, handling charges, etc.

\(^1\)Regulation No. 27/64/CEE, Journal Officiel, page 756/64.

\(^2\)Regulation No. 100/64/CEE, Journal Officiel 2121/64.
52. The establishment of a single market at the end of the transitional period requires the progressive approximation of the target prices. It was therefore considered important that the producer member States, in determining the target price for the year 1964/1965, did not widen the difference between the prices received by producers in each country in the year 1963/1964. Therefore, the Council fixed for the marketing year, beginning on 1 September 1964, an upper and lower limit. These limits were determined not, as in the case of cereals, for the basic target prices in the area with the greatest deficit, but for the derived target prices in the production areas, on the basis of the prices guaranteed to the producers in the member States at the beginning of the marketing season 1963/1964. These guaranteed prices established for paddy with round grains (common rice) were increased by 7 per cent and adjusted in relation to the common standard of quality for paddy. The result was converted from a price for paddy into a price for husked rice, taking into account milling costs and the rate of conversion determined in the conversion scale. The higher value, obtained in France, constitutes the upper limit and the lower value, obtained in Italy, the lower limit, between which each producer member State determines the derived target price applicable in the marketing centre of its zone having the largest surplus. Related to these derived target prices, taking into account differences in price due to natural conditions of price formation, are the basic target prices valid in the marketing centre of the zone with the greatest deficit in each producer member State. These limits and prices, as they have been determined, are the following:

**TABLE II**

<table>
<thead>
<tr>
<th></th>
<th>Target and derived target prices for husked rice per 100 kg. - 1964/1965</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>France</td>
</tr>
<tr>
<td>Upper limit</td>
<td>90.45 Frs.</td>
</tr>
<tr>
<td>Basic target price</td>
<td>94.83 Frs. (Dunkirk)</td>
</tr>
<tr>
<td>Derived target price</td>
<td>89.86 Frs. (Arles)</td>
</tr>
<tr>
<td>Lower limit</td>
<td>75.48 Frs.</td>
</tr>
</tbody>
</table>

These target prices will be increased in accordance with the monthly scale determined by each producer member State.

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1. Regulation No. 36/64/CEE, Journal Officiel page 825/64.
2. Regulation No. 27/64/CEE, Journal Officiel page 756/64.
3. Regulation No. 103/64/CEE, Journal Officiel page 2128/64.
4. Including the "diritto di contratto" of 675 lire.
53. The differences between the target prices, as well as between the threshold prices in the producer and non-producer member States, will be progressively reduced during the transitional period, in order to arrive at a single target price at the end of that period. The single threshold price will be established in such a manner that in the centre of the zone of the Community having the largest deficit the selling price of the imported products will be at the level of the basic target price. Because of the fact that the difference between the basic target price and the target prices in the production areas, for a substantial part, is due to transport costs, the question whether the deficit area will be determined at the North Sea ports or closer to the production areas is of obvious importance to the milling industry in the non-producer member States. The measures to be adopted in the field of prices by the producer member States for the marketing season 1965/1966, will be decided upon by the Council by a unanimous vote on a proposal of the Commission before 1 April 1965. Subsequently these measures will be decided upon by a qualified majority vote so that by 1 June 1969 at the latest, the appropriate provisions will have been laid down.

54. The Regulation allows member States which limit price guarantees to domestic producers to a certain maximum quantity (quantum) to adapt such a system gradually so that full application of the Regulation in this respect will be achieved not later than by the end of the transitional period. Under this provision France maintains a quantum which has been determined for the 1964 crop at 115,000 tons of paddy.

**Intervention price**

55. In order to afford producers a guarantee that the market price of paddy will be constantly maintained at a level bearing a normal relationship to the target price, taking market fluctuations into account, the producer member States determine an intervention price for paddy at all marketing centres where a derived target price is fixed. The intervention prices are determined on the basis of the relevant derived target price, adjusted from a price for husked rice to a price for paddy in accordance with the conversion scale, and taking account of milling costs. The amount thus obtained is reduced by a fixed percentage determined by each producer member State between a minimum of 4 per cent and a maximum of 7 per cent. In the final stage this reduction will amount to 4 per cent.

56. The relation between the derived target price and the intervention price may be illustrated by the following example:

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1Regulation No. 103/64/CEE, Journal Officiel page 2128/64.
Derived target price 100 kg. husked rice  
Sacking costs  
Conversion into 100 kg. of paddy  
Milling costs 0.95 units of account  
Value by products  
Reduction 5.03 per cent  
French francs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derived target price</td>
<td>89.86</td>
</tr>
<tr>
<td>Sacking costs</td>
<td>0.50</td>
</tr>
<tr>
<td>Conversion into 100 kg. of paddy</td>
<td>71.49</td>
</tr>
<tr>
<td>Milling costs</td>
<td>4.69</td>
</tr>
<tr>
<td>Value by products</td>
<td>66.80</td>
</tr>
<tr>
<td>Reduction 5.03 per cent</td>
<td>3.36</td>
</tr>
<tr>
<td>Total</td>
<td>63.44</td>
</tr>
</tbody>
</table>

On this basis the intervention price in France was determined at Frs. 63.44 per 100 kg. of paddy.

The intervention prices for paddy rice with round grains (common rice) have been determined by the producer member States as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Intervention price for paddy/100 kg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Frs. 63.44 (Arles)</td>
</tr>
<tr>
<td>Italy</td>
<td>Lire 6,560 (Vercelli)</td>
</tr>
</tbody>
</table>

For varieties other than round grain rice, a quality premium, determined by the member State concerned, will be granted.

57. The intervention prices are increased in relation to the monthly scale of the target prices. Since a maximum has been determined for the amount of the monthly increases in the target price it was considered appropriate in order to maintain a normal relationship between the target price and the intervention prices, to fix a corresponding maximum for the amount of the monthly increases in the intervention price. This maximum has been fixed at Frs. 0.48 or 60 lire per 100 kg. of paddy. Taking these limits into account, the French Government fixed the amount of the monthly increase of the intervention price for the eight-month period, December 1964 to July 1965, at Frs. 0.48, the Italian Government at 40 lire.

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1 Regulation No. 103/64/CEE, Journal Officiel, page 2128/64.

2 Regulation No. 104/64/CEE, Journal Officiel, page 2130/64.
Throughout the marketing season the intervention agencies (the Ente Nazionale Risi in Italy and the ONIC in France) are bound to purchase any quantity of paddy offered to them, but it is specifically provided in the Regulation that there is no obligation on the part of producers to deliver their products to these agencies. The agencies may also intervene on the market by way of purchases whenever the market situation so requires, but they may buy only at the intervention price. The intervention agencies store the paddy purchased and are entitled to sell the products on the domestic or international market. Any sales on the domestic market, however, may not take place at a price below the price corresponding to the target price applicable in the marketing centre of the zone of production: (in the example given in paragraph 56: Frs. 66.00).

GENERAL PROVISIONS

Under the Convention of Association between the European Economic Community and the African and Malagasy States, and under the Council decision relating to the association of overseas countries and territories, it is provided that in determining the common agricultural policy, the interests of these countries are taken into consideration as regards corresponding or competitive products. It has therefore been decided\(^1\) that as a general rule, a preference is granted to the imports of rice coming from the associated States and overseas countries and territories. On imports of paddy, husked rice and broken rice, the levy will be equal to the levy vis-à-vis third countries, but it will be reduced by the standard amount (0.16, 0.20 and 0.14 units of account for 100 kg. of paddy, husked rice or broken rice respectively). On imports of milled rice, the import levy will be composed of a variable part equal to the part applicable to third countries, and of a fixed part equal to the amount for member States (at present 0.33 units of account per 100 kg.).

A special régime has been created for rice originating from Madagascar and Surinam. Imports of rice from Madagascar into France, and of rice from Surinam into each of the non-producer member States, may be effected free from import levies up to an amount equal to the average quantity of paddy, husked and milled rice imported by the member State concerned in the years 1961 to 1963. These imports continue to be free from import levies until this quantity has been fulfilled. Hereafter imports of paddy or husked rice follow the rule applicable to the associated States and overseas countries and territories in general. However, in order to promote the processing of milled rice in Madagascar and Surinam it is provided that imports of milled rice from Madagascar into France

\(^1\)Regulation No. 121/64/CEE, Journal Officiel page 2383/64.
and from Surinam into each of the non-producer member States up to the same 
average quantity of paddy, husked and milled rice imported by the member 
State concerned in the years 1961 to 1963, may be effected at a levy of which 
the fixed part is determined at zero.

61. The Regulation specifically provides that it must be applied in such a 
way as to take account simultaneously and in an appropriate manner of the 
objectives of the common agricultural policy set out in Article 39 and of the 
common commercial policy as set out in Article 110 of the Treaty. This 
provision is the same as for the other products under common agricultural 
policy regulations.