The products which come under the common agricultural policy will henceforth be the object of a set of measures whose application is governed by the obligations of the Community. The Commission of the European Economic Community will transmit a communication concerning these products.

I. **Enumeration of State-trading enterprises**

(a) **Spirits monopoly**

This monopoly comprises:

Ethyl alcohol, spirits (mixtures of ethyl alcohol and water) and brandy (spirits with a considerable content of secondary ingredients giving the taste and smell).

They are subject to the import monopoly of the Federal Monopoly Administration, unless a general exemption from the import prohibition is provided by legal prescriptions or unless the Federal Monopoly Administration has expressly authorized importation. Legal exemptions from the import prohibition exist for rum, arrack, cognac and liqueurs. For armagnac, whisky, gin and geneva, a general import licence of the Federal Monopoly Administration is deemed to have been granted provided that particular conditions are fulfilled.
(b) **Inflammables monopoly**

This monopoly comprises:

Inflammables, inflaming chips, inflaming sticks made of straw, board or any other material, vestas made of stearine, wax or similar materials.

(c) **Marketing laws**

For four groups of products there are existing marketing laws (reproduced in translation in document MGT/47/57, Annex III), according to which, in addition to a number of products whose legal status has been appreciably modified by the common agricultural policy of the EEC, the following products are still subject to the national marketing organization.

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<th>Laws</th>
<th>Products covered</th>
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<td><strong>Sugar Law</strong></td>
<td>(a) Sugar for consumption and primary product of unrefined sugar</td>
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<td>(b) Residual products obtained from raw sugar, including syrups with a pure sugar content above 70 degrees</td>
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<td><strong>Milk and Fat Law</strong></td>
<td>(a) Milk and cream as well as specified milk products</td>
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<td><strong>Grain Law</strong></td>
<td>(a) Grains, milling products, residual products of flour and hulling mills</td>
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<td></td>
<td>(d) Fish meal, animal body meal and other fodder products of animal origin</td>
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<td></td>
<td>(e) Other fodder products containing predominantly organic matter</td>
</tr>
</tbody>
</table>
## Laws

### Meat Law

- (a) Livestock (bovine cattle, calves, pigs and sheep)
- (b) Meat and offals of such animals (for human consumption)
- (c) Meat products (treated or processed meat – including preserves – with or without addition of other foodstuffs as well as slaughtering fats)
- (d) Meat extract and meat juice as well as preparations for soup or broth, soup and broth (from above-mentioned animals).

## Products covered

## II. Reason and purpose for introducing and maintaining the State-trading enterprise

### Legal foundations

(a) **Spirits monopoly**

Within the Federal Republic of Germany spirits are monopolized by the Federal Monopoly Administration for spirits pursuant to the Law on the Spirits Monopoly of 8 April 1922 (Reichsgesetzblatt (I) page 405). As a financial monopoly (Article 106 of GG (Grundgesetz der Bundesrepublik Deutschland)), the Spirits Monopoly shall also cover the Government demand for receipts. Moreover, it pursues important agricultural, social (particularly middle class) and political aims as well as aims of national economy.

For improving agriculture and for maintaining and increasing the productiveness of light and meagre soil, the spirits monopoly promotes the manufacture of spirits in agricultural farms and makes possible the use of surplus root crops in peak period which can hardly be utilized for other purposes in areas remote from markets (processing). The residual liquid obtained in agricultural farms from potatoes and grains when manufacturing spirits (=Schlenpe) are a valuable feeding stuff making possible the intensification of animal husbandry. The soils of these farms profit by the large quantities of fertilizers resulting therefrom. Moreover, an increase in crop yields is reached. Besides farms cultivating fruit may use profitably in their distillery surplus fruit which cannot be sold.

The economic aim of the monopoly is to supply the domestic economy, by quantities and sorts, with the spirits required and, simultaneously, to avoid over-production of spirits and to promote the sale and consumption of spirits determined for industrial and technical purposes.
In order not to endanger these intra-economic aims the manufacturing use and import of spirits must be regulated. For the import of spirits, exemptions may be granted to a large extent pursuant to the laws and measures of the Federal Monopoly Administration. In this connexion there is to be read in paragraph 3 of the Spirits Monopoly Law:

"The Reich Monopoly Administration has the exclusive right of importing spirits, with the exception of rum, arrack, cognac and liqueurs, into the area of the monopoly. Imports by others are prohibited. The Reich Monopoly Administration may grant exemptions."

(b) Inflammables monopoly

Pursuant to the Inflammables Monopoly Law of 29 January 1930 (Reichsgesetzblatt (I) page 11) the inflammables are monopolized within the Federal Republic of Germany by the German Inflammables Monopoly Company.

The Inflammables Monopoly is based on the Treaty of 26 October 1929 concerning a loan granted to the German Reich. The Treaty has been concluded between the German Reich on the one hand and the Svenska Ådsticks Aktiebolaget, Stockholm-Now Jönköping (STAB) and the N.V. Financieele Maatschappij, Kreuger and Toll, Amsterdam, on the other which has meanwhile ceased to exist. The loan had been granted on the understanding that an inflammables monopoly was established for a certain period, i.e. up to the full redemption of the loan but for at least thirty-two years. The Inflammables Monopoly Law entered into force on 1 June 1930. The bonded debt still amounted to Dm 144.73 million in 1963.

Paragraph 2 of the Inflammables Monopoly Law reads, in extracts, as follows:

"Unless otherwise provided in this Law, the inflammables monopoly comprises... the import of inflammables from other countries into the area of the monopoly (import monopoly), ... the export of inflammables to other countries from the area of the monopoly (export monopoly) ..."

(c) Marketing laws

The following applies to those of the above-mentioned products not covered by the common agricultural policy of the EEC:

The four marketing laws although they are not fully uniform serve the same purpose and regulate and secure the sale of products on the domestic market as well as the supply of the population. This is to achieve constant market conditions and above all stable prices compatible with production costs on the one hand, and purchasing power on the other hand - and also to keep the market prices of products with legally fixed prices within the set limits. This will also have effects on the production. Sales and supply schemes also necessitate that imports be influenced; exports are on the other hand subject to approval. Moreover, storage may be effected of the products subject to the marketing laws including both imported as well as domestically produced products.
The stocks of sugar are the property of the sugar factories. There is hardly any need to keep stocks except in the case of sugar.

III. Description of the functioning of the State-trading enterprise

(a) Spirits monopoly

The Federal Monopoly Administration imports unprocessed alcohol to such an extent as is needed, by quantity or sort, for supplementing insufficient domestic production. The Law makes neither provision for export monopoly nor does it contain any restrictions in exports. The Federal monopoly administration does not take part in exporting, as exports are solely a matter of the free economy.

Under paragraph 3 of the Spirits monopoly Law, private traders may import spirits freely. Moreover, this provision was largely supplemented through the Federal Monopoly Administration by special provisions. Exports by private traders are not subject to any restrictions or conditions.

Since the Federal Monopoly Administration has not availed itself, for decades, of its right to manufacture and sell spirits pursuant to paragraphs 83, 90 and 95 of the Spirits monopoly Law, trade with products manufactured while using unprocessed alcohol is carried on solely by private traders. The Federal Monopoly Administration has the exclusive right of selling or importing unprocessed alcohol.

The Federal Monopoly Administration does not take part in exports. They are solely a matter of private traders and are regulated only in accordance with the competitive conditions of the free market. The quantities of unprocessed alcohol imported by the Federal Monopoly Administration depend on the domestic demand to the extent that it cannot be covered by home production. The quantities of spirit products imported depend on sales opportunities.

The export prices correspond to domestic prices excluding tax and monopoly charges. The products imported are not subject to any addition to the price. According to the tax and monopoly charges in connexion with home-produced spirits they are subjected to compensatory charges, the so-called monopoly compensation. Long-term contracts are not concluded by the Federal Monopoly Administration. The Monopoly does not serve to fulfil contractual obligations entered into by the Government.

(b) Inflammables monopoly

Within the Federal Republic, the manufacturers of inflammables are partners of the Inflammables Monopoly Company. They share in the overall demand of the Monopoly Company according to so-called quotas determined by the Monopoly Company. In addition to the taxes on inflammables, the Monopoly Company pays for inflammables to be delivered by manufacturers at fixed transfer prices. These inflammables are sold, at monopoly prices, to traders who sell them to consumers at fixed retail prices.
Imports and exports of inflammables are exclusively a matter of the Monopoly Company. Up to now, inflammables have neither been imported nor exported.

Private traders are not permitted to import or export inflammables. The methods of State trading are used to fulfil contractual obligations entered into by the Federal Government.

(c) Marketing laws

The regulation of imports and storage is effected by the import and storage agencies established by the marketing laws, operating under the powers conferred on them by laws and under instructions to be given. Their function in connexion with imports is supported by the customs authorities which under the laws must not clear imports, unless approved by the respective import and storage agency.

The procedures of approval for imports provide that any proposed imports must be offered for purchase to the competent import and storage agencies. If the offered product is admitted for importation, the agency purchases it formally and resells it to the importer. If it is rejected it cannot be imported. This point is decided upon pursuant to the general principles of international agreements. The product offered by the importer is not resold to him if it shall be stored for the agency's account.

In addition to guaranteeing the keeping of stocks this procedure of "purchase and resale" offers the possibility of (a) influencing quantity, quality and date of imports and (b) regulating in the case of certain products the price at which they are sold on the domestic market.

The possibility of importing products covered by the marketing laws is announced in the BUNDESANZEIGER, the quantity and quality concerned being indicated. If import applications exceed that quantity, the import and storage agencies decide which imports shall be effected. In that case the quantities applied for may be reduced proportionately or the most expensive imports may be excluded.

The influence exerted on the price at which the imported goods are sold in the domestic market is ensured by the fact that goods may be resold to the importers by the import and storage agencies at a fixed price. When no influence is exerted on the price, the purchase price offered by the importer is likewise his repurchase price. If the goods are repurchased at fixed prices the procedure has the same effect as an import charge if the domestic price exceeds the import price and as an import subsidy if the world market price exceeds the fixed domestic price. As far as the products are not imported for stockpiling (as mentioned above) they are admitted for free circulation in the domestic market as from the moment when their importation is approved.
IV. **Statistical information**

(None submitted.)

V. **Reasons why no foreign trade has taken place in the products concerned**

(a) **Spirits monopoly**

Does not apply.

(b) **Inflammables monopoly**

According to paragraph 3, No. 12 of the Treaty imports can only be effected if the demand cannot be covered by domestic production.

Paragraph 3, No. 12 of the Treaty reads as follows:

"The inflammables of the 'DZWAG' (Deutsche Zündholz-Vertriebs-Aktiengesellschaft - German Inflammables Monopoly Company) (see paragraph 4, section I of the Inflammables Monopoly Law) have, on principle, to be manufactured within the monopoly area. They must be kept available in such a quantity and condition as necessary to meet the domestic demand. If the deliveries of the Swedish group lag behind the quantity corresponding to their quotas, the compensation shall be effected by an increased delivery of the German group. If it is not even thereby possible to cover the demand, the 'DZWAG' shall have the right to import the quantities lacking ..."

The capacity of the domestic manufacturing plants is, at present, utilized to about 80 per cent only.

According to paragraph 3, No. 11 of the Treaty exports can only be effected at the domestic take-over prices, increased by 10 per cent.

Paragraph 3, No. 11 of the Treaty reads as follows:

"Inflammables shall be exported at transfer prices valid for the corresponding kinds, increased by 10 per cent ..."

These prices are not competitive on the world market.

(c) **Marketing laws**

Does not apply.